Banca Transilvania

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

July 2023
**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 by an average of 49% per year.

Since 2018, BT became the largest bank in Romania and Southeast Europe in terms of total assets. As of 31 December 2022, BT has a market share of 19.10% by total assets.

**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 devolved, decentralized decision-making system with significant autonomy at local level allows it to be nimble in making and implementing decisions and well-attuned to local characteristics and client needs.

As as 31 December 2022, BT had 9,337 employees, out of whom 8,651 were active employee. At group level, BT employed 11,256 active employees as the same date.
**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 513 branches, agencies and offices in Romania, 1,816 ATMs and more than 100,000 POS terminals at the end of 2022, BT provides in depth coverage of the entire country and has the largest physical network of any of the banks present in Romania.

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 85% as of 31 December 2022. 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 both 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 2022 over 3.9 million active retail clients, over 410,000 active SME clients and almost 12,000 active 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 2022, 49% of the loan portfolio consisted in exposure to retail clients (consumer loans and credit cards – 20% and housing loans – 28%), the rest of 41% being exposure towards SMEs – 15% and corporate clients – 26%.

In absolute terms, the loan exposure to retail clients amounted to RON 28.9 billion, loans to SMEs amounted to RON 8.2 billion, while exposure to corporates amounted to RON 22 billion. As further described below, please note that the Bank has specific commercial classifications; as such, the majority of corporates (as classified under per 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 mortgage loans), savings and deposit accounts, payment services, leasing solutions, investment products, private pension schemes and securities trading.

As at the end of 2022, the retail loan portfolio reached RON 28.9 bln., while the deposit base reached RON 77.9 bln. There are over 5.3 mio. of debit and credit cards issued as at December 2022, making BT the market leader in the Romanian cards market, 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, reaching over 2 mio. plastic-recycled cards as at December 2022.

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, with over 40% of the total applicants base choosing Banca Transilvania as their partner.

**Sectors of Focus**

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

- **Healthcare** – BT is the largest lender to the medical sector, supporting over 60,000 medical doctors and medical businesses (50 per cent. of the medical market) and has contributed significantly to the development of the Romanian private healthcare system especially in the last 15 years with the establishment of the Division for Medical Doctors.

In 2022 BT granted more than 5,900 new loans to the private healthcare system in Romania and had more than RON 3 billion in outstanding loans in the sector, being the largest lender in the medical system. In 2022 BT also had over RON 4 billion in deposits and resources, being the bank of choice for medical doctors to keep their saving.

- **Agriculture** – BT is one of the largest lenders in the agriculture sector in Romania, with over 20 per cent. market share and almost 40,000 agri customers.
In 2022 BT granted more than RON 950 million in agribusiness loans through Governmental and EU programmes. In the same year, BT granted more than 6,000 new loans in the sector, amounting to approximately RON 4.4 billion.

The total loan portfolio for companies amounts to RON 30.1 bln. as at 31 December 2022, while the deposits reached RON 38.6 bln.

<table>
<thead>
<tr>
<th>Strategy alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</td>
</tr>
<tr>
<td>☒ Yes</td>
</tr>
<tr>
<td>☐ No</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</td>
</tr>
<tr>
<td>☐ UN Guiding Principles on Business and Human Rights</td>
</tr>
<tr>
<td>☐ International Labour Organization fundamental conventions</td>
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<td>☒ UN Global Compact</td>
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<tr>
<td>☐ UN Declaration on the Rights of Indigenous Peoples</td>
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<tr>
<td>☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD</td>
</tr>
<tr>
<td>☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones:</td>
</tr>
<tr>
<td>☐ None of the above</td>
</tr>
</tbody>
</table>

**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**

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

**Links and references**

[Banca Transilvania Sustainability Report - the Sustainability Strategy is detailed on pages 58-66](#)
from us; we contribute to the growth of the Romanian financial sector; we invest in digitization to broaden financial inclusion; we contribute to the 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 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**

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

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.

Specifically, BT set clear objectives in the sustainability strategy and targets to grant RON 3.5 billion of financings to companies in these areas 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.

BT aims to continuously refine its strategy objectives in what regards climate change and one of the milestones included the calculation (for the reporting year 2022) of its Financed emissions (Scope 3, category 15).

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.

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. 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 2022 Sustainability Report.
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 regularly\(^1\) 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.

