

# Principles for Responsible Banking

Report on the Implementation of the Principles

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Bank Pembangunan Malaysia Berhad



# 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.

### Response

*Incorporated in 1973, Bank Pembangunan Malaysia Berhad (BPMB) is one of Malaysia's first Development Financial Institutions (DFIs) and is wholly owned by the Malaysian Government through the Minister of Finance (Incorporated). As a DFI, the Bank's supported largely supported infrastructure projects in the past decades. Currently, the Bank is on a journey to create meaningful, and sustainable impact through its project financing for Malaysia. The Bank embarked on its Strategic Transformation Plan in 2019, a blueprint that enabled a paradigm shift towards a sector agnostic focus on sustainability, digitalisation and inclusivity. Over the course of 3 years, BPMB has successfully created positive impact and reach across businesses and industries, and it endeavour to continue doing so in the years to come.*

### Links and references

[www.bpmb.com.my](http://www.bpmb.com.my)  
See NOTE 8 ON LOANS, FINANCING & ADVANCES on page 161;  
PRESIDENT / GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT on page 12 - 19  
in BPMB's Annual Integrated Report 2021

[Link to BPMB 2021 Annual Integrated Report](#)

## Strategy alignment

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

☒ Yes

☐ No

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

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

☐ UN Guiding Principles on Business and Human Rights

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

#### Response

*BPMB's Impact Assessment Framework, which was jointly developed with the World Bank Group, under Measuring Impact on National Development (MIND), aims to enhance project evaluation from a credit-centric assessment, to a holistic end-to-end assessment. The concept includes reviewing the environmental, social and economic impact of each transaction, to be aligned with the 12th Malaysia Plan (12MP) and Sustainable Development Goals.*

*In addition to the MIND Framework, in 2021 BPMB has:*

- ❖ *Utilized a total of RM808 Million (equivalent to USD200 million) approved for financing through the Sustainable Development Financing Scheme (SDFS) which consists of projects that contribute positively to any of the 17 SDGs.*
- ❖ *Established a National Development Scheme (NDS) amounting to MYR1.4 billion (equivalent to USD333 million) to support the implementation of the 12th Malaysia Plan (2021-2025) by enabling economic empowerment, environmental sustainability and social re-engineering in Malaysia;*
- ❖ *Sustainable Development Sukuk Framework whereby the framework is aligned with the United Nation's SDGs, as well as the Malaysian Government's initiatives on sustainability, digitalization, and technology. The establishment of this Framework reflects BPMB's commitment to boost responsible investments and to promote investments for a sustainable, resilient, and inclusive recovery and growth via the capital markets*

*BPMB has established a Climate Change Risk Assessment (CCRA) and Climate Change Risks Framework that complement BNM's Climate Change and Principle Based Taxonomy (CCPT). The implementation of the CCRA has commenced in the respective Business Units. Moving forward, the steps to be undertaken include the classification of the Bank's customers according to the BNM's CCPT and embedding CCRA as part of the credit assessment process. The second half of 2022 will see the finalisation of the gap*

#### Links and references

*See WITH THE NATION IN MIND on page 8 - 9; in BPMB's Annual Integrated Report 2021*

[Link to BPMB 2021 Annual Integrated Report](#)

[Link to SUSTAINABLE DEVELOPMENT FINANCING SCHEME](#)

[Link to NATIONAL DEVELOPMENT SCHEME NDS](#)

[Link to SUSTAINABLE DEVELOPMENT SUKUK FRAMEWORK](#)

*BPMB 2021 Annual Report (page 15)*

<i>analysis exercise as outlined in BNM's Exposure Draft on Climate Risk Management and Scenario Analysis (CRMSA).</i>	
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## Principle 2: Impact and Target Setting



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

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

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

#### Response

*Through the MIND Impact Assessment Framework, the Bank delivers positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's six focus Sustainable Development Goals, enabling BPMB to deliver on our commitment to the global sustainable development initiative, as we focus on driving national development.*

*A focus on impact-creating metrics ensures that the Bank prioritise projects that contribute to national development.*

