

UN
environment
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finance
initiative

Principles for
Responsible Banking

Responsible Banking Progress Statement for PRB Signatories



Summary

Habib Bank Limited (HBL) - 2024

| Principle 1: Alignment | Principle 2: Impact & Target Setting | Principle 3: Clients & Customers |
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| <p>As a pioneer signatory of the Principles for Responsible Banking (PRB) in Pakistan, we have solidified our commitment to constantly improving our company's influence on society and its contributions in accordance with these principles. HBL has integrated social and environmental considerations into its core business strategy to reduce the financial vulnerability of its customers and offer better services and products in a timely manner. Our approach to sustainability is woven into our internal fabric and is aligned with the Paris agreement and the UN Sustainable Development Goals (SDGs).</p> <p>Since 2021, HBL has published its Impact & Sustainability Report annually, and these reports are available on our website. From 2023 we began to align our reports with the Global Reporting Initiative (GRI) standards. To further bolster our impact management efforts, in 2023, HBL formed a sustainability forum steered by the Bank's executive committee members. This forum is tasked with overseeing sustainability efforts within the Bank and spearheading initiatives related to social responsibility.</p> <p>HBL is the only Pakistani commercial bank that is a signatory to the Green Investment Principles. The GIP signatories are expected to incorporate the principles into their corporate strategy and decision-</p> | <p>As a signatory of the Principles for Responsible Banking, HBL is committed to identifying and enhancing the positive impacts associated with its lending portfolio.</p> <p>For the consumer banking identification module, 100% of the consumer banking portfolio was analyzed and the relevant data points for both deposit and credit products were incorporated in the analysis.</p> <p>For the institutional banking portfolio, 10 major priority sectors HBL lends to from an institutional perspective were utilized for analysis, where outstanding amounts was used as an indicator. The 10 following sectors were selected: Power, Textile, Cement, Fertilizers, Automobile, Steel, Leather, Paper & Pulp, Chemicals, and Pharmaceuticals.</p> <p>SDG 5,8,9 & 10 are prioritized SDGs based on results of the consumer banking impact analysis. For institutional banking portfolio impact kindly refer to the supplement information below. The results of our impact analysis, undertaken in 2024, helped us identify the two areas of significant impact including climate mitigation and financial health & inclusion. For this assessment the UNEP FI impact tool was used.</p> <p>HBL has multiple initiative to meet the goal of promoting sustainable investments. Such as</p> | <p>By fulfilling our purpose to help people and businesses prosper, we grow as a business and support society's efforts to face global challenges, which drives our ambition in environmental, social and governance.</p> <p>Our sustainability product portfolio includes sustainability-linked loans (Solarization, agriculture, group focused products, Haryali account, Nisa account etc.)</p> <p>In 2023, HBL Agriculture Banking significantly contributed to enhancing climate resilience within Pakistan's agricultural sector, which is critically impacted by climate change. This change adversely affects crop yields and livestock due to unpredictable weather patterns. HBL's strategic initiatives, designed with foresight and planning, were aimed at equipping farmers with climate-smart agricultural practices, incorporating advanced farming equipment, precision agriculture techniques, risk mitigation through insurance, and the cultivation of climate-resilient crop varieties. Notably, HBL provided Rs 2 billion in financing to 833 borrowers for solar-powered tube-well projects, facilitating efficient irrigation solutions that also minimize environmental footprint. Furthermore, Rs 752 million was provided in loans against Electronic Warehouse Receipt Financing (EWRF) program,</p> |