<table>
<thead>
<tr>
<th><strong>Response:</strong></th>
</tr>
</thead>
</table>
| 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: 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. In order to determine the impact of the BT’s portfolio, data by sector of activity (based on NACE cosed) 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 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:  
  - Availability accessibility, affordability, service quality  
  - Healthy economies. These two are covering key topics linked to both Consumer & Business/ Corporate Banking client segments. |

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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](url).
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 & industries\(^3\) 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 49% of the total portfolio
- Business & Corporate banking - SME, Corporate, and Large Corporate segments - accounting for 51% 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:**

\(^3\) '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:

![Graph showing the percentage of customers in different population groups.]

Considering granted loans & dedicated products

![Graph showing the percentage of granted loans in different population groups.]

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? 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, is addresses many 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);
- infrastructure (SDG9)
- equality & Justice (SDG5, SDG10) and
- healthy economies (SDG8).

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*a Global priorities might alternatively be considered for banks with highly diversified and international portfolios.*
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)? 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 also 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.
  - 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.

Based on the impact analysis results and country priorities, Healthy economies and Availability, accessibility, quality of resources and services were selected as key areas of significant 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 address for the following years, without ceasing our current efforts to reduce other environmental and social negative impacts.

**d) For these (min. two prioritized impact areas): Performance measurement:** 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.

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

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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.
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.

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.

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.

Response
Considering BT’s portfolio structure and the impact analysis resulted that the largest potential positive social impact is **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.

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:

- RON 3.5 billion new green loans granted to companies during 2023-2025 (validated through CAFI\(^6\) methodology)
- and 20% share of new green mortgage loans out of the annual new production of housing loans for the retail customers.

BT determined its loan portfolio’s carbon footprint for the first time in 2022-2023, based on the PCAF standard (Partnership for Carbon Accounting Financials), covering the main financial asset classes as of 31 December 2022. The intensity value of the total financed greenhouse gas emissions as at 31 December 2022 is presented below:

<table>
<thead>
<tr>
<th>#</th>
<th>PCAF Asset Class</th>
<th>Share of portfolio RON [%]</th>
<th>Share of portfolio GHG [%]</th>
<th>Intensity value in [kg CO2e / RON outstanding]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Listed equity and corporate bonds</td>
<td>5.3%</td>
<td>0.4%</td>
<td>0.005 kg CO2e / RON</td>
</tr>
<tr>
<td>2</td>
<td>Business loans and unlisted equity</td>
<td>54.4%</td>
<td>80.7%</td>
<td>0.095 kg CO2e / RON</td>
</tr>
<tr>
<td>3</td>
<td>Project finance</td>
<td>3.8%</td>
<td>1.8%</td>
<td>0.031 kg CO2e / RON</td>
</tr>
<tr>
<td>4</td>
<td>Commercial Real Estate</td>
<td>3.6%</td>
<td>2.0%</td>
<td>0.034 kg CO2e / RON</td>
</tr>
<tr>
<td>5</td>
<td>Mortgages</td>
<td>28.0%</td>
<td>13.6%</td>
<td>0.031 kg CO2e / RON</td>
</tr>
<tr>
<td>6</td>
<td>Motor vehicle loans</td>
<td>4.8%</td>
<td>1.5%</td>
<td>0.020 kg CO2e / RON</td>
</tr>
<tr>
<td>TOTAL FINANCED GREENHOUSE GAS EMISSIONS</td>
<td>100%</td>
<td>100%</td>
<td>0.064 kg CO2e / RON</td>
<td></td>
</tr>
</tbody>
</table>

\(^6\) CAFI – Climate Assessment for Financial Institutions, developed by International Financial Corporation (IFC)
**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?\(^7\)

<table>
<thead>
<tr>
<th>Component</th>
<th>Yes</th>
<th>In progress</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>☒</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Portfolio composition</td>
<td>☒</td>
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<tr>
<td>Context</td>
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<td>☐</td>
<td>☐</td>
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<tr>
<td>Performance measurement</td>
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<td>☐</td>
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</tr>
</tbody>
</table>

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 Healthy economies and Availability, accessibility, quality of resources and services were 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)*

