



Banca Transilvania

Self-assessment for the implementation of the Principles for Responsible Banking

November 2024



Signatory of the



Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Banca Transilvania S.A. („BT”) is a joint-stock banking institution incorporated in 1993 and headquartered in Cluj-Napoca, Romania.

The bank started its activity as a banking institution in 1994, under the license granted by the National Bank of Romania to carry out banking activities. BT is the first banking institution in Romania to be listed on the Bucharest Stock Exchange in 1997. By gaining the confidence of private and institutional investors, BT's market value has grown to RON 19.39 billion as of 31 December 2023 (+37% as compared with 31 December 2022).

Since 2018, BT became the largest bank in Romania and Southeast Europe in terms of total assets. As of 31 December 2023, BT has a market share of 20.14% by total assets, continuing to contribute to increasing financial inclusion of households and companies.

Business Model

BT's mission, as a private bank with majority Romanian capital, is to support the business environment and the general public through innovative financial services and products.

BT pursues a universal banking model, comprising retail, SMEs and wholesale banking operations and it provides services to a broad client base that includes retail clients and companies (both local and international).

In addition to the full spectrum of banking activities, BT's subsidiaries complement the bank by offering a complete set of financial products. BT's model of a decentralized decision-making system with autonomy at local level allows it to be nimble in making and implementing decisions and well-attuned to local characteristics and client needs.

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The Bank's number of active employees as at 31 December 2023 was 9,547 (31 December 2022: 8,651 FTEs), while at group level, BT employed 11,841 active FTEs (31 December 2022: 11,256 FTEs).

Main Activities

The banking activity and product offering focus on retail and SME customers, while other financial services are provided by BT subsidiaries (leasing solutions for retail clients and companies, microfinance for small companies and start-ups, consumer loans and cards, asset management, brokerage services, pension fund etc.).

BT is also the parent company of its corporate group and together with its subsidiaries forms the largest financial group in Romania („BT Group”).

Geographical Presence

With 511 branches (2022: 513 units), agencies and offices in Romania as well as one branch in Italy, an ATM network reaching 1,865 terminals (2022: 1,816 terminals), over 120,000 POSs installed (2022: over 100,000) and collaborating with almost 6,000 e-commerce merchants at the end of 2023, Banca Transilvania has the largest physical network of any of the banks present in Romania, providing in-depth coverage of the entire country.

The physical presence of BT allows it to offer reach, immediate support and assistance to its customers and is also leveraged by the other BT Group entities in offering an integrated, multi-faceted financial services offering.

Local Focus

One of main pillars of BT's strategy in recent years was the contribution to the development of the Romania's banking penetration and digitalization, managing to increase the number of digitized customers to 3.7 million, representing 89% of the active clients as of 31 December 2023 (31 December 2022: 3.3 million digitized customers, representing 85% of the active customer base). BT is perceived as one of the most digitalized bank in the country and BT Pay (mobile wallet) is one of the first banking and payments super-app in Romania. Digitalisation brings significant benefits to customers (real-time access to their account information, immediate payments and transfers, faster banking, etc.) and helps the BT streamline its processes and continuously improve the services offered to customers.

Serving millions of customers through its branch network and multiple digital channels, BT is the main financier of the Romanian

economy and runs a third of the payments made by the local population and companies.

As a local bank, BT has focused its strategy on developing the national economy and communities. Financial inclusion, helping small businesses reach bankable standard levels, and encouraging the entrepreneurial environment in Romania has been the DNA of the bank since its inception.

Developing specific in-house expertise, the bank has focused its lending policy on agriculture, healthcare, technology, infrastructure, manufacturing, industry, and education, areas that have been important growth drivers in the bank's loan portfolio in recent years.

BT's current objective includes supporting Romania's transition towards a more sustainable economy, as described in Romania's Sustainable Development Strategy 2030. In fact, BT is one of the first banks in Romania that, in partnership with international financial institutions, has launched green loan programs for both retail and corporate customers, especially in the field of energy efficiency.

Main Customer Segments, Products and Services

BT has an extensive client base which numbered, at 31 December 2023, over 4.24 million active clients, being registered an increase of 8% compared with 2022, out of which: 3.8 million are retail clients, over 440,000 are active SME clients and over 12,700 are active mid-corporate and large corporate clients. Relationships with these clients are deep, strong, typically spanning over a long period of time and numerous types of products.

As at 31 December 2023, 47% of the loan portfolio consisted in exposure to retail clients (28% in housing loans and 19% in consumer loans and credit cards), the rest of 53% being exposure towards companies: SMEs – 13% and corporate clients – 40%.

In absolute terms, the loan exposure to retail clients amounted to RON 31.4 billion, loans to SMEs amounted to RON 9.1 billion, while exposure to corporates amounted to RON 26.9 billion. More than 16,000 Romanians bought a house in 2023 with the help of BT, the amount granted exceeding RON 4.7 billion, while over 110,000 consumer loans, worth approximately RON 4.4 billion, were granted during 2023. Also in 2023, almost 22,000 loans were granted to SMEs. As further described below, please note that the Bank has specific commercial classifications; as such, the majority of corporates (as classified under BT definitions) actually fall under the European classification for SMEs.

Retail clients: BT and its subsidiaries provide retail clients with a wide range of financial products and services, including loans (consumer loans, car purchase loans, personal need loans and

Further details can be found in BT's [Annual Report](#) page 30

mortgage loans), savings and deposit accounts, payment services, leasing solutions, investment products, private pension schemes and securities trading.

Banca Transilvania is the leader in the card markets, having 6 million cards in its portfolio as of 31 December 2023, of which over 640,000 are credit cards. The cards transactions increased by 22% in 2023 compared to 2022, while the BT Pay mobile-app (wallet) is the most used mobile banking application in Romania. BT has pioneered the issuance of plastic-recycled cards starting with 2020 and as at December 2023, 98% of the cards in circulation are cards made of recycled materials, the remaining ones being cards that, due to design features, cannot be printed on recycled materials.

Companies are serviced with specialization approach per business segments depending on the size of the business:

- **Large Corporate:** mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function, public entities and financial institutions based on specific classification criteria.);
- **Mid Corporate:** mainly companies with an annual turnover between RON 9 and 100 million;

Services provided to the above segments this segment resides with loans and financings, current business operations (transactions, treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services);

- **SMEs:** mainly companies with an annual turnover between RON 2 and 9 million;
- **Microcompanies and startups:** mainly companies customers with an annual turnover up to RON 2 million.

The limited lifespan (many such clients are newly set-up companies), the entrepreneur's expertise and the market on which the company operates generate specific needs for SMEs, micro and start-ups, which BT and its subsidiaries aim to serve through dedicated product and service packages, which have become a hallmark in the Romanian banking sector. Lending products are accessed more frequently once the business grows and requires loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.

BT is also the most important player, the bank of choice, for SMEs when it comes to Government/State programs, being the largest partner bank in Romania.

Sectors of Focus

The sectorial approach employed by BT over the years, made it best positioned in two critical sectors:

<ul style="list-style-type: none"> • Healthcare – BT is the largest lender to the medical sector, supporting over 70,000 healthcare professionals (2022: over 60,000 doctors) and healthcare businesses (~40% market share in healthcare financing) and has contributed significantly to the development of the Romanian private healthcare system especially in the last 18 years with the establishment of the Division for Medical Doctors. BT granted loans in the Romanian healthcare system amounting to RON 1.25 billion in 2023. • Agriculture – BT is one of the largest lenders in the agriculture sector in Romania, with over 20% market share and almost 40,000 agri customers. New loans granted for agri customers amounted to RON 3.7 billion in 2023. 	
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Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones:
 None of the above

Sustainability Agenda

In defining its sustainability strategy, Banca Transilvania has ensured that the sustainability agenda cascades down from global priorities to the local realities.

Such an understanding provides an objective perspective on how our actions and activities relate to the global sustainable development agenda and how our operations and business model play a role in Romania's transition to a more sustainable economy.

Sustainability Strategy

The BT Group's sustainability strategy, approved at the Board of Directors' level, spans over a minimum three-year horizon, and is

Links and references

[Banca Transilvania Sustainability report](#)

closely aligned with the business strategy. Our sustainability strategy is based on a deep sense of responsibility and duty we owe to the environment, our customers, employees, communities, and the overall Romanian economy and is based on three main pillars:

Performance - from our position as a leader in the banking sector and the main financier of the Romanian economy, we know what our responsibility is and what people expect from us; we contribute to the growth of the Romanian financial sector; we invest in digitization to broaden financial inclusion; we contribute to a more inclusive economies and to the entrepreneurial and financial education of companies and population; our lending policies and procedures are based on responsible financial principles; we focus on developing our loan portfolio and investing in sustainable sectors where we can stimulate innovation and have a positive impact on our communities.

People – diversity, human rights, equal chances, recruitment, and remuneration are placed on top priorities list.