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| <p>making processes and are invited to report regularly on their performance to GIP Secretariat.</p> <p>HBL also signed the Capacity Building Alliance of Sustainable Investment (CASI) in September 2023, thus becoming the first CASI member in Pakistan. CASI is an international cooperation platform aiming to deliver high-quality and higher-impact sustainable finance capacity building services for developing countries, via developing a “global aggregator and distributor of sustainable finance knowledge”.</p> | <p>development of its own green taxonomy (in absence of a national taxonomy) and HBL’s “No New Coal” Policy and “No Deforestation” policies which represent a very significant commitment by the Bank towards the reduction of greenhouse gas emissions in line with the national and global climate commitments.</p> <p>In June 2018, the State Bank of Pakistan introduced the nation’s first-ever National Financial Literacy Program (NFLP) to advance financial inclusion across the country by disseminating financial education, specifically to the unbanked and underbanked segments of Pakistan. In 2023, 380 financial literacy sessions were conducted. Over 12,000 individuals across Pakistan were educated on financial topics approved by the SBP, out of which 11,600 attendees opened bank accounts with HBL.</p> <p>Since the launch of NFLP in 2018, HBL has conducted a total 3,350 sessions in 51 districts across Pakistan. A total of 92,780 individuals were benefitted, with 72,100 achieving financial inclusion by opening bank accounts with HBL.</p> <p>For climate mitigation impacts, we hired a Consultant (South Pole Caron Asset Management Limited) in 2023 to calculate our GHG emissions and create a baseline. HBL has committed to reach net zero for our operational emission by 2030.</p> <p>86 renewable energy projects in 2024 where HBL currently has exposure. 11% increase from last year. In terms of financing, there is an increase of 16%. 3727 MW of renewable energy projects where HBL has exposure as of December 2023.</p> <p>Impact analysis supplementary information is provided in the section below.</p> | <p>aimed at reducing post-harvest losses and protecting farmers from volatile market conditions</p> <p>Following its commitment to sustainable banking practices, HBL offers a specialized deposit account designed to meet the day-to-day banking needs of farmers. As part of HBL Agri, the ‘Haryali Account’ will provide individuals working in the agriculture sector a convenient and hassle-free banking experience.</p> <p>HBL introduced ‘Mahana Amdan’, a pioneering savings product, with a portfolio of over Rs 120 billion to empower individuals and families across the country to achieve financial security and prosperity.</p> <p>HBL was at the forefront of the Roshan Digital Account (RDA) initiative, providing innovative end-to-end digital banking solutions for millions of nonresident Pakistanis (NRPs) worldwide.</p> <p>HBL Nisa is a one-of-its kind, multifaceted program that goes beyond banking for women. A dedicated initiative targeted towards developing financial solutions for women across Pakistan, HBL Nisa added Asaan account to its list of financial solutions, specifically targeted to address the banking requirements of low-income women across Pakistan. HBL is home to over 5 million women customers with over 1 million Nisa clients. In recognition of its commitment and efforts, HBL was awarded the “2023 Access to Finance Champion Award” at the Financial Alliance Women Annual Summit 2022 in the Dominican Republic.</p> |
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| Links & references https://www.hbl.com/sustainability Page 44,57 https://www.hbl.com/assets/documents/HBL_Annual_Report_2024.pdf Page 18-20 | Links & references https://www.hbl.com/sustainability Page 74, 77, 111 https://www.hbl.com/assets/documents/HBL_Annual_Report_2024.pdf Page 18-20 | Links & references https://www.hbl.com/sustainability Page, 66, 69,72 https://www.hbl.com/assets/documents/HBL_Annual_Report_2024.pdf Page 18-20 |

| Principle 4: Stakeholders | Principle 5: Governance & Culture | Principle 6: Transparency & Accountability |
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| <p>Considering HBL's regional relevance and multiple stakeholders, the Bank follows a well laid communication protocol. The protocol includes communication among the Bank's stakeholders including investors, clients, suppliers, media, and the public at large. This protocol articulates the goals, processes, and guiding principles of communication to be adopted by HBL in engaging its stakeholders. The purpose is to pursue a strong corporate reputation through transparency and consistency in messaging.</p> <p>We proactively engage with our main stakeholders, (customers, investors, employees and regulators etc). Their contributions are key to understanding the importance of the impact, risks and opportunities of sustainability matters we identify.</p> <p>In addition the Bank also has dedicated channels for grievances (both internal & external. Wherein internally, employees can voice their concerns via HR Helpline or Whistle Blowing mechanism. Externally, our stakeholders can reach out to us via the website and specify their type of grievance. This ensures effective stakeholder engagement while maintaining privacy and confidentiality.</p> <p>It is essential for HBL's success to comply with laws, regulations and ethical standards that is an important element of our obligation towards customers and employees.</p> | <p>Being the largest bank in Pakistan, HBL contributes towards better practices in terms of environment and society. Implementation of the PRB is integrated within existing governance structures focusing on ESG governance. HBL has been screening and categorizing its corporate investment portfolio for environmental and social risk safeguards since 2014. Through ESRM, HBL systematically reviews, assesses, and manages environmental, social and climate risks of the clients under the purview of national environmental, social and climate change laws and regulations. In addition, for Project Finance and Project-related Corporate Finance, screening against IFC Performance Standards is also carried out.</p> <p>Environmental and social performance of our customers is a key business consideration across relevant sectors, products, and geographies. The HBL Board approved the policy aims to limit credit, liability, and reputational risks caused by climate change, environmental and social issues on a portfolio and transaction level by anchoring ESRM in the credit policy of the bank. HBL is able to identify, assess and manage the potential impact of environmental and social issues on financing provided across the bank's product spectrum.</p> <p>Through Environmental Social Risk management (ESRM), HBL systematically reviews, assesses and manages environmental, social and climate risks of its clients, under the purview of national environmental, social and climate change laws and regulations. In addition, for Project Finance and Project-related Corporate Finance, screening against IFC Performance Standards is also carried out.</p> | <p>We are transparent and accountable about our commitments with the Principles for Responsible Banking. HBL's 2023 Annual report is verified by KPMG Taseer Hadi & Co. Since 2023 HBL's Impact & Sustainability report in line with the Global Reporting Initiative (GRI) standards which is a transparent and accountable way for organizations to communicate their sustainability performance.</p> <p>The Bank engages with a wide range of stakeholders with unique interests, concerns, and expectations regarding the Bank's operations and impact. Double materiality assessment will allow HBL to engage with stakeholders proactively, understand their perspectives, and address their priorities to foster trust, transparency, and collaboration, to maintain strong relationships and uphold our reputation.</p> <p>At HBL, progress on the actions taken to promote diversity and respond to feedback is shared with Heads of Departments (HODs) monthly. The progress against the assigned targets to increase the gender ratio and inclusion of differently abled people for the year 2023 is reviewed during these meetings. This ensures transparency and accountability in our efforts to promote diversity and inclusion.</p> |