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\(^7\) 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 must 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 with 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.
| Response |
| This is our first report and we haven’t set the targets yet as we are currently in the process of finalizing the impact analysis in order to have clarity on the most significant impact areas. However, in addition to aforementioned areas (i.e. Healthy economies and Availability, accessibility, quality of resources and services) that we plan to further refined via the UNEPFI-PRB Impact Assessment Tool, sustained focus is funneled into the climate change (SGD 13). As detailed above, we:
| Links and references |
| measured our impact on climate change by analysing the Scope 3 financed-emissions based on the guidelines from Partnership for Carbon Accounting Financial (PCAF);
| refined the green lending framework and set objectives for the green loan portfolio (detailed above) and continued to build the green loan portfolio: 371 green loans were granted in 2022, amounting to approximately RON 790 million (as detailed in Section 3.2);
| engaged with our customers on climate change topics, via campaigns about the non-reimbursable financing programs aimed at promoting the production of energy from renewable resources (PNRR, Large Infrastructure Operational Program) – 3 campaigns and 17,690 informed clients (as detailed in Section 3);
| launching and promoting dedicated green products: RON 846 million granted in green mortgages in 2022 (as detailed in section 3.2), mobility green products in leasing, and various campaigns promoting special offers for credit card holders at partner stores offering sustainable products.

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:

<table>
<thead>
<tr>
<th>Impact area</th>
<th>Indicator code</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change mitigation</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td></td>
<td>...</td>
<td></td>
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<tr>
<td></td>
<td>...</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact area</th>
<th>Indicator code</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial health &amp; inclusion</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td></td>
<td>...</td>
<td></td>
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<td></td>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not yet determined</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the upcoming period, Banca Transilvania will finalize the impact analysis (assessment module) and based on the results will define the relevant targets for the key impact areas.</td>
<td></td>
</tr>
</tbody>
</table>

d) **Action plan**: which actions including milestones have you defined to meet the set targets? Please describe.

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.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not yet defined</td>
<td></td>
</tr>
</tbody>
</table>

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\(^{8}\) Operational targets (relating to for example water consumption in office buildings, gender equality on the bank’s management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

\(^{9}\) 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.

\(^{10}\) Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.
### Self-assessment summary

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…

<table>
<thead>
<tr>
<th></th>
<th>… first area of most significant impact: … (please name it)</th>
<th>… second area of most significant impact: … (please name it)</th>
<th>(If you are setting targets in more impact areas) …your third (and subsequent) area(s) of impact: … (please name it)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
</tr>
<tr>
<td>Baseline</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
</tr>
<tr>
<td>SMART targets</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
</tr>
<tr>
<td>Action plan</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
<td>☐ Yes □ In progress □ No</td>
</tr>
</tbody>
</table>

### 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.

<table>
<thead>
<tr>
<th>Response</th>
<th>Links and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not yet applicable</td>
<td></td>
</tr>
</tbody>
</table>
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 customers* in place to encourage sustainable practices?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>In progress</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒</td>
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</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>In progress</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒</td>
<td></td>
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</tbody>
</table>

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 activities. 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. During 2022, the Green and Sustainable Loans Department coordinated 3 campaigns 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. 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.
2. Engagement on ESG topics through the lending process and policy, that stipulates that, within the credit analysis, an environmental and social risk management system is implemented, which applies to each credit application. Therefore, each transaction is being evaluated from the perspective of environmental and social risk-taking. 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.).

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.

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.

4. Engagement through the Code of Ethics and Conduct, a document that 0-tolerance to bribery and corruption.

5. Engagement though data protection and cybersecurity policies, fundamental concerns of the bank, both from a social and economic perspective.

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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.
3.2 Business opportunities

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.).

Response

Please refer to Section 1 above for the business opportunities identifies in relation to the climate change and financial inclusion.

Supporting Companies

In 2022 Banca Transilvania took an important step towards intensifying its efforts to provide sustainable financing to its clients by setting up the Green and Sustainable Loans Department, specifically created to coordinate and brand the sustainable lending activity addressed to companies. Also in 2022, BT has continued to be governed by the Green Financing Framework that established 8 categories of green and blue loans:

- ER Renewable Energy loan (dedicated to financing the production of energy from renewable resources - wind, solar (photovoltaic panels), biomass, biogas);
- 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);
- 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;

[For the detailed Green Financing Framework please refer to the Annex 2 to the 2022 Sustainability Report on pages 203-205]
- 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 2022, as compared with previous year:
- 2021: 44 green loans have been granted to companies in value of 536 mil RON (aprox. 110 mil EUR)
- 2022: 371 green loans were granted in 2022, in value of 789.6 mil RON (aprox.160 mil. EUR).