*Approved Financing to Geographically Underserved Areas*

*FY2021: 33.33%*

*FY2020: 19.55%*

*Private Investment Crowd-In*

*FY2021: 1.50 TIMES*

*FY2020: 3.38 TIMES*

#### Links and references

*See WITH THE NATION IN MIND on page 9; in BPMB's Annual Integrated Report 2021*

[Link to BPMB 2021 Annual Integrated Report](#)

*See GROUP AT A GLANCE on page 10; in BPMB's Annual Integrated Report 2021*

[Link to BPMB 2021 Annual Integrated Report](#)

*See more: Non-Financial Performance pages 36 to 37*

<sup>1</sup> 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.

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

**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<sup>3</sup> 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

*BPMB was mandated to support Malaysia's economic development. Today, the Bank stand proud as a key development financial institution which provides medium to long-term financing in sectors of strategic importance to the nation. The Bank places particular focus on sustainable and impact financing, by channelling capital to address social issues and developmental priorities, whilst promoting socio-economic growth.*

*Loans, financing and advances (as of year end 2021) analysed by industry are as follows:*

	RM '000	%
<b>Construction</b>	9,308,535	47.58%
<b>Education</b>	1,599,556	8.18%
<b>Electricity, gas and water supply</b>	558,409	2.85%
<b>Finance, insurance/takaful and business</b>	72,559	0.37%
<b>Hotel and restaurants</b>	1,478,724	7.56%
<b>Housing</b>	4,874	0.02%
<b>Manufacturing</b>	310,110	1.59%
<b>Marine related</b>	483,143	2.47%
<b>Medical and pharmaceuticals</b>	2,269	0.01%
<b>Other community, social and personal service activities</b>	473,690	2.42%
<b>Public administration and defence</b>	20,964	0.11%
<b>Real estate, renting and business activities</b>	1,407,301	7.19%
<b>Shipping</b>	1,035,218	5.29%
<b>Shipyards</b>	130,341	0.67%
<b>Transport, storage and communication</b>	2,676,838	13.68%
<b>Total</b>	<b>19,562,531</b>	<b>100.00%</b>

#### Links and references

See NOTES TO THE FINANCIAL STATEMENTS on page 161; in BPMB's Annual Integrated Report 2021

[Link to BPMB 2021 Annual Integrated Report](#)

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

**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?<sup>4</sup> 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	Links and references
<p><b>Challenges –</b></p> <p><b>1. Economic</b></p> <p><i>The resurgence of COVID-19 cases, and the ensuing long period of lockdowns, had disrupted the widely anticipated recovery in the second half of 2021. The floods and other related natural disasters in December, as well as the opening up of borders that saw a jump in outbound travel by residents, had led to a very modest pent-up demand despite the low base and the reopening of the economy. The impending end to financial assistance for the households added to the cautious behaviour among consumers. The worst hit sector was construction, as it was classified as non-essential, and restarting work was challenged by the shortage of labour. All sectors continued to record below the pre-pandemic levels in absolute values, except for the manufacturing sector.</i></p> <p><b>2. Digitalization</b></p> <p><i>The digital divide between rich and poor, and between rural and urban, continued to remain wide. The percentage of broadband subscriptions among households remained low at income groups of 49.3% for B40, 90.7% for M40 and 99.7% for T20, respectively. Industries outside selected industrial zones do not have access to gigabit speed broadband connectivity, due to the lack of digital infrastructure.</i></p> <p><b>3. Sustainability</b></p> <p><i>According to the Department of Mineral and Geosciences, a total of 121 landslide incidents were reported nationwide during the north-east monsoon of November – December 2021. Storms and typhoons have become more intense and unpredictable. The Intergovernmental Panel on Climate Change (IPCC) projected that heavy rainfall will become more intense and frequent across Asia in the coming decades.</i></p> <p><b>4. Inclusivity</b></p> <p><i>The 12<sup>th</sup> Malaysian Plan (12 MP) report stated that socio-economic inequalities, in terms of income and wealth distribution, remain a challenge. At the end of 11.MP i.e., the year 2020, these</i></p>	<p>See OUR OPERATING ENVIRONMENT AND OUTLOOK on page 20; in BPMB's Annual Integrated Report 2021</p> <p><a href="#">Link to BPMB 2021 Annual Integrated Report</a></p>

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



issues continued to be the key challenges when addressing the inclusivity development agenda. Such issues include widening disparities in low income groups, inequitable Bumiputera socio-economic outcomes, lagging socio-economic development among Orang Asli, and social deprivation of specific target groups comprising children, youth, women, older persons and Persons with Disabilities (PWDs).