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| | <p>In 2023, HBL formed a sustainability forum steered by the Bank's executive committee members. This forum is tasked with overseeing sustainability efforts within the Bank and spearheading initiatives related to social responsibility.</p> <p>Beyond direct support for community development, HBL allocates 1.5% of its profits to healthcare, education, culture, arts, and community development initiatives across the country through the HBL Foundation.</p> <p>In 2024, the Bank Sustainability Committee met 3 times. Additionally, mandatory all colleague Sustainability/climate change training was rolled out across the bank.</p> | |
| https://www.hbl.com/sustainability Page 53, 157, 169 | https://www.hbl.com/sustainability Page, 41, 49, 57, 81, 82, 88, 119,169 | https://www.hbl.com/sustainability Page 59, 119, 179 |
| https://www.hbl.com/assets/documents/HBL_Annual_Report_2024.pdf Page 18-20 | https://www.hbl.com/assets/documents/HBL_Annual_Report_2024.pdf Page 18-20 | https://www.hbl.com/assets/documents/HBL_Annual_Report_2024.pdf Page 18-20 |

Principle 2: Impact & 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.

Impact Analysis

Show how your bank has identified, prioritized and measured the most significant impacts associated with its portfolio (both positive and negative). Determine the priority areas for target-setting. Include details regarding: Scope, Portfolio Composition, Context, and Performance Measurement.

The impact analysis should include assessment of the relevance of the four priorities laid out in [Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector](#), as part of its initial or ongoing impact analysis.

Links & references

HBL became a signatory to the UNEP FI Principles of Responsible Banking in September 2023. In this regard, we have completed our first impact analysis iteration within 18 months as per PRB implementation guidelines. HBL operates in Pakistan and other various countries, however our scale of international operations is not significant enough to be considered as part of the Impact Analysis, hence we have only included HBL Pakistan in our impact analysis.

Considering HBL was the first Pakistani bank to become a signatory to the PRB, there was no data available in the UNEP provided context module for Pakistan. HBL as a first step looked up the relevant statistical and policy data pertaining to Pakistan keeping in mind the context module. Subsequently, Pakistan's context was defined by HBL which was further used to conduct the impact analysis.

HBL, the largest bank of Pakistan, operates in both commercial banking and institutional banking and as such we have completed the UNEP FI provided identification modules for both consumer banking and institutional banking.

For the consumer banking identification module, 100% of the consumer banking portfolio was covered and the relevant data points for both deposit and credit products were incorporated into analysis. We decided to use the outstanding amount and number of customers as indicators and under these indicators we had readily available data for age, gender, income group and location for our customers. Hence, an in-depth identification process has been conducted for the consumer banking portfolio. Data used for this identification module is accurate as at 30th September 2024. Based on the consumer banking portfolio composition, at a high-level output level based on the spider webs we can see that our credit products from the consumer banking portfolio has a high positive impact and key association with "availability, accessibility, affordability, quality of resources & services" defined under the UNEP FI Impact Radar. Further, under this a secondary positive impact of "socio-economic convergence" is identified as having a lesser key association.

Further, if we look at the negative impact of credit it is under "availability, accessibility, affordability and quality of resources & services" with a smaller negative association. Other minor negative impacts identified with respect to credit under consumer banking are "circularity" and "climate stability".