Environment – we assess our direct and indirect environmental impact and integrate environmental protection principles in our lending policies. Our priorities are driven by an interest in reducing the environmental footprint of our business, with the aim of making a positive contribution to combating climate change by reducing negative environmental impacts.

The sustainability strategy considers also the national priorities and objectives for the implementation of the SDGs, such as: eradicating poverty, doubling the share of agriculture in the country's GDP, increasing financial literacy, reducing gender inequality, improving recycling and reducing plastic, connecting households to running water, improving air quality, etc.

Climate Change

BT recognized the role that the financial sector plays in supporting the transition to a sustainable economy, by being able to direct funds towards investments with a positive impact on the environment and communities and to engage with clients to facilitate the scaling of responsible business models. The pillars of the climate and environment business strategy include both supporting our clients to move towards a climate recovery and promoting the transition to sustainable finance based on current ESG expertise.

Climate change risk assessment and the implementation of appropriate mitigation measures, while identifying the business

– the Sustainability Strategy is detailed on pages 42-46

opportunities arising from the climate change adaptation and mitigations are essential elements in the sustainability strategy.

In terms of risk management, the measures implemented include assessment of the credit and investment portfolio to identify climate change risks, development of risk management tools, and promotion of sustainable financing.

Climate risk is assessed within BT from two perspectives: at the client level, as part of the environmental and social risk analysis, the impact of climate risk on the company's activity and the extent to which its activity affects the environment (emissions to water, air, soil) is analyzed – based on the principle of double materiality and at the portfolio level, based on a heat map reflecting the environmental, social, and governance risks associated with the sectoral distribution of the loan portfolio, the exposure of the portfolio to these risks is analyzed.

To manage climate risks, the bank has developed a tool that allows, depending on the company's activity and its location, to establish a level of climate risk, from "very low" to "very high". This tool considers aspects related to the historical level and trend of temperatures, precipitation, seismic events in the area, as well as the specific activity carried out. The internal risk factor assessment models are in line with the best practice and are built on IFC performance standards. The internal lending rules provide for the possibility of impacting on the client's internal rating following the performed environmental and social risk analysis.

The Bank is continually refining and mapping the entire loan portfolio regarding environmental, social, and governance risks for each sector of activity (such as agriculture, construction, transport, etc.) to identify the necessary measures to mitigate the potential negative effects of climate change on outstanding loans. The result of the ESG analysis consists in an ESG score that will be fully integrated in the overall rating of the client (medium-term target – at the moment BT is monitoring and testing the impact of the ESG Score in the customer rating and creating a solid baseline).

BT seeks to strengthen its skills in analyzing these risks by allocating specialized resources, such as a dedicated team of environmental experts and the training of credit analysts through courses held by internal experts or external specialists in this field. In addition, BT closely monitors all regulations that are or will come into force in the future, and is actively involved in working groups at national and European levels.

To capture the opportunities arising from climate change, BT identified seven areas of focus: financing projects for renewable energy production and distribution, supporting companies of all sizes for higher energy efficiency, especially in the current national and global context of evolving costs, 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 and special environmental transactions.

BT aims to continuously refine its strategy objectives in what regards climate change. Starting 2023, BT deepened the dimension of its Carbon Footprint calculation, and for the first time audited its financed emissions (scope 3, category 15). 2023 is the second iteration for the calculation of its financed emissions (2022 being the first year). Moreover, BT managed to improve the overall PCAF score for Portfolio Footprint (Scope 3, category 15 – Financed Emissions) therefore improving the accuracy of the results.

Specifically, BT set clear objectives in the sustainability strategy and targets to grant RON 3.5 billion of green loans to companies during 2023-2025. In addition, a distinct objectives was set for green mortgages to retail clients according to which 20% of the annual housing loans production will be granted for acquisition of green mortgages.

Furthermore, in 2024 the Bank started the assessment of the EU Taxonomy alignment of its loans, after previously reporting on the eligibility. At June 2024, under the Pillar 3 report, BT reported a level of 1.45% GAR stock based on turnover alignment, while GAR flow is 0.24%.

[Banca Transilvania Sustainability report](#)
– financed emissions (for the reporting year 2023) are presented on pages 79-90

[Pillar 3 Report](#)

Template 6. Summary of GAR KPIs				
<i>data as of June 2024</i>				
	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total	
GAR stock	1.45%	0.00%	1.45%	55.51%
GAR flow	0.24%	0.00%	0.24%	50.37%

* % of assets covered by the KPI over banks' total assets

Main challenges encountered in the assessment of green loans with EU Taxonomy reside in i) lack of data (eg companies in scope of CSRD, ie non- financial reporting directive, have the obligation to include the level of their turnover, capex and opex alignment in the reports, yet only approximatively 20% out of a sample of over 100 companies analyzed included a full assessment for 2023 financial year), as well as ii) difficulty in interpreting the criteria or iii) lack of more detailed information from the clients (eg as far as known of proceeds loans are concerned the Bank should perform its own assessment and not rely on the company's non-financial reports, yet in order to perform this assessment it needs additional information from the clients).

In order to further improve our risk management tools as far as climate risk is concerned, we are actively participating in IFC's initiative "ClimaLab", aiming to enhance the knowledge of our team, upgrade our existing tools and get insights into market practice in the field.

Financial Inclusion

Inclusion and access to financial products and services are key to the sustainable growth of a community. They contribute to poverty and inequality reduction, business development, job creation, and financial innovation.

BT's growth has been strongly interconnected with the development of the Romanian economy. The bank has contributed and will continue to support a more inclusive local economy. Therefore, through its business model, its nation-wide geographical coverage and offering access points even in economically underdeveloped or less populated areas, BT provides its customers with a range of dedicated solutions that support Romanian individuals, entrepreneurs, small business and SMEs regardless of their location or size of business, facilitating access to financial products and services including people in unbanked areas.

To complement BT focus on growing smaller business representing the backbone of the Romanian economy, BT established a dedicated microfinancing subsidiary, BT Microfinantare, that targets to develop the entrepreneurial ecosystem and to support the smaller business in the market reach bankable level. Thus, BT Mic offers financing both for starting entrepreneurs (start-ups operating for only 3 months) and for small companies with an annual turnover of up to 1 million lei, beyond the classic commercial company, i.e., authorized private individuals, sole proprietorships, self-employed professionals, individual agricultural producers, and associations/foundations. BT Microfinantare is the largest microfinance company in Romania, working with over 18,300 small businesses across over 400 types of activity in 3,500 municipalities, to support and develop the daily activity, purchase of goods, payment of suppliers, investments in work points and / or opening new ones, the purchase of machines/equipment, etc. In 2023, over 8,500 micro-companies received financing from BT Microfinantare.

At the same time, BT employs significant resources for digitalization, as it considers it to be a key element in the banking sector in the context of sustainable development, as it can help promote financial inclusion, reduce the carbon footprint of banking operations, and facilitate the transition to a low-carbon economy.

One of the main ways in which digitalization contributes to financial inclusion is by making banking services more accessible to people who may not normally have access to traditional banking channels.

<https://www.ifc.org/en/presroom/2024/ifc-unveils-a-new-initiative-to-help-financial-institutions-in-europe-manage-climate-risks>

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This can help promote responsible economic growth and poverty reduction, both important components of sustainable development.

In addition to promoting financial inclusion, digitalization can also help reduce the carbon footprint of banking operations. Replacing paper-based processes and migrating to digital transactions significantly reduces the amount of paper used and energy consumed. Digital platforms can enable customers to access their banking services remotely, reducing the need to physically travel and further lowering the carbon footprint of banking. Key monitored KPIs to this end is presented in BT's 2023 Sustainability Report.

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response:

Following the adherence to the UNEP FI (United Nations Environmental Program - Finance Initiative) Principles for Responsible Banking (PRB), in February 2022, BT started the portfolio impact analysis, which reveals that the activities carried out by the bank may have an impact on the economy, the environment, and society, and may generate negative or positive contributions to sustainable development.

The identification of potential areas of positive and negative impact customized across the portfolio was carried out using the UNEP FI Portfolio Impact Analysis Tool, valid as of February 2023.

For the analysis purpose we considered the entire BT's loan and product portfolio with its particularities, split in two categories:

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¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

Consumers (i.e. retail clients) and Business & Corporate Banking (i.e. companies).

The portfolio in scope was covering Romania based customers, as the bank is present only in this geography.

The reference date for the last data collection was 31.12.2022. As the portfolio did not structurally change in 2023, the results are still up to date, and the analysis did not need to be repeated in consultation with UNEP-FI.

In order to determine the impact of the BT's portfolio, data by sector of activity (based on NACE coded) were selected for analysis and "country priorities", relevant to the Sustainable Development Goals were taken into account, by using the Context module. The value of the outstanding loans was used as the basis for our data collection.