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

#### Response

Through the MIND Impact Assessment Framework, the Bank delivers positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's six focus Sustainable Development Goals (SDGs), enabling BPMB to deliver on our commitment to the global sustainable development initiative, as we focus on driving national development. These Six SDGs are:

- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 9: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 10: Reduce inequality within and among countries
- SDG 12: Ensure sustainable consumption and production patterns
- SDG 13: Take urgent action to combat climate change and its impacts

#### Links and references

See WITH THE NATION IN MIND on page 9; in BPMB's Annual Integrated Report 2021

[Link to BPMB 2021 Annual Integrated Report](#)

**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

<sup>5</sup> 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	Links and references
<p><i>Reducing inequality is a goal which the Bank has identified as priority due to the the Bank's performance framework obligations. A focus on impact-creating metrics ensures that the Bank prioritise projects that contribute to national development.</i></p> <p><i>Approved Financing to Geographically Underserved Areas</i> FY2021: 33.33% FY2020: 19.55%</p> <p><i>Using the Bank's ecosystem of sound financial resources – a pool of internal &amp; external funds needed to support specialised schemes for development, the Bank channelled financial resources to create dedicated schemes for development. At the same time the Government provides compensation through subsidies for financing rate of up to 2%, and differential in funding cost on the approved financing. The funds then created value through our resources and strategic thrusts in order to create the following impacts.</i></p> <p><u><i>Economy:</i></u> 33.33% - Approved Financing to Geographically Underserved Areas 83.33% - Approved Financing to Underserved Sectors</p> <p><u><i>Environment:</i></u> RM474.2 mil - approved Green Financing in 2021 2,644,004 MWh - Estimated Total Renewable &amp; Clean Energy Generated Annually From Projects upon Completion</p> <p><u><i>Social:</i></u> RM 75.7 Million – net subsidy costs offered</p>	<p><i>See GROUP AT A GLANCE on page 10; in BPMB's Annual Integrated Report 2021</i></p> <p><a href="#">Link to BPMB 2021 Annual Integrated Report</a></p> <p><i>See also, OUR VALUE CREATING BUSINESS MODEL in page 24 - 25; in BPMB's Annual Integrated Report 2021</i></p>

## 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?<sup>6</sup>**

<sup>6</sup> 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.

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

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

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

*BPMB's significant areas are as outlined in its MIND Framework's indicators e.g.*

- 1. Approved Financing to Geographically Underserved Areas*
- 2. Approved Financing to Underserved Sectors*
- 3. Approved Green Financing*
- 4. Increase in Clients' Income (Preservation of Client Income – Due to Relief Measures)*
- 5. Crowd-in Private Investment*

*See more in Non-Financial Performance pages 36 to 37 in [BPMB's Annual Integrated Report 2021](#)*

**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)

## 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<sup>7</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>8</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