Green loans granted to companies in 2022 increased by 55% 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).

Following the results of 2022, BT refined several opportunities in line with the above framework, opportunities that will contribute to the decarbonisation of the portfolio and improve resilience of physical assets:
- Renewable energy production – financing both the clients who want to produce green energy for own consumption, as well as corporate clients who will produce energy to be sold to the National Energy System;
- Green Buildings – financing internationally recognised BREEAM, LEED or Romanian Green Building Council awarded green buildings, both for industrial and real estate;
- Transport – financing electric cars for individuals and freight;
- Financing farmers in areas that need to address adaptation to climate change (drought and flood).

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.
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 groups) 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

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13 Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations
how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response:
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) and future (CSRD) legislation

Materiality analysis is carried out annually and during the process BT consults stakeholders, in order to draw-out & validate material topics and stakeholders expectations. The list of material topics was defined considering those topics where BT can have a positive and/or negative impact on the economy, society (including human rights) and the environment, generated by business activities and relationships:

**Economic and governance issues:**
1. Economic value generated
2. Business compliance, ethics and accountability
3. Risk management
4. Environmental impact of our portfolio
5. Sustainable financing
6. Digitalisation and cyber security
7. Procurement policy

**Environmental issues:**
8. Resource consumption and waste management
9. Action against climate change

**Social issues:**
10. Responsible employer
11. Access to financial services, financial inclusion and education
12. Investing for communities
13. Stakeholder engagement

Links and references
Banca Transilvania Sustainability Report – materiality analysis and stakeholders’ engagement on pages 67-75

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

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 2022, at STUP:

- 63 events were held with 2,043 participants
- 6,567 accounts were opened on the dedicated platform of resources and knowledge
- 244 business solutions were accessed
- 4,500 entrepreneurs came to STUP.

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

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**BT Stup**
(bancatransilvania.ro)

**Banca Transilvania**
Sustainability Report  
– page 135
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 principles and standards. Similarly, the Risk Management Committee is also empowered to

Remuneration Policy

The Remuneration Report of the management body of Banca Transilvania for the year 2022 can also be found in the Report of the Board of Directors of Banca Transilvania 2022 - pages 156-188

Banca Transilvania Sustainability Report

The Green Organizational Chart on pages 22-23
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).

### 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 2022, BT – through it’s Green and Sustainable Loans Department, in collaboration with the ESG Risk Analysis and Sustainable Financing Department – organized several training sessions on ESG risk and opportunities identification that were made available to those front-line employees from the lending area, i.e. relationship managers and credit analysts, serving both SMEs and Corporate clients.

#### Links and references
10 online webinars were organised during June-July-August and September-October, with a total of 535 participants attending these trainings.

Several other training courses have also been organized to facilitate responsible product offering. One of these was „Green loans training“ – 11 sessions held on July/ September/ October/ November 2022 with a total number of 697 attendees. The main topics of this training were:

- Green Loans – showcasing practical examples
- Information on identifying ESG-related risks
- Updates and workflow to the lending policy when it comes to ESG-assessment for each transaction

The ESG Risk Analysis Department at headquarters, part of the risk division, was expanded to 5 members, each with relevant expertise in climate/environmental and social risk assessment. The E&S team works closely with the Green Loans and Sustainable Finance department, part of the commercial division.

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 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? 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. For the full list of

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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.
exclusions please refer to Annex 2 to the 2022 Sustainability Report.

Tobacco and alcohol production and trade are generally not targeted, and internally BT set a maximal 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 (0.08% representing the total exposure on the extractive sector out of total loan portfolio as of 31 December 2022).

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 the 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).

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.

**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**

A selection of the non-financial information included in the Sustainability Report 2022 was subject to an assurance process 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, performed by an external auditor (KPMG). The indicators were selected based on the importance of the material topics. The report is externally audited for the second consecutive year.

**Links and references**

Banca Transilvania Sustainability Report – page 207

### 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 three years now, demonstrates once again that, step by step, we are making progress towards a more sustainable economy.