We aimed to identify the main sectors in the portfolio with a negative impact on the environment, social approach and areas with potential added value in mitigating climate risk. The results of the analysis revealed that there are two major impact areas to be addressed, namely:

- Circularity .
- Financial health

Based on the impact analysis results and country priorities, **Financial Health** covering both **Healthy economies** and **Availability, accessibility, quality of resources and services** was selected as key areas of significant positive impact that we intend to prioritize in order to define the target setting strategy. Taking into consideration the results and the most pressing global matters, we will also consider **Circularity** as the negative impact to be addressed for the following years, without ceasing our current efforts to reduce other environmental and social negative impacts.

These two impact areas are covering key topics linked to both Consumer & Business/ Corporate Banking client segments.

The goal-setting process aims to increase the positive impact and reduce the negative impact, provide responsible services, and support customers responsibly, engage and cooperate with stakeholders, develop a responsible banking culture and governance, and make specific and public commitments while ensuring transparency on achievements.

To ensure consistency of the impact analysis' results with stakeholder expectations, the Materiality matrix has been cross referenced. Sustainable finance, economic value generated, community investments and digitalization& cyber security were rated as the most important issues for our stakeholders. On top of these, climate change mitigation/adaptation was also quoted as a top priority.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.

Response

For the analysis purpose, we considered the entire loan portfolio of the bank, distributed in two segments:

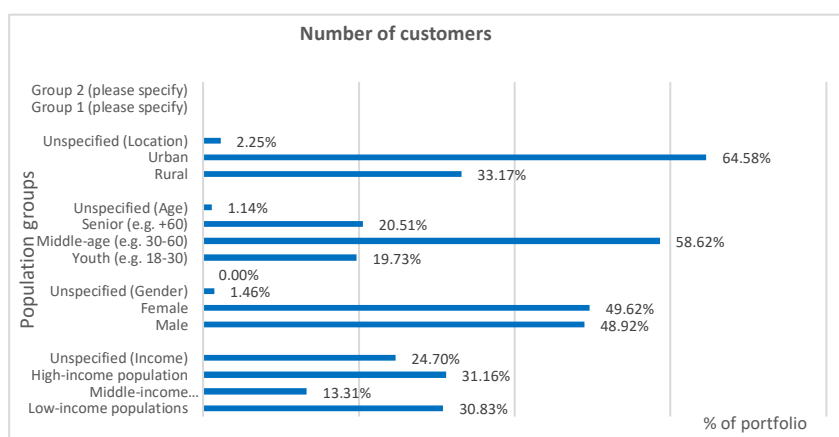
- Consumer banking –Retail segment representing 47% of the total portfolio
- Business & Corporate banking - SME, Corporate, and Large Corporate segments - accounting for 53% of the total portfolio.

For **Consumer banking**, the effects of the following banking products were analysed in details: current accounts, deposits, credit cards, loans, and dedicated products.

We considered the composition of our consumer banking business line with reference to consumer customer numbers by product type, age bands, income bands, location (rural/ urban) and gender.

The following breakdown shows the percentage composition of consumer banking customer numbers by product type and the above specified categories.

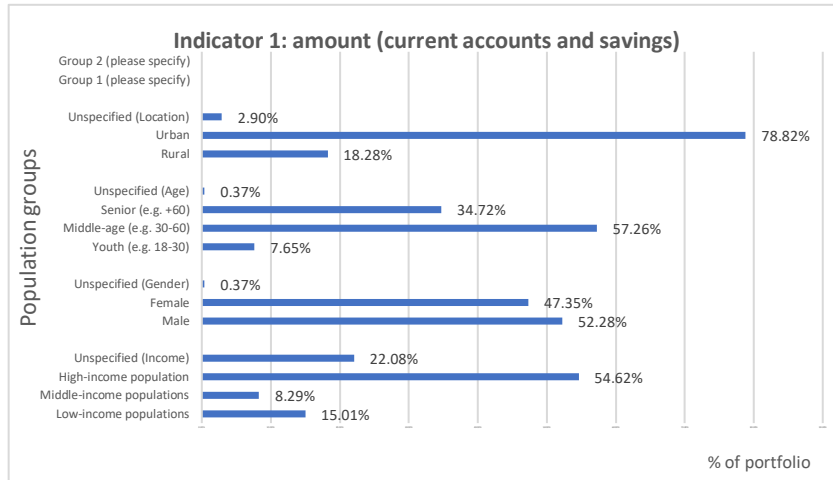
Distribution of products/services across population group:



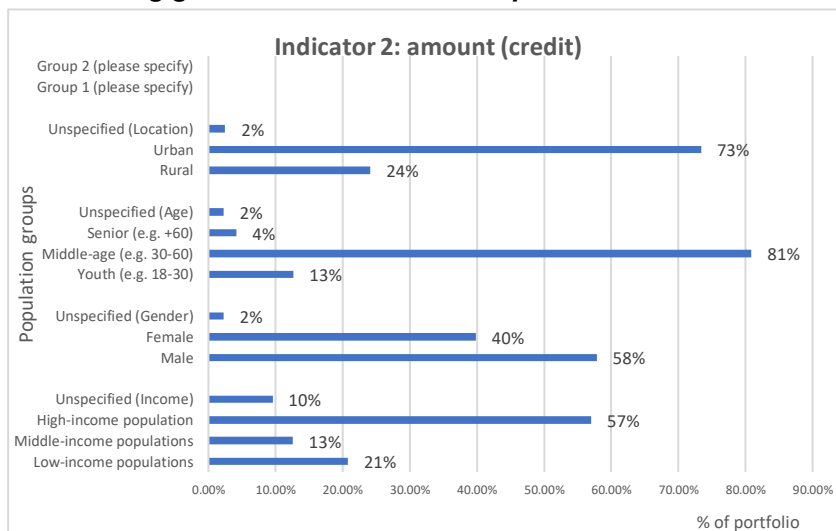
Links and references

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Considering the current accounts and savings:



Considering granted loans & dedicated products

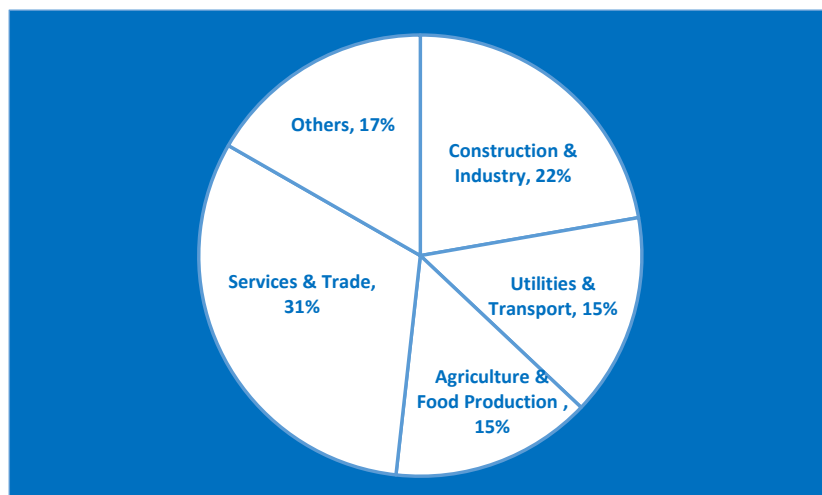


Business & Corporate banking: Due to highly dispersed loan portfolio per sector of activity and in order to have a detailed view as close as possible to the particularities of each business segment in the Business & Corporate banking category, the portfolio was grouped into 5 categories, namely:

- Construction & Industry: infrastructure, real-estate, commercial facilities, light industry, heavy industry, chemical industry, building materials;
- Utilities & Transport;
- Agriculture & Food Production: crops, stock, food industry, other agriculture;
- Services & Trade: retail, wholesale, horeca, other services

- Other activities: mainly financial institutions, healthcare self-employed.

The distribution of the portfolio across the 5 categories was done based on NACE codes:



c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

Romania, alongside other 192 other countries, UN member states, has undertaken to establish a national framework to support the 2030 Agenda for Sustainable Development, which includes a set of 17 Sustainable Development Goals.

The Global Action Plan, which Romania chooses to support in the coming years, addresses mainly poverty alleviation, fighting inequality, social injustice and protecting the planet by 2030 by taking urgent actions to combat the climate change and its impacts.

When conducting the impact analysis to identify the positive and negative impacts of the company's activities and the areas with the most significant impacts, we also considered the context in which BT operates including country priorities and material topics as identified following the consultation with the stakeholders (as detailed in section Principle 4- Stakeholders).