Response	Links and references
<p><i>As part of the Bank's "Operationalising Strategy Through Culture" approach, its staff embraced a paradigm shift which includes the following principles.</i></p> <p><b>Sustainable Impact Orientated</b>  <i>The creation of MIND Impact Assessment Framework has enabled the Bank to deliver positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's six focus Sustainable Development Goals, enabling BPMB to deliver on our commitment to the global sustainable development initiative as we focus on driving national development.</i></p> <p><b>Strong Technical Expertise</b>  <i>MIND Impact Assessment Framework enhances the traditional method of project evaluation, from a solely credit perspective to a holistic and structured end-to-end assessment across selected Environmental, Social; and Governance (ESG) aspects. MIND's assessment metrics are anchored on six out of the 17 Sustainable Development Goals, which are:</i> <ul style="list-style-type: none"> <li>• <i>SDG7 – Affordable and Clean Energy;</i></li> <li>• <i>SDG8 – Decent Work and Economic Growth;</i></li> <li>• <i>SDG9 – Industry, Innovation and Infrastructure;</i></li> <li>• <i>SDG10 – Reduced Inequality;</i></li> <li>• <i>SDG12 – Responsible Consumption and Production; and</i></li> <li>• <i>SDG13 – Climate Action.</i></li> </ul> </p>	<p><i>See OPERATIONALISING STRATEGY THROUGH CULTURE on page 29; in BPMB's Annual Integrated Report 2021</i></p> <p><a href="#">Link to BPMB 2021 Annual Integrated Report</a></p>
<p><b>b) <u>Baseline:</u></b> 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.</p>	

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:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

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.

Response	Links and references
BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group's Agenda 2025.	n/a

**c) SMART targets** (incl. key performance indicators (KPIs)<sup>9</sup>): 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.

Response	Links and references
BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group's Agenda 2025.	n/a

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

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.



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.

### Response

*BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group's Agenda 2025.*

### Links and references

*n/a*

## 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...

	... first area of most significant impact: ...  <i>Climate Change Risk</i>	... second area of most significant impact:  <i>Reducing regional inequality (improvement in market penetration to reach the underserved)</i>	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

### For each target separately:

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

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

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> 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.

Response	Links and references
BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group's Agenda 2025.	n/a

## 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<sup>10</sup> in place to encourage sustainable practices?*

☒ Yes      ☐ In progress      ☐ No

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

☐ Yes      ☒ In progress      ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>11</sup>). 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

*BPMB recognizes the importance of encouraging sustainable practices among our customers. The Bank had engaged with customers through speaker programmes, networking events, and forums to encourage such practices in line with SDG8 and SDG9.*

*Additionally, BPMB provides the Sustainable Development Financing Scheme (SDFS) to provide financing solutions to customers whose operations contribute positively to any one of the 17 SDGs.*

#### Links and references

*See CORPORATE HIGHLIGHTS on page 98-103*

*See OUR VALUE CREATING BUSINESS MODEL on page 24*

[Link to BPMB 2021 Annual Integrated Report](#)

### 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

*BPMB's Impact Assessment Framework (also known as MIND) was launched in 2021. Through MIND, the Bank looks for clients which delivers positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's six focus Sustainable Development Goals, enabling BPMB to deliver on our commitment to the global sustainable development initiative, as we focus on driving national development.*

#### Links and references

*See WITH THE NATION IN MIND on page 9; in BPMB's Annual Integrated Report 2021*

[Link to BPMB 2021 Annual Integrated Report](#)

<sup>10</sup> 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.

<sup>11</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.



## 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<sup>12</sup>) you have identified as relevant in relation to the impact analysis and target setting process?*

☒ Yes      ☐ In progress      ☐ No

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

#### Response

*For the purpose of implementing the Principles and improving its impact to the nation, BPMB has engaged with its external stakeholders, which include, but are not limited to:*

- i. Regulators (e.g. Central Bank of Malaysia);*
- ii. Key Ministries (e.g. Ministry of Finance, Malaysia);*
- iii. Government Agencies;*
- iv. Investors;*
- v. Strategic Partners;*
- vi. Trade Associations*
- vii. Customers;*
- viii. Employees; and*
- ix. Communities.*

#### Links and references

*See STAKEHOLDER ENGAGEMENT on page 84-91*

[Link to BPMB 2021 Annual Integrated Report](#)

<sup>12</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

## 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.

#### Response

*The Board of Directors is responsible for setting the policy framework and business strategies to align sustainable business strategies driven by the Management with BPMB's objectives and aspirations, taking into account interests of the stakeholders.*