2022 Sustainability Report includes information on the BT’s and its subsidiaries activity and relevant indicators describing the

**Links and references**

Banca Transilvania Sustainability Report
(positive and negative) economic, social, and environmental impact generated by the our activity and business relationships. The 2022 Sustainability Report is developed under the Global Reporting Initiative 2021 (GRI) Standards and complies with the provisions of the Ministry of Public Finance Order 3,456/2018 and the National Bank of Romania Order 7/2016.

**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:

- 15.1 (2023) compared to 17 (2022) - Low Risk in both years;
- BT ranks 106th (up from 133 in 2022) out of 1,000 banks analyzed globally;
- Topics covered: corporate governance, integration of ESG factors into the business model, quality and sustainability of products and services offered to customers, data privacy and security, business ethics and human capital development;

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.

**6.3 Outlook**

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis\(^\text{15}\), target setting\(^\text{16}\) and governance structure for implementing the PRB)? Please describe briefly.

**Response**

In the upcoming period, BT will:

- finalize, validate and approve the impact analysis;
- define the relevant targets for the key impact areas;
- expect to report on these targets from 2023 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 stakeholder engagement

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\(^\text{15}\) 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

\(^\text{16}\) 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:

☐ Embedding PRB oversight into governance
☐ Gaining or maintaining momentum in the bank
☐ Getting started: where to start and what to focus on in the beginning
☒ Conducting an impact analysis
☒ Assessing negative environmental and social impacts
☒ Choosing the right performance measurement methodology/ies
☐ Setting targets
☐ Other: …

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. 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 targets (highlighted in green) or to client engagement 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. 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.

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**Footnotes:**

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 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.
<table>
<thead>
<tr>
<th>Impact area</th>
<th>Practice[21] (pathway to impact)</th>
<th>Impact[22]</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Climate change mitigation</td>
<td>A.1.1 Climate strategy: Does your bank have a climate strategy in place?</td>
<td>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 CO₂e (or applicable metrics)[23]</td>
</tr>
<tr>
<td>A.1.1 Code Code</td>
<td>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)?</td>
<td>Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)</td>
</tr>
<tr>
<td>A.2.1 Code Code</td>
<td>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)?</td>
<td>Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)</td>
</tr>
<tr>
<td>A.3.1 Code Code</td>
<td>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?</td>
<td>Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)</td>
</tr>
<tr>
<td>A.4.1 Code Code</td>
<td>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 CO₂e (or applicable metrics)[23]</td>
<td>bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used</td>
</tr>
</tbody>
</table>

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.
<table>
<thead>
<tr>
<th>Year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?</th>
<th>Investment portfolio?</th>
<th>Sectors and activities(^{24})? How much does your bank invest in transition finance(^{25})?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.1.3</strong> 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?</td>
<td>Yes / In progress / No</td>
<td><strong>A.2.3</strong> 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</td>
</tr>
<tr>
<td><strong>A.1.4</strong> 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?</td>
<td>Yes / In progress / No; If yes, please specify which parts of the lending and investment portfolio you have analyzed</td>
<td><strong>A.2.4</strong> 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)</td>
</tr>
</tbody>
</table>

\(^{24}\) 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 | 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 bank. 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 deanonymized users and # of interactions for anonymized users.

<table>
<thead>
<tr>
<th>B.1.2</th>
<th>% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B.2.2</th>
<th>% of customers actively using the online/mobile banking platform/tools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B.3.2</th>
<th>% of customers who use the bank's services to create a financial action plan with the bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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 &quot;with the bank&quot; if the bank can visualize,</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B.4.2</th>
<th>% of customers for which spending exceeded 90% of inflows for more than 6 months last year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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</td>
</tr>
</tbody>
</table>
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.

## 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.3.4 % of customers with a non-performing loan

Transactional data based. Measures the percentage of customers with past-due loans ("past due")

## B.4.3 % 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.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...
| 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. | connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition. |
### Financial Inclusion

| C.1.1 | # of products and services in the portfolio with a focus on financial inclusion | Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or smartphone-based banking apps, etc. |
| C.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 means that the bank has measured if the initiative is |
| C.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. |
| C.4.1 | % of customers with 2 or more active financial products, from different categories, with the bank | Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there’s at least one usage per month. By category we mean credit/debit, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn’t become a toxic incentive. |
| 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 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.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.

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).