Therefore, the main topics taken into account were:

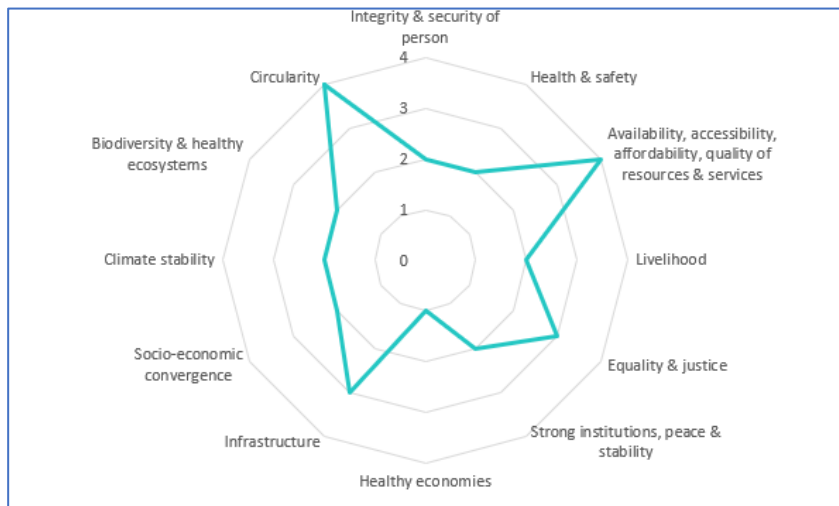
- circularity (SDG12);
- availability, accessibility, affordability, quality of resources and services (SDG2, SDG3, SDG4, SDG7, SDG11);

Links and references

[Romania's Sustainable Development Strategy 2030](#)

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

- infrastructure (SDG9)
- equality & Justice (SDG5, SDG10) and
- healthy economies (SDG8).



Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)5? Please disclose.

Response

The most important positive and negative impact areas based on the impact analysis are the following:

- For **Business & Corporate Banking segment**:
 - the positive portfolio impact occurred mainly in the following impact areas:
 - Availability, accessibility, and quality of resources and services;
 - Healthy economies; and
 - Infrastructure.
 - from a negative impact perspective, Circularity will be taken into account in the process of setting targets for the next period as it has been found to be validated on the negative impact area for 3 out of the 5 categories defined on the basis of business sectors for business & corporate banking: Construction & industry, Utilities & Transport, Agriculture & Food production.
- For the **Consumer segment**:
 - Availability, accessibility, and quality of resources and services has been identified as an area to focus on in order to define sustainable objectives.

Links and references

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

<p>○ In addition, we will pay attention equally to the two key impact areas predefined into the model as priorities, namely: the Financial area and Equality and Justice.</p> <p>Together with our partnering IFIs, including the EBRD, the EIB, the EIF, and the IFC, BT is working closely to develop products and services to support the transition of Romania's economy, and through our membership of UNEP-FI and the Principles for Responsible Banking, we are taking an even broader view of the environmental and social impact of our operations.</p>	
<p>d) For these (min. two prioritized impact areas): <u>Performance measurement.</u> Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	
<p>Response</p> <p>Considering BT's portfolio structure and the impact analysis resulted that the largest potential positive social impact is Financial Health with an increased attention on Availability, accessibility, affordability and quality of resources and services as Banca Transilvania is creating access to finance for customers, which stimulates the real economy and increases people's welfare.</p> <p>In addition, BT is considering mitigating climate risks in its lending processes (as described in Section 3 below). In addition, as detailed in Section 1, BT established clear objectives towards building a green loan portfolio:</p> <ul style="list-style-type: none"> • RON 3.5 billion new green loans granted to companies during 2023-2025 (validated through CAFI⁶ methodology). During 2023, the Bank granted RON 1 billion of new green financing granted to companies, an increase of 31% compared to the RON 789.6 mil. granted in 2022. Therefore, at the end of 2023, the target is reached in proportion of 29%. Progress is notable also for 2024, with production of green loans validated through CAFi being currently estimated to reach additional RON 1.7 billion for the entire 2024, therefore 	<p><i>Links and references</i></p> <p>Banca Transilvania Sustainability Report – page 71-73</p>

⁶ CAFI – Climate Assessment for Financial Institutions, developed by International Financial Corporation (IFC)

the target will be reached in proportion of 77% (estimate at the date of this report). The two main types of green loans were renewable energy and green buildings).

- 20% share of new green mortgage loans out of the annual new production of housing loans for the retail customers. During 2023, the proportion of green mortgages in total housing loans accounted for 18% and for 24% in 2022, therefore the target is considered virtually met.

In terms of financed emissions, BT determined its loan portfolio's carbon footprint for the first time in 2022, based on the PCAF standard (Partnership for Carbon Accounting Financials), covering the main financial asset classes. In 2023, BT continued to refine and expand the calculation and audit of financed emissions, while also extending the carbon footprint calculation to all relevant categories of its activities. Therefore, BT delivered the commitment to finalize the carbon emissions inventory at the end of 2023.

The calculation of 2023 financed emissions covers 100% of the credit exposures for which there is a PCAF methodology defined. This represents 57% of the overall credit exposure. The remaining uncovered exposure represents consumer loans (secured and unsecured), exposures to municipalities, off-balance sheet exposures and share of mortgage loans and commercial real estate loans covered by other types of guarantees, other than RRE or CRE. The 2023 financed emissions calculation is fitted to represent the baseline emissions, based on which objectives will be set.

The intensity value of the total financed greenhouse gas emissions as at 31 December 2023 is presented below:

- **Total Financed Emissions:** 4,874,040 tCO₂
- **Emission Intensity Value for 2023** 0.047 kgCO₂ / RON outstanding, 27% lower than the emission intensity value for 2022 (0.064 kgCO₂ / RON outstanding), both overall and on every asset class. Also, the data quality in 2023 was significantly improved compared to 2022 mainly for business loans, vehicle loans, equity instruments and debt instruments, leading to more accurate and reliable results. For the first time in 2023, the study included exposure to sovereign bonds, specifically Romanian government bonds, in the computation of financed emissions

There is no specific benchmark or average for financed emissions intensity value amongst European banks, but there is a growing focus on reducing emissions and promoting sustainability within the financial sector.

[Banca Transilvania Sustainability Report](#)
– page 81-84

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁷

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

*Climate change mitigation, climate change adaptation, **resource efficiency & circular economy**, biodiversity, **financial health & inclusion**, human rights, gender equality, decent employment, water, pollution, other: please specify*

The most significant impact areas we decided to focus on are Financial health considering both Healthy economies and Availability, accessibility, quality of resources and services as well as Circularity , these being selected as key areas.

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:
(optional)

⁷ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response:

This is our second report.

Following our impact analysis, we initially decided to focus on the following two main areas naming **Availability/ affordability/ accessibility/ quality of resources and services** and **Healthy economies**.

However, reviewing the whole economic and business context we decided to enlarge the scope, by including **Circularity**, aiming to diminish the negative component of the impact and enhance the positive one, this being also a **strategic national priority**, as per the National Circular Economy Strategy (NCES) and the Circular Economy Action Plan (CEAP) launched in 2023. Setting an objective that concerns circularity is also related to **SDG 12 – Sustainable consumption and production**, as it aims to educate clients to **reassess the way in which their business models are designed** by addressing issues from greenhouse gas emissions to plastics, resource scarcity or waste management.

Financial institutions can play a significant role in scaling up and accelerating the transition to a circular economy, i.e an economy that ensures optimal use of resources and leads to reductions of generated waste. Circular economy is an alternative to the linear economy approach that operates from a take-make-waste model which leads to resources depletion and generates unacceptable levels of waste.

The main initiatives that we plan to implement in this respect are:

- i) develop **in-house knowledge and identify risks and opportunities** related to circular business models by using the 9 Rs circularity concept of refuse, reuse, reduce, redesign, repurpose, remanufacture, repair, refurbish, recycle; as such, we plan to incorporate in our ESG risk analysis, which already includes waste management and resource efficiency, **an enhanced**

Links and references

<p>analysis of the level of circularity of the business model based on the 9Rs concept;</p> <ul style="list-style-type: none"> ii) raise awareness of the implications of resource efficiency and circularity at large at the level of the Bank and through engagements with our clients; furthermore, trainings of our relationship managers are paramount to ensure that they are well equipped to engage with clients on the risk and opportunities related to the implementation of a circular business model; iii) start analyzing ways to measure circularity related loans at the level of our balance sheet. <p>To conclude, Banca Transilvania is in a proper position to start working on the circularity area of impact given our already implemented ESG analysis in the underwriting process that includes resource efficiency and waste management aspects, as well as considering our collaboration with IFC on developing blue finance portfolio (ie. EUR 100 million) aiming to finance the reduction of plastics that affects our waters among others.</p> <p>In 2023, we initiated focus on agriculture waste resulted from harvesting and in 2024, we continued the process by making the transition to a wider customer base. We therefore broadened our perspective and turned our attention to two other types of business: segregated collection of waste (NACE 38110) and primary waste treatment of waste (NACE38320). A total value of RON 25.5 million has been granted to such clients in in 2024, up the the date of this report.</p> <p>Our initiatives are also in line with the EU's Circular Economy Action Plan which states that a significant percentage of the waste collected and treated daily by municipalities should be reused or recycled by 2030, i.e. the total amount of municipal waste not recycled is to be halved by 2030. By then, all EU Member States must recycle at least 60% of their municipal waste. According to the assessment carried out by the European Environment Agency, 10 Member States have been identified as being at risk of not reaching this recycling target, including Romania. Therefore, in conjunction with our intention to focus on the area of Circularity resulting from the impact assessment, Banca Transilvania also considered the area of waste recycling, since, the proper collection and treatment of waste avoids the negative impact that waste can have on the environment and human health. Waste, if reused, recycled or properly recovered, can be transformed into resources, contributing to the transition towards a cleaner, climate-neutral and circular economy.</p>	<p><i>Banca Transilvania Sustainability Report</i> <i>Page - 73 - special environmental founding</i></p> <p>https://www.europarl.europa.eu/topics/ro/article/20180328STO0075/1/gestionarea-durabila-a-deseurilor-ce-face-ue</p>
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⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

One of the priorities in the area of recovery and use of metals and plastics will be to engage with companies in Romania that are targeting selective waste collection (based on internal research, there are roughly 30 companies in Romania in this field). In 2024, up to the date of this report, BT managed to engage with part of these companies and granted a number of 5 loans to 4 operators, some of the financing being for the acquisition of specific metal recycling equipment (metal cutting saws) and other for the current business need of companies that collect and recycle plastic waste. As of 31 December 2023, such specific financings to companies whose object of activity is waste recycling were not present in our portfolio.