From the Current Account and Savings point of view, as per the module no negative impacts have been identified and a positive impact is identified under "availability, accessibility, affordability, quality of resources & services" as well. Upon further, deep dive into the HBL specific products identified we can see the biggest positive impact from all our products in the consumer banking spectrum is under the "finance" category.

Major negative impacts also fall under this category for mainly our credit cards and personal loans range. Under housing and vehicle loans, some less priority negative impacts have been identified

under “climate stability” and “resource intensity”.

Further, this deep dive shows a strong positive association between house loans and housing and vehicle loans and mobility respectively. Further, looking into the “Equality & Justice” metric of the impact analysis and country needs identified in the context module are gender equality and age discrimination. From this we can see for both credit and deposit that majority of our customers lie in urban areas, are mostly male and fall under the middle age (30-60) age bracket. However, the bank offers products specific to females, youngsters, seniors and rural customers. The bank is actively working on improving these metrics in line with country priorities.

Based on these results identified we have identified “Finance” as a significant impact topic for HBL under the consumer banking portfolio. Further increasing our positive impact and in parallel reducing our negative impact under this impact area will also help the bank meet the equality and justice criteria.

For the institutional banking portfolio, we covered 10 major priority sectors we lend to from an institutional perspective, where we used outstanding amount as an indicator. HBL selected the 10 following sectors: Power, Textile, Cement, Fertilizers, Automobile, Steel, Leather, Paper & Pulp, Chemicals, and Pharmaceuticals. Data used for this identification module is accurate as at 31st December 2022. While this data seems outdated compared to the figures used for consumer banking, this is the date at which our baseline for Scope 3 (Category 15) Financed Emissions is calculated at and is the most recent consolidated data available with the bank for this process.

Based on the identification module many key areas are part of the impacts identified both negative and positive. From the results we can see that most of the impacts fall under negative impacts with some strong positive associations with impact topics “health & Safety” , “healthcare & sanitation” , “Energy” , “Climate Stability” (due to renewable energy).

An in-depth overview of all the impact topics and areas under the above 10 sectors in institutional banking has identified many sectors that we lend to being associated with various impact topics. A high output spider-web extracted from the module itself is referenced below as to show a brief overview of what the impact from the institutional banking portfolio for the 10 identified sector looks like.