*BPMB had recently established a Climate Change Risk Framework/Policy. This policy will see BPMB adopting the recommendations set forth by the Taskforce on Climate-related Financial Disclosures (TCFD).*

*Additionally, BPMB's MIND framework will assist the Bank in impact evaluation by taking a holistic assessment of all new financing applications. This helps to ensure all projects will be in line with increasing positive impact and minimizing negative impacts as guided by the Principles.*

*BPMB adopts the "3 Lines of Defence" model in managing risk, placing accountability and ownership of the business process across distinct functions and ensuring an appropriate level of independence and segregation of duties.*

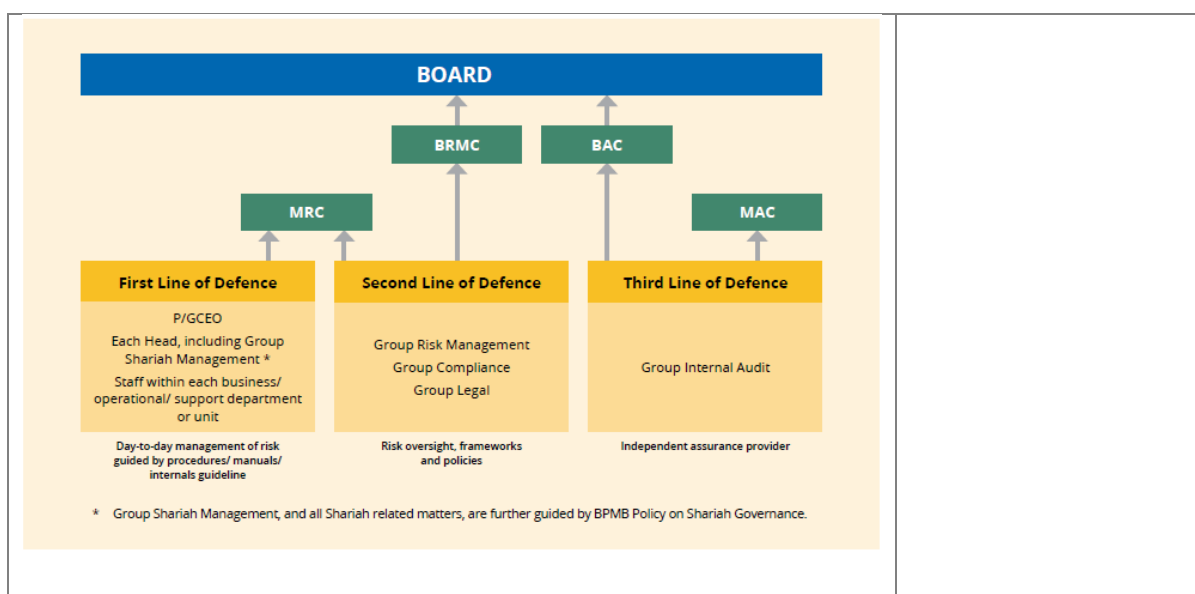
#### Links and references

*See STATEMENT OF CORPORATE GOVERNANCE on page 50 - 63;*

*OUR COMMITMENT TO CLIMATE ACTION on page 92 - 93;*

*WITH THE NATION IN MIND on page 8 - 9; in BPMB's Annual Integrated Report 2021*

[Link to BPMB 2021 Annual Integrated Report](#)



## 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

*BPMB has always strived to promote responsible banking. The Board of Directors (Board) of BPMB is committed to uphold high standards of corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of Corporate Governance, Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance for Development Financial Institutions (DFIs), Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan) and primary legislative and regulatory provisions, i.e. Development Financial Institutions Act 2002.*

### Links and references

See STATEMENT OF CORPORATE GOVERNANCE on page 50 – 63 in BPMB's Annual Integrated Report 2021

[Link to BPMB 2021 Annual Integrated Report](#)

## 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>13</sup> 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.

<sup>13</sup> 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.