In what concerns the areas of **Availability/ affordability/ accessibility/ quality of resources and services** and **Healthy economies**, BT issued in 2023 the Sustainable Finance Framework, which enables it or its subsidiaries to issue sustainable financial instruments to finance and refinance projects that facilitate the transition to a low-carbon and climate-resilient economy and/or have a positive social impact and alleviate social problems.

Under this framework, the eligible categories for the use of proceeds are:

- Green Categories: Green Buildings, Renewable Energy, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use
- Social Categories: Employment Generation, Access to Healthcare and Access to Education.

The category under the employment generation is aligned with SGD8 – Decent Work and Economic Growth, particularly:

- 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services and
- 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all

Given BT's particular focus on **SMEs**⁹, the bank tailored this category that addresses SDG8 in a more granular manner. As such, Under the Employment Generation category, BT may finance or refinance:

- **Self-employed farmers**, including those located in drought and flood prone areas located in socioeconomically disadvantage areas, defined as NUTS 2 regions where: i) the GDP per capita is lower than the national average; and ii) the

[Sustainable Finance Framework](#)

[Sustainalytics Second Party Opinion](#)

⁹ SMEs as per EU regulation, ie at least 2 of the following 3 criteria are met, total turnover maximum EUR 50 M, total assets maximum EUR 43 M and employees < 250.

GDP purchasing power standard per capita is lower than 75% of the EU-27 average:

- **MSMEs**, as defined by the EU regulation, meeting one of the following criteria:
 - Located in socio-economically disadvantaged areas in Romania, defined as NUTS 2 regions where: i) the GDP per capita is lower than the national average; and ii) the GDP purchasing power standard per capita is lower than 75% of the EU-27 average.
 - Female-owned, with at least a 51% female share
 - Youth-owned: entrepreneurs between 15 and 30 years of age, who are not in employment, education or training
 - Startups no older than three fiscal years

In terms of importance of SDG8 in Romania, it is to be noted that Romania's GDP grew at an annual rate of 3.6% between 2006 and 2019. However, Romania currently holds the second-lowest GDP per capita in the EU, besides ongoing poverty and inequality issues. In 2020, Romania had a Gini Index of equalized disposable income at 34.8 out of 100, making it the fourth highest in the EU, indicating that inequality continues to be high. While the bottom 40% of the population is largely excluded from the benefits of economic growth (half of this cohort is unemployed), the country has experienced only a small increase in shared prosperity average growth: 1% between 2015 and 2020.

MSMEs in Romania employ 65% of the country's overall workforce and accounted for 99.8% of all non-financial sector companies, which employ 21% of the total population. Romania's Recovery and Resilience Plan (RRP) of EUR 29.18 billion and the national share of structural funds (EUR 31.5 billion for the 2021-27 period) have the potential to boost the economy. The MSMEs stand to benefit both from the financial allocation and the RRP reforms. However, access to finance remains an issue for scaling up companies, especially SMEs: in 2021, the country ranked 20th among the EU-27 in the EIF SME Access to Finance Index, representing a constraint in access to external finance, and had the fourth highest share of firms facing financial constraints in the EU in 2022.

BT intends to continue financing MSMEs in Romania, which will enhance employment generation and support the Romanian economy and, therefore, lead to GDP growth and poverty alleviation in Romania.

BT managed to issue its first sustainable bond in November-2023, with an allocation of proceeds 40% to green eligible loans and 60% to social eligible categories. An amount equal to the proceeds of EUR 500 million from the bonds will be used to finance and/or refinance a portfolio of eligible loans, as defined by the eligibility criteria.

[*Allocation and Impact Report*](#)

By the date of this report, BT issued its first allocation and impact reporting with reference date 31 December 2023.

The impact assessment of Banca Transilvania’s MSME lending portfolio focuses on loans provided to MSMEs in Romania as at 31 December 2023 and estimates gross value added (GVA) and employment supported by lending to MSMEs in Romania. An input-output (I-O) analysis approach was used to estimate the employment and GVA impacts of supporting MSMEs in the Romanian economy. These impacts arise from the MSMEs’ operations (expenditures), which create further spending in the Romanian economy. The I-O analysis revealed the following:

→ Direct impacts: those that arise specifically from the lending to SMEs (and therefore the SMEs’ spending) by sector.

→ Indirect impacts: those generated when suppliers of goods and services must themselves purchase inputs from other sectors of the economy.

→ Induced impacts: those produced by employees in sectors where the direct and indirect impacts take place, spending their additional wages and salaries on consumer products and services.

The analysis was based on the 2020 Romanian I-O table, and the results were adjusted for inflation and productivity by sector.

The estimated direct, indirect, and induced impacts of Banca Transilvania’s MSME lending in Romania:

Impacts	Gross output (RON, millions)	GDP (RON, millions)	GVA (RON, millions)	Employment (000s)
Direct	14,788.8	6,564.0	5,992.9	61.7
Indirect	8,038.2	3,864.7	3,528.4	21.1
Induced	8,445.4	2,150.5	1,963.4	13.1
Total	31,272.3	12,579.2	11,484.7	95.9

Banca Transilvania will continue to monitor and report the allocation and impact of the sustainable bonds issued with the objective to maximise its positive impact in terms of **Availability/affordability/ accessibility/ quality of resources and services** and **Healthy economies**.

Other objective set by Banca Transilvania related to the impact area of affordability and availability was to increase easy access to the products on offer. As detailed above, Banca Transilvania continued accelerating the digitalization process also in 2023, with a significant increase in the use of remote banking solutions offered to clients:

- the number of digitized customers increased to 3.7 million, representing 89% of the active clients as of 31 December 2023 (31 December 2022: 3.3 million digitized customers, representing 85% of the active customer base)
- 96% of transactions were initiated through digital channels

[MSME Impact Report](#)

- +22% increase in the number of card transactions (2023 vs. 2022);
- the number of BT PAY users increased by 27% in 2023 compared to 2022 and approximately 60% of cards issued are cards enrolled in BT PAY;
- 21% of small interbank amounts in EUR are received instantly and 16% of small payments in EUR are instant;
- Over 100,000 Generation Z customers in BT PAY KIDDO;
- Launching the the first 100% digital bank in Romania
- Number of payments by phone up 48% in 2023 vs. 2022;
- 96% of transactions were initiated through digital channels;
- 50,000 customers (companies) enrolled in BT GO and payments worth over 1 billion;
- 5,000 entrepreneurs have accessed the invoicing options through BT GO.

Customer engagement is key for progressing on both directions As such, in 2023 BT carried-out campaigns about the non-reimbursable financing programs aimed at promoting the production of energy from renewable resourcees (PNRR, Large Infrastructure Operational Program) – 3 campaigns and 17,690 informed clients (as detailed in Section 3).