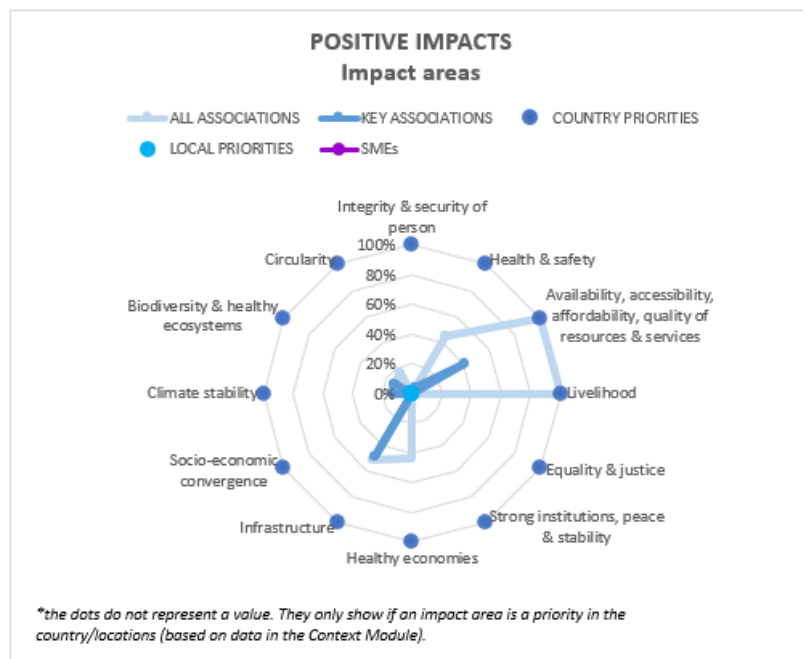


Fig 1.1 – HBL Institutional Banking Identification Positive Impacts Spider-web

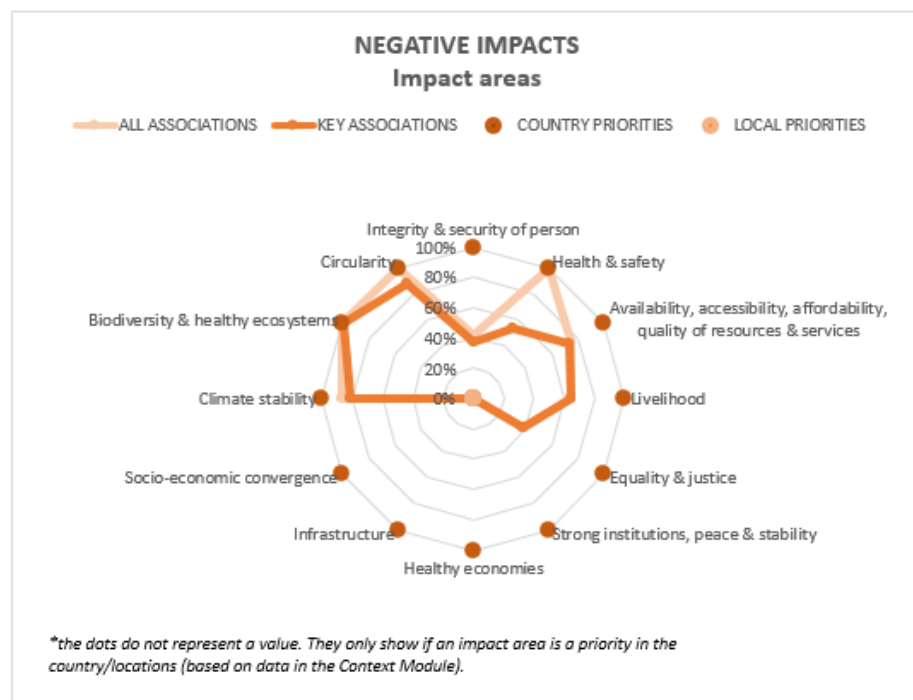


Fig 1.2 – HBL Institutional Banking Identification Negative Impacts spider-web

The above figures (1.1 & 1.2) show the impact spider-web as per the UNEP FI Impact Radar. Further, the figures below show the impacts mapped against SDGs which has also been extracted from the tool.

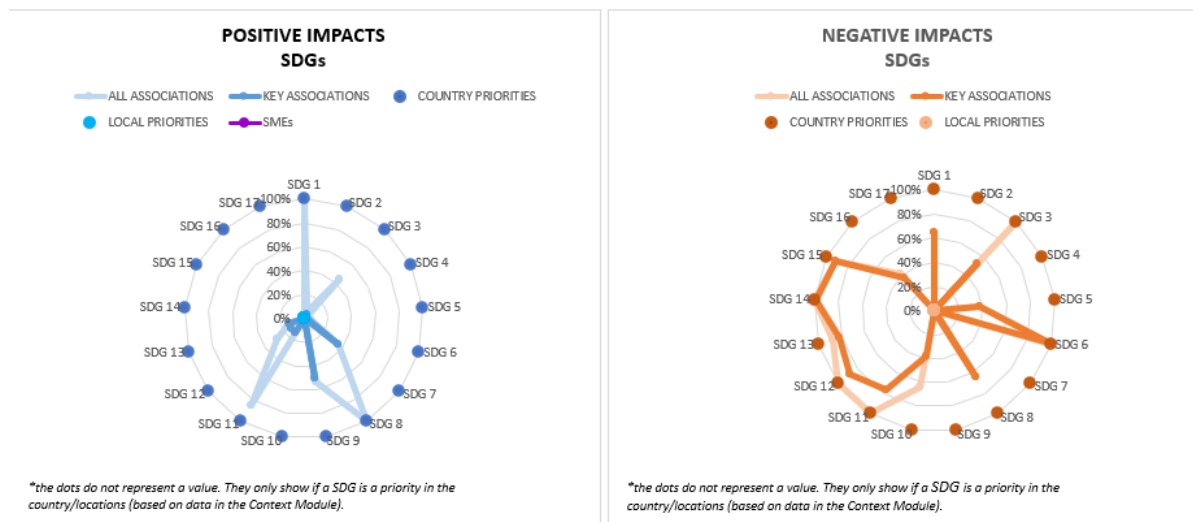


Fig 1.3 – HBL Institutional Banking Identification Positive & Negative Impacts spider-web SDGs mapped.

Based on the results of the institutional banking identification module of 10 top sectors and the impact areas associated along with our Net – Zero Banking Alliance (NZBA) commitments and the bank's strategic goals, we have identified "Climate Stability" as a key impact area.

In conclusion, this supplement aims to provide context to our disclosures in the progress report regarding impact analysis and give the reader an in-depth overview of the bank's chosen priority impacts based on our first impact analysis conducted. Future, iterations of the impact analysis may lead to the bank prioritizing further impact areas/topics and those shall be disclosed as and when required.

