

## **TÜRKİYE HALK BANKASI A.Ş. SUSTAINABILITY POLICY**

### **1. PURPOSE AND SCOPE**

Since its establishment, Türkiye Halk Bankası A.Ş. has aimed to carry out sustainable banking activities that are sensitive to society and the environment in order to leave a livable world for future generations. Halkbank has achieved this by prioritizing social responsibility, leveraging its expert staff and accumulated knowledge, and utilizing its extensive branch network—all while keeping the public interest at the forefront.

With the social responsibility and the sense of mission which it took with the principle of “First the People, Then the Bank”, Halkbank has embraced securing a distinguished position in the banking sector as a sustainability strategy by promoting ethical and secure banking, minimizing environmental risks, and introducing innovative products and services designed to enhance social welfare.

The Bank strives for its 2050 Net Zero Emission target, its goal regarding keeping the rise in global temperatures which is defined in Paris Climate Agreement to below 2°C, ideally 1.5°C, taking an active part in combating climate change and contributing to Türkiye’s transition toward a low-carbon economy.

This policy covers all of the Bank's activities and all its employees.

### **2. PRINCIPLES AND FUNDAMENTALS**

- In line with its corporate culture and identity, it considers sustainability as a whole with its economic, environmental, and social dimensions in its activities, decision-making, and implementation processes, along with laws and legal regulations. It monitors the potential impacts of its activities within the scope of sustainability and ensures the effective management of potential risks.
- Takes the necessary steps to establish sustainability awareness within the organization and society at large. In this context, it creates a corporate culture that internalizes corporate sustainability. It prioritizes investments that will contribute to the national economy, environmental and social development, and develops its products and services in this direction.
- Shares information about its sustainability activities with the public and stakeholders. It considers stakeholders' sustainability values in banking processes. It makes efforts to involve stakeholders in sustainability studies.
- Sets targets and implements necessary actions to contribute to the fight against global climate change and reduce greenhouse gas emissions in line with the net zero emissions target. It takes necessary measures to effectively manage resource usage at service locations.
- Monitors national and international developments in the field of sustainability and participates in sustainability studies in cooperation with relevant institutions.

- Develops service processes with a sustainability focus and offers banking products and services to all customers in practical, understandable, accessible, and predominantly digital formats.
- Through its economic, environmental, social, and governance (ESG) practices that it implemented, the Bank contributes to the United Nations Sustainable Development Goals by focusing on inclusive and high value-added growth.
- Supports sustainable growth and the workforce contribution of the women to the economy.
- Aims to take active roles in multilateral sustainability initiatives and cooperation platforms at national and international scales.

### **3. SUSTAINABLE FINANCE**

Halkbank focuses on financing solutions for sustainable development and green transformation through its products and services. In sustainable finance management, Halkbank adopts the following principles:

- When creating sustainable finance products; considers ESG factors, investor and customer demands, and national and international regulations.
- Classifies financing products in accordance with internationally accepted standards and in connection with the Sustainable Development Goals.
- Supports disadvantaged groups, SMEs, women and young entrepreneurs in accessing finance, as well as sectors such as renewable energy, energy efficiency, circular economy, education and health.
- Strives to expand its sustainable finance product range.
- Conducts environmental and social impact studies to evaluate financed companies from environmental and social perspectives, and makes assessments for financing access based on the following criteria:
  - Climate Change-Related Physical and Transition Risk Assessment,
  - Evaluation of National and International Memberships and Commitments Related to Sustainability,
  - Carbon Emission Assessment with Local and Global Standards,
  - Strategies and Plans for Reducing Carbon Footprint,
  - Renewable Energy, Energy Efficiency and Water Conservation Assessment,
  - Occupational Health and Safety Assessment,
  - Consumer Rights Sensitivity Assessment,
  - Employment Assessment for Disadvantaged Groups,
- The Bank does not finance the activities listed in the “Exclusion List” attached to this policy, regardless of their environmental and social impact assessment or any financial limits.
- May request commitments from customers on environmental, social and governance matters to ensure their compliance with the Bank's sustainability principles when deemed necessary, and may implement additional measures to ensure these commitments are fulfilled.