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial Health</i>	<i>B 1.2- % of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health</i>	<i>Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health_Please see the details on chapter 5.2 from current report.</i>
	<i>B2.2 - % of customers actively using</i>	<i>Transactional data based. Measures the percentage of customers using one of the following digital platforms: Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools)</i>

	<i>the online/mobile banking platform/tools</i>	
	...	
<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
	...	
	...	
	...	
<p><i>Response</i> The baseline for the above mentioned targets was established based on UNEP FI guidance.</p>		<p><i>Links and references</i></p>
<p>c) SMART targets (incl. key performance indicators (KPIs)¹⁰): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>		
<p><i>Response</i> In the upcoming period, Banca Transilvania will refine the established targets and based on further analysis will define the relevant parameters (SMART definition) for targets implementation evolution monitoring for the chosen key impact areas.</p>		<p><i>Links and references</i></p>
<p>d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>		
<p><i>Response</i> Partially defined as per the above mentioned in chapter 2.2. Even so, for some of the targets there were already made significant steps for achieving the objectives.</p>		<p><i>Links and references</i></p>
<p>Self-assessment summary</p> <p>Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...</p>		
	Financial health	<p><i>Circularity</i></p> <p>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s)</p>

¹⁰ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

			of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

<i>Response</i>	<i>Links and references</i>
<p>According to the details provided in chapter 2.2, we have decided to broaden the scope initially set for the definition of the objectives, prioritizing circular economy on the list of strategic ESG objectives, following a more in-depth analysis of the specificity of the current portfolio and the European and national context.</p>	

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹¹ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹²). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

BT collaborates with its clients and customers via the following engagement types:

1. Engagement campaigns to educate customers about the climate change impacts of our products, goods, and/or services. Our sustainability strategy includes key actions such to develop awareness and entrepreneurial education on ESG issues through events dedicated to green finance, energy efficiency, and climate risk management. As objectives for 2023-2025, BT plans to run at least two national events in Bucharest and Cluj Napoca, allowing companies from several counties to attend. As progress for 2023, the Green and Sustainable Loans Department coordinated 3 campaigns in 2023 to inform BT's clients and customers about the non-reimbursable financing programs aimed at promoting the production of energy from renewable resources (PNRR, Large Infrastructure Operational Program), and the energy efficiency of production premises and equipment used (3 campaigns and 17,690 informed clients). Also, BT carried out retail-dedicated campaigns (individuals) with a focus on promoting special offers for credit card holders at partner stores offering sustainable products.

[Banca Transilvania Sustainability report](#)
– page 74

In September 2024 we organized together with the Romanian-British Chamber of Commerce an event “Financing the transition to a climate neutral economy”, where representatives of our clients and consultants/professional bodies (ACCA, E&Y) explained the difficulties encountered in developing and implementing a climate transition plan as per CSRD requirements.

Furthermore, we are currently working with IFC on a transition finance advisory contract, aiming to better understand how to analyze and finance climate transition plans.

2. Engagement on ESG topics through the lending process and policy, that stipulates that, within the credit analysis, an ESG risk management system is implemented, which applies to each credit application. Therefore, each transaction is being evaluated from the perspective of ESG risks. Transactions above certain thresholds or those involving a moderate or high degree of risk require additional advice from the ESG specialized team in the bank. However, any client/transaction will be analysed regarding 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 (e.g. different environmental and social risk analysis forms depending on the value of the transaction, including at least: assessment of the environmental management system, of measures to prevent and control pollution and emissions to water, air, soil, climate impact, transition risk, compliance with occupational health and safety measures, etc.).

The ESG risk analysis process is continuously improved in order to comply with any regulations that could affect both, the BT or its clients (e.g. including questions regarding physical and transitional climate risk management – mitigation or adaptation measures taken by the clients),

From June 2021, the bank 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.

Extensive ESG analysis is performed via questionnaires and data collection from clients in case of clients with a proposed exposure greater than RON 25 million. The assessment tool is more simplified for clients with a proposed exposure of less than RON 25 million, taking into account the nature of the counterparties (mostly SMEs) as well as the lower value of the exposures.

[Banca Transilvania Sustainability Report](#)
- pages 54-55

[Code of Ethics and Conduct](#)
[ABC Policy](#)

[Data Protection](#)

¹¹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹² Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

<p>In order to ensure proper engagement with the clients, regarding the ESG risks, all of relevant BT employees are properly trained via workshops and face-to-face or online training sessions.</p> <p>In 2024 BT introduced the mandatory ESG risk analysis training in its internal training platform, making it available for all employees (mandatory for those who are directly involved in the process e.g. commercial personnel, and freely accessible for all the other employees).</p> <p>3. Engagement with clients and customers through the materiality analysis for the purpose of non-financial reporting, whereby material ESG topics are identified and form the basis for sustainability reporting. Clients and customers are listed as one of the bank’s stakeholders and both companies and individuals are consulted during this process.</p> <p>4. Engagement through the Code of Ethics and Conduct, a document that 0-tolerance to bribery and corruption.</p> <p>5. Engagement though data protection and cybersecurity policies, fundamental concerns of the bank, both from a social and economic perspective.</p>	
<p>3.2 Business opportunities</p> <p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p><i>Response</i></p> <p>Please refer to Section 1 above for the business opportunities identifies in relation to the climate change and financial inclusion.</p> <p><u>Supporting Companies</u></p> <p>In 2023 Banca Transilvania continued on the green lending map with the Green Financing Framework on the categories of green and blue loans:</p> <ul style="list-style-type: none"> - ER Renewable Energy loan (dedicated to financing the production of energy from renewable resources); - EE Energy Efficiency Investment loan (with a decrease in energy used in the previous year or a reduction in greenhouse gas emissions by a certain amount); - Green transport loan (electric and/or hybrid cars and means of transport, as well as increasing energy efficiency in transport by replacing a means of transport with one that consumes less); - Loans for financing the construction of green buildings (those buildings that obtain the green building qualification at reception through EDGE, LEED, BREEAM, DGNBC, or Romanian Green Building Council certification); 	<p><i>Banca Transilvania Sustainability Report</i> – for the detailed Green Financing Framework please refer to the Annex 3 to the 2023 Sustainability Report on pages 185-187</p>

- Loans for investments that increase water efficiency (decrease consumption by a minimum of 10%) – through the upgrading of an existing facility, a water recycling/reuse project, or a project that will use alternative water sources such as groundwater, desalinated water, or the implementation of advanced (tertiary) on-site wastewater treatment;
- Loans for investments to increase adaptation to climate change, financing aimed at reducing the vulnerability of human or natural systems to the effects of climate change and risks related to climate variability by maintaining or increasing capacity to adapt to climate change;
- Special environmental finance - those loans for which the greenhouse gas reduction calculation cannot be quantified;
- Blue funding – funding with a direct impact on aquatic ecosystems such as oceans, seas, watersheds or water resources, distribution networks, or water treatment and purification plants.

The results of 2023, as compared with previous year:

- 2023: 460 green loans in value of RON 1,043.3 millions in new production
- 2022: 371 green loans were granted in value of RON 789.6 millions (aprox.160 mil. EUR).

Green loans granted to companies significantly increased in 2023 compared to the previous year. In most cases, customers were provided with commercial incentives for lending to the above mentioned destinations (reduced price, longer maturity of the loans, reduced collateral).

In addition, a key area of focus further on will be represented by products and services targeted to positively impact social areas, such as:

- Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a just transition (including through the potential effect of SME financing and microfinance)
- Food security and sustainable food systems
- Access to healthcare (hospitals and primary care facilities affiliated to National Healthcare System, palliative care facilities, dialysis and oncology centers);
- Access to education;
- Access to financial services.

Moreover, as already mentioned under **Climate Change** section we have started analyzing the EU Taxonomy alignment of our green loans, especially for renewable energy and green buildings

asset classes. This implies developing internal expertise (eg we have participated in the EU Commission technical workshop on financing the transition to a climate neutral economy in March 2024 and we have organized an internal workshop with PWC in June 2024 to further understand the EU Taxonomy provisions).

More importantly, engagement with our clients is needed, so as to collect the necessary information and data needed to perform the assessment (eg for DNSH – Do not significant harm criterion adaptation implies performing climate risk scenarios for the identified risks).

Supporting Retail Clients

BT serves over 3.7 million retail clients. Therefore, the retail segment remains an important area where BT strives to develop sustainable products and services that help customers to make more responsible choices.

In addition to the measures we take internally to reduce the impact of client interaction with the Bank (card PINs sent via SMS instead of paper, notifications, and statements sent electronically) or to reduce the impact of banking operations on the environment through cards issued on recycled materials, retail clients benefit from several types of green products and services:

- Green mortgage/ housing loan – the product that encourages clients to purchase high energy-efficient buildings. For this product, the clients benefit from reduced costs;
- Mobility solutions via the acquisition of new or used electric or hybrid cars;
- Dedicated campaigns with a focus on promoting special offers for credit card holders at partner stores offering sustainable product.

In 2023, the value of green mortgages granted to private individuals, (defined as EPC certificate level A) was RON 826 million, 18%% out of the total production. In 2023, approximately 1 of 7 mortgage/real estate loans granted will qualify as green (category A energy efficiency certificate). At the end of 2023, 7.73% of the retail loan portfolio consisted of green loan.

[Banca Transilvania Sustainability Report](#)

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Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹³) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response:

Stakeholder pressure is accelerating, reflecting a high societal demand for transparency and accountability in how financial institutions generate negative impacts on the environment and communities.

In the process of setting up the Sustainability Strategy, an extremely important step is to consult all of stakeholders and understand their perception of BT's approach to sustainability issues, as well as to assess the positive or negative impact of the actions undertaken.

The aim of this approach is to identify material themes that give us a picture of stakeholder perceptions and serve as a starting point for setting objectives in the area of sustainability. Potential material themes that are identified from the materiality analysis are anchored in:

- The context of sustainability in general and at the level of the financial banking sector;
- International sustainability reporting standards (GRI Standards, SASB, TCFD, ESRS draft);
- Existing (SFRD, EU Taxonomy, CSRD) legislation.