Response	Links and references
<p><i>BPMB sets annual targets as part of our business plans that are in line with our overall goal of promoting sustainable development in Malaysia. These targets are reviewed and approved by the Bank's Board of Directors as part of an annual requirement to submit a Statement of Corporate Intent to our regulator, the Central Bank of Malaysia.</i></p> <p><i>The targets are reviewed on a monthly basis, allowing timely responses and corrective actions to be taken to mitigate risks.</i></p>	<p>See STATEMENT OF CORPORATE GOVERNANCE on page 50 - 63;</p> <p>STATEMENT OF INTERNAL CONTROL on page 68 – 69; in BPMB's Annual Integrated Report 2021</p> <p><a href="#">Link to BPMB 2021 Annual Integrated Report</a></p>

### 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*

*BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group's Agenda 2025.*

*Links and references*

*n/a*

### 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*

*BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group Agenda 2025. As required under Bank Negara Climate Risk Management and Scenario Analysis (CRMSA), the disclosures based on TCFD's recommendations is required by 2024.*

*Links and references*

*n/a*

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>14</sup>, target setting<sup>15</sup> and governance structure for implementing the PRB)? Please describe briefly.

<i>Response</i>	<i>Links and references</i>
<i>BPMB is currently undertaking a group-wide sustainability strategy exercise under the Group's Agenda 2025.</i>	<i>n/a</i>

<sup>14</sup> 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

<sup>15</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## 6.4 Challenges

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

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

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

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

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

# Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.<sup>16</sup> 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<sup>17</sup> (highlighted in **green**) or to client engagement<sup>18</sup> 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.<sup>19</sup> 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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<sup>16</sup> 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.

<sup>17</sup> 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.

<sup>18</sup> 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.

<sup>19</sup> You might not be able to report on all indicators and/or on levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.



- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice <sup>20</sup> (pathway to impact)									Impact <sup>21</sup>		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	<b>Climate strategy:</b> Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	<b>Client engagement process:</b> Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model ( <i>for business clients</i> ), or towards low(er)-carbon practices ( <i>for retail clients</i> )?	Yes / Setting it up / No;  <i>If yes:</i> Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	<b>Financial volume of green assets/low-carbon technologies:</b> How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; <i>please specify</i> the definition of green assets and low-carbon technologies used	A.4.1	<b>Reduction of GHG emissions:</b> how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO <sub>2</sub> e (or applicable metrics) <sup>22</sup>
	A.1.2	<b>Paris alignment target:</b> Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No;  <i>If yes:</i> - please specify: to become <b>net zero by when?</b> - <b>Emissions baseline / base year:</b> What is the emissions baseline / base	A.2.2	<b>Absolute financed emissions:</b> What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO <sub>2</sub> e ( <i>please also disclose what is excluded for now and why</i> )	A.3.2	<b>Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:</b> How much does your bank lend to / invest in carbon-	bln/mn USD or local currency, and/or % of portfolio	A.4.2	<b>Portfolio alignment:</b> How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio ( <i>please specify which portfolio; for corporate and business clients: % of sectors financed</i> )

<sup>20</sup> 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

<sup>21</sup> Impact: the actual impact of the bank's portfolio

<sup>22</sup> If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

			year for your target? - <b>Climate scenario used:</b> What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			intensive sectors and activities <sup>23</sup> ? How much does your bank invest in transition finance <sup>24</sup> ?			
	<b>A.1.3</b>	<b>Policy and process for client relationships:</b> has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	<b>A.2.3</b>	<b>Sector-specific emission intensity</b> (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector ( <i>depending on the sector and/or chosen metric</i> ): kg of CO <sub>2</sub> e/ kWh, CO <sub>2</sub> e / m <sup>2</sup> ; kg of CO <sub>2</sub> e/USD invested, or kg of CO <sub>2</sub> e/revenue or profit					
	<b>A.1.4</b>	<b>Portfolio analysis:</b> Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No;  <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	<b>A.2.4</b>	<b>Proportion of financed emissions covered by a decarbonization target:</b> What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% (denominator: <i>financed emissions in scope of the target set</i> )					

<sup>23</sup> A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

<sup>24</sup> Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

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

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



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

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

												using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
C. 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 sim-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/debt, 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.

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

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