Materiality analysis for 2023 sustainability reporting was carried out by consulting our stakeholders, in order to draw-out & validate material topics and stakeholders expectations.

Links and references

[Banca Transilvania Sustainability Report](#) – materiality analysis and stakeholders' engagement on pages 47- 55

¹³ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

The list of potential material topics was based on an analysis of the activities of all BT Financial Group entities, our business relationships, the latest studies/reports, and trends in sustainability, the national and European legislative context (including CSRD, SFDR, EU Taxonomy), as well as industry best practices and other sustainability reporting standards e.g. Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), European Sustainability Reporting Standards (ESRS):

1. Environmental impact of our portfolio
2. Resource use and circular economy
3. Climate change
4. Suppliers
5. Economic value generated
6. Water and marine resources
7. Digitalization and cyber security
8. Our employees
9. Access to financial services, inclusion, and financial education
10. Business ethics and responsibility
11. Sustainable financing
12. Community investments

Following this mapping, **stakeholders** were grouped into 11 main categories, namely: employees, retail customers, companies, shareholders, government agencies/ regulatory authorities, financial institutions, investors/analysts, suppliers, business partners (consultants, auditors etc.), NGOs, industry associations.

Moreover, Banca Transilvania regularly interacts with all key stakeholders in order to sustainably align and optimize business processes.

Such approach has taken into account the suppliers of goods and services (direct suppliers, service providers and strategic partners that play a crucial role in the provision of goods and services that support the Bank's operations), with the objective of promoting responsible procurement practices.

As a result of these interactions, a supplier eligibility form incorporating environmental, social and governance (ESG) criteria has been implemented, aligning with the Bank's environmental policy. This form ensures that suppliers meet specific sustainability standards, promoting responsible business practices throughout the supply chain. ESG aspects assessed include environmental impact, social responsibility and adherence to ethical governance principles. Through this initiative, Banca Transilvania reinforces its commitment to sustainable development and encourages its suppliers to adopt practices that contribute to broader social and environmental objectives.

As a bank supporting the entrepreneurial ecosystem in Romania, BT set-up a physical one-stop shop dedicated to the growth and development of the entrepreneurial community. At STUP, BT&BT Mic have created the infrastructure to connect entrepreneurs with service and product providers to start, run or manage a business. Stup also hosts events for entrepreneurs and future entrepreneurs, organized by both BT and partners of this initiative. It is dedicated to all entrepreneurs, regardless of the bank they are a customer of, there is no membership fee to use STUP's resources, free advice is offered and the products and services of the partners BT collaborate with are priced with discounts.

In 2023, STUP hosted 212 events attended by 8,084 people.

In addition, 1,294 unique entrepreneurs registered on the Stup platform in 2023, resulting in 2,319 business solutions sold, compared to 185 entrepreneurs and 306 solutions sold in the second half of 2022.

Through STUP, BT engages with the entrepreneurs and companies in their early stages to better grasp their challenges and need, beyond those of obtaining financing.

BT views collaboration as a crucial factor in promoting sustainable growth. This is why we frequently participate in initiatives that align with the core values and principles on which our organization was founded. Partnering towards a common goal not only fosters positive outcomes but also strengthens our commitment to sustainability.

Relevant examples of affiliations for promoting sustainable growth:

- Romania Green Building Council (RoGBC)
- Romanian Microfinance Association
- European Microfinance Network (EMN)
- Social Finance Alliance
- Education Cluster Association C-EDU
- Agro-Food-Ind Napoca Cluster Association
- Transylvania Creative Industries Cluster Association
- Women Entrepreneurs' Employers' Association
- In 2023, BT Group joined the Diversity Charter, becoming the largest signatory in the financial banking sector in Romania

[BT Stup \(bancatransilvania.ro\)](https://www.bancatransilvania.ro)

[Banca Transilvania Sustainability Report](#)

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Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

- The Board of Directors approves the Bank's Sustainability Strategy and monitors its further implementation, both in terms of lending as well as day-to-day business; ESG supervision responsibilities have been allocated to the Chairman of the Risk Management Committee, who oversees the implementation of the ESG strategy at the bank level as well as at the BTFG level;
- Periodically, but at least on an annual basis, the BoD is informed on the status of the Sustainability Strategy roll-out;
- Specific ESG related targets have also been linked to performance indicator at the senior management level so as to determine the level of variable remuneration; each of these individual criteria has been linked to the sustainability objectives that are set in the senior member's area of activity and expertise, thus ensuring alignment of remuneration with the Bank's sustainability objectives;
- Internally, we have established a "green organizational chart" so that we can facilitate the sharing of specific ESG knowledge and responsibilities.
- In addition to this several interdisciplinary working groups were defined for the implementation of PRB/ ESG objectives.
- 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

[Remuneration Policy](#)

The Remuneration Report of the management body of Banca Transilvania for the year 2023 can also be found in the [Report of the Board of Directors of Banca Transilvania 2023](#) pages 157-162

[Banca Transilvania Sustainability Governance](#) on pages 39-40

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 CEO is responsible for coordinating the implementation of the ESG strategy at the GFBT level;

- Since 2022, the ESG and Investors Relations (IR) division has been assigned responsibilities focusing on the integration of ESG factors into the company's strategy and coordinating with responsible bodies in the bank for alignment of business operations and ESG initiatives;
- Regular reports are brought to the attention of the Leaders Committee and to the Board of Directors on ESG topics/strategy/initiatives/progress/roadmaps;
- As regards the climate-related Risks, the ESG Risk Assessment Department is responsible for handling and coordinating these topics, while continuously informing and reporting on the progress both to the Executive Management Team and to the BoD - Risk Committee;
- Since 2023, the Sustainable Corporate Governance and IFM Department is tasked with implementing the best sustainable internal governance practices, including suitability assessment of management body on ESG issues, ESG-linked remuneration design, governance risk assessment and ABC and ethics implementation, with duties in monitoring the internal bodies and internal mechanism for the implementation of durable ESG principles, as aligned with the ESG strategy;
- Moreover, new structures have been created within the Bank to accommodate the roll-out of the Sustainability Strategy, such as i) ESG Risks Analysis, reporting to the Underwriting Executive Director; ii) Green and Sustainable Loans Department, reporting to the Sustainable Programmes and Loans Directorate; iii) Sustainable Finance Credit Risk coordinator, part of the Underwriting Division;
- ESG responsibilities have also been assigned to various departments: Human Resources, Marketing, Communication & PR, Logistics & Acquisitions, Legal Division (concerning credit risk legal issues linked to ESG).
- Starting with 2024, the Executive Committee approved the establishment of the ESG Committee with the following responsibilities: developing a comprehensive framework for integrating ESG factors into risk management, supervising the implementation of sustainability strategies, monitoring regulatory developments related to ESG issues, facilitating ESG education and awareness, engaging with stakeholders as well as coordinating ESG reporting.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

In 2023, there were dedicated training sessions focused on sustainable development:

- Preventing discrimination and harassment in the workplace;
- Analysis of green loans;
- Sustainability between trend and reality.

ESG (Environment, Social & Governance) training is also of immense importance in the banking sector and is a cornerstone of sustainable and responsible banking practices. In a rapidly evolving financial landscape where stakeholders are increasingly prioritizing ethical considerations, financial institutions are under increasing pressure to integrate ESG principles into their operations. Thus, it is essential that our employees have the knowledge and skills to understand and navigate the complex interplay between environmental concerns, social impact, and corporate governance.

In 2023, 13 seminars (online and in person) were delivered to 350 employees. The target groups were fellow analysts, relationship managers, and site managers. The training sessions spanned 27 hours and addressed the importance of ESG risk analysis in banking.

In addition, in 2023, all employees took part in an internal competition called ESG in BT, which aimed to instill a culture of sustainability across the bank. The competition ran for six months from December 2022 to May 2023. Each month featured different themed activities to encourage teamwork, communication, and responsible behavior. For example, December-22 focused on rewarding locations that decorated Christmas trees with recycled materials, while March and April were dedicated to park clean-ups and reforestation campaigns. In May, employees were encouraged to adopt cleaner commuting habits. Notable achievements include an 18% reduction in paper consumption and a 0.78% reduction in electricity consumption. A total of 29 internal and external actions were carried out during the campaign.

Members of the Sustainability team participate periodically to specific ESG training programs organised by the Romanian Banking Institute/ other external providers and in some cases reputable certifications were granted (eg CFA Certificate for ESG Investing, European Certified ESG Analyst).

BT will continue to build its responsible banking culture by continually reviewing our ESG policies and practices to ensure they remain relevant in the context of evolving regulation in the ESG are, updating lending norms to align with best market practices and

Links and references

providing further training to staff to continue integrating ESG considerations into decision making.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹⁴ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

The BT has made a strong commitment of not financing sectors that are associated with high environmental and social risks. BT does not finance: production of or trade in products containing polychlorinated biphenyls (PCBs); production or activities involving harmful or exploitative forms of forced labor / harmful child labor or production or trade in weapons and munitions. We maintained the full list of exclusion valid for 2022 also in 2023 please refer to Annex 2 to the Sustainability Report.

Tobacco and alcohol production and trade are generally not targeted, and internally BT set a maximum limit of 1% of our loan portfolio on these industries (usually small clients active in food and beverages, which have in their product offer articles of tobacco and alcohol). Though not included as a specific exclusion, BT has phased out on its exposure on coal related activities in the last years (virtually no exposure on the extractive sector).

In addition to the negative screening, BT has an integration of ESG factors in the lending policy. Specifically, BT has incorporated into the underwriting process an assessment of ESG risks. As such, BT scrutinizes each financing transaction in terms of ESG risks, depending on the level of exposure on the debtor, its implicit E&S risk (level of risk determined by the characteristics of the sector) and the nature of the financed transaction.

Several assessment questionnaires have been developed, relying on the IFC E&S Performance Standards and best practices in the market. The E&S assessment is initially performed by the relationship managers/ credit analysts and further reviewed by the E&S Risk Analysis Department, which issues their E&S opinions and determine the E&S risk level associated to the client/ exposure.

BT has incorporated the European Banking Authority (herein after EBA) recommendations on ESG factors integration in the underwriting process (we refer to EBA Guidelines for loan origination and monitoring, that include specific requirements for ESG integration).

Links and references

[Banca Transilvania Sustainability report](#)
Pages -183-184

[Banca Transilvania Sustainability report](#)
Pages -56-67

¹⁴ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Climate risks, physical and transition, are analyzed at the level of the client, as well as at the level of the portfolio. As such, BT has developed an internal tool, that allows the association of a level of climate risk to a client, depending on its activity and the characteristics of its location: annual temperature, average annual rainfall, wind speed, and seismic risk level are considered by the tool in assigning a level of physical risk to a client. As far as transition risk is concerned, criteria such as potential changes in laws and regulations that could affect the sales/profitability of the business, litigation due to failure to mitigate or adapt to climate change, carbon pricing fluctuation, etc. have been considered in assigning a level of risk to a client pertaining to a specific sector.

The E&S risks are further monitored as part of the annual review of the clients/exposures. Action plans can be requested for these exposures following on-site visits of the E&S risk analysts.

In 2022, a tool for ESG complaints and referrals was created on the webpage dedicated to ESG initiatives carried out in BT. Using this tool, all those who want to make a complaint/ referral on any ESG-related subject or topic can do so very easily, with a simple click. This tool is available in both English and Romanian. When the "ESG Complaints" button is clicked, a window will automatically open, where the following fields must be filled in: Subject, Message/Description of the issue, Name, Surname, Phone, and Email. These complaints are then automatically forwarded to the email address sesizariESG@btrl.ro, where they are processed by a group of ESG experts within the organization, who formulate responses following their analysis.

In line with the above mentioned, Banca Transilvania has also extended its environmental policy and management system across the entire Group, including all subsidiaries, to ensure a unified approach to sustainability. Starting with 2024, ESG officers have been appointed within each subsidiary, with clearly defined roles, responsibilities, and reporting structures. These officers are responsible for the environmental policy implementation and for driving ESG initiatives within their respective entities. An annual ESG seminars are to be organized, bringing together ESG officers, subsidiary leadership, and key representatives from Banca Transilvania Group. These seminars will serve as a common platform for progress review, implemented measures assessment and for targets setting. Additionally, ESG committees have been established within each subsidiary, with defined compositions and responsibilities to oversee and guide sustainability efforts.

[Banca Transilvania Sustainability report](#)

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Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes

No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

Response

The Sustainability Report of Banca Transilvania Financial Group has been subject to an independent limited assurance audit for the selected profile indicators and material performance indicators, for the third consecutive year.

Thus a selection of the non-financial information included into the 2023 Sustainability Report was subject to the assurance process performed by Deloitte Audit SRL in accordance with the International Standard on Assurance Engagements 3000 - "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (Revised) ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. The respective indicators were selected based on the importance of the identified material topics.

The limited assurance engagement concluded that all the non-financial indicators in scope were consistent in all material respects with the criteria laid out in the methodologies used by the Group to prepare and report the respective indicators.

Links and references

[Banca Transilvania Sustainability Report](#)

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP /
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other:

Response

As we continue to evolve, our commitment to responsible growth remains strong and the sustainability report we have been preparing for four years now, demonstrates once again that, step by step, we are making progress towards a more sustainable economy.

2023 Sustainability Report includes information on the BT's and its subsidiaries activity and relevant indicators describing the (positive and negative) economic, social, and environmental impact generated by the our activity and business relationships.

The 2023 Sustainability Report is developed under the Global Reporting Initiative 2021 (GRI) Standards and complies with the provisions of the Ministry of Public Finance Order 3456/2018 and the National Bank of Romania Order 7/2016, as well as the information required by EU Regulation 852/2020 (EU Taxonomy).

ESG Ratings

BT obtained a very good ESG Risk Rating, Low Risk, following the **Sustainalytics** analysis. Sustainalytics is one of the largest global providers of ESG ratings, which analyses a company's exposure to industry specific ESG (environmental, social, governance) risks and the way companies manage those risks. ESG Risk Rating details based on a comprehensive assesment: 14.9 (2024) compared to 15.1 (2023) and 17 (2022– quoted as Low Risk profile for the last three years.

The analysis criteria takes into account 10 international standards and frameworks, such as the Global Reporting Initiative, the Sustainability Accounting Standards Board, the Task Force on Climate-related Financial Disclosures and the World Economic Forum.

In 2023, Banca Transilvania also received a very good rating score, of 78/100 (A-) from **Refinitiv**, a London Stock Exchange Group company, this range indicating an excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly. This score places Banca Transilvania 78th from 1128 evaluated banks surveyed globally. Refinitiv evaluation comprises the 3 ESG pillars (Environment, Social, and Governance), with accents on specific sub-pillars like Emissions, Resource Use, Innovation, Human Rights, Product Responsibility, Workforce, Community Management, Shareholders, and CSR Strategy. Banca Transilvania ranked first in the majority of these categories and subcategories, based on the received scores. Solid performances, of over 80 points, were achieved by BT in Corporate Governance (84/100 points) and Environment (84/100 points) categories. The analysis criteria are based on 10 international standards and frameworks, such as the Global

Links and references

[Banca Transilvania Sustainability Report](#)

[ESG Risk Rating from Sustainalytics](#)

[Refinitiv Banca Transilvania rating](#)

Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures, or the World Economic Forum.

BT also received an ESG score of 3.5/5 from **FTSE Russell** in December 2023. FTSE Russell Group is one of the world's best-known organizations providing benchmarks for global financial markets. It is a London Stock Exchange Group (LSEG) company and provides data analysis, ratings, and benchmarks for analysts and investors. The ESG Index is the result of a three-pillar assessment: environmental, social, and governance, using more than 300 indicators that analyze bank exposure and how BT manages ESG.

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁵, target setting¹⁶ and governance structure for implementing the PRB)? Please describe briefly.

Response

In the upcoming period, BT will:

- continue using the impact analysis tools in order to validate the impact of the proposed measures taken for increasing positive impact & decreasing the negative one;
- implement & monitor the evolution of the relevant targets and metrics for the key impact areas;
- expect to report on these targets progress from 2025 onwards;
- improve our reporting, based on the evolving market practice, industry standards and availability of more qualitative data;
- incorporate portfolio impact findings in our sustainability materiality assessment and stakeholder engagement;
- integrate climate change considerations into the bank's overall business strategy by setting specific targets for carbon emissions reduction;;
- increase the percentage of green and impact lending;
- develop and implement a robust ESG risk assessment framework (including taxonomy criteria) for all lending and investment decisions within the next year.

Links and references

¹⁵ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁶ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input checked="" type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input checked="" type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.¹⁷ The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets¹⁸ (highlighted in **green**) or to client engagement¹⁹ targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.²⁰ Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

¹⁷ It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

¹⁸ Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

¹⁹ Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

²⁰ You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.

- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice ²¹ (pathway to impact)									Impact ²²		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ²³
	A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; If yes: - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why)	A.3.2	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)

²¹ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

²² Impact: the actual impact of the bank's portfolio

²³ If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

		year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			sectors and activities ²⁴ ? How much does your bank invest in transition finance ²⁵ ?			
A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (depending on the sector and/or chosen metric): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit					
A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; <i>If yes: please specify which parts of the lending and investment portfolio you have analyzed</i>	A.2.4	Proportion of financed emissions covered by a decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% (denominator: financed emissions in scope of the target set)					

²⁴ A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

²⁵ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
B. Financial health	B.1.1	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	B.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	B.3.1	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	B.4.1	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

					means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonimized users and # of interactions for anonymized users.							
	B.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	B.2.2	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	B.3.2	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	B.4.2	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

			stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
	B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
							B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based

					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.					
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.	

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3*	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			