#### **4. ENVIRONMENTAL AND SOCIAL IMPACT MANAGEMENT**

The Bank commits to managing environmental and social impacts in its long-term strategies, in determining targets and action plans, and in business processes arising from its operational and lending activities.

Halkbank, with the goal of leaving a more livable world for future generations by continuously improving its environmental performance and with awareness of its environmental responsibility, accepts minimizing potential negative effects from its activities, preventing environmental pollution, and using resources without disturbing the natural balance in compliance with relevant laws and regulations as the foundation of its environmental impact management.

The Bank adopts the following principles in managing environmental and social impacts:

- Complies with environmental, national and international legal regulations and other obligations which it is subject to in locations where it operates, and cooperates with relevant units when necessary.
- Operates its environmental management system in accordance with the ISO 14001 Environmental Management System standard and Zero Waste regulations, and works to continuously improve the system.
- Assesses and manages climate-related risks arising from both its direct operations and portfolio.
- Sets targets and action plans to reduce negative environmental impacts from its activities, and provides the necessary financial, human and technological resources to achieve these targets.
- Calculates greenhouse gas emissions from its activities, develops reduction strategies for emission management, and reports to national and international initiatives.
- Raises awareness among its employees, suppliers and customers about climate change and sustainability, and organizes training in this direction.
- Pays attention to keeping environmental impacts under control in procurement processes and to using environmentally friendly materials and technologies.
- Engages in activities that support sustainable development and social progress. Supports investments sensitive to environment and society.
- Evaluates loan applications by considering economic factors as well as environmental, social and governance factors.
- Works to prioritize financing of environmentally and socially sustainable economic activities and to increase sustainable credit products.

#### **5. ENERGY MANAGEMENT**

The Bank aims to reduce emissions from operations by continuously improving energy consumption through energy efficiency and conservation practices.

The Bank adopts the following principles in energy management:

- Complies with national and international legal regulations and other obligations which it is subject to in locations where it operates, and cooperates with relevant units when necessary.
- Operates its energy management system in accordance with the ISO 50001 Energy Management System standard and other national and international standards, and works to continuously improve its system.
- Monitors energy consumption through energy monitoring systems. Aims to continuously improve energy performance by considering consumption variables, buildings and climate conditions, and other possible factors.
- Sets targets and action plans to improve energy efficiency and increase energy savings, and provides the necessary financial, human and technological resources to achieve these targets.
- Supports the procurement of energy efficient products and services in purchasing processes and designs that will improve energy performance.
- Raises awareness among its employees, suppliers and customers about energy efficiency and conservation, and organizes training in this direction.
- The Bank aims to source its electricity consumption from renewable energy sources in line with its 2050 net zero emissions target.

## **6. WATER MANAGEMENT**

With the aim of leaving a more livable world for future generations by continuously improving its sustainability performance, Halkbank accepts the financing of assets that help reduce water risks and creating value for both its operations and stakeholders as the foundation of water management.

The Bank aims to manage efficient water use in its long-term strategies, in the determination of targets and action plans, and in processes arising from its operations and activities.

Due to the climate crisis, the increase in extreme weather events such as floods and droughts, and water stress pose significant risks worldwide, particularly for production enterprises. Although the Bank's direct operations have low water dependency, water-related risks are monitored in credit evaluation reports since the sectors the Bank finances may have high water dependency.

Within the framework of its Water Policy, the Bank, while safeguarding the right to access clean and safe water, aims to:

- Ensure compliance with all national environmental laws, obligations, and standards,
- Establish and effectively implement an efficient and sustainable water management system against water risks,
- Reduce direct water consumption and withdrawn water volumes in line with water targets and share annual water consumption in integrated activity reports,
- Collaborate with stakeholders to reduce water consumption and pollution in the value chain and ensure efficient water use,

- Provide training when necessary to increase stakeholders' awareness of water management and help improve their resource use,
- Ensure the quality and sustainability of water resources and broader water-related ecosystems under the guidance of the Sustainable Development Goals,
- Safeguard employees' right to access clean water and provide a healthy working environment,
- Pay attention to preventing human rights violations in its activities and safeguard local communities' right to access clean water,
- Increase environmental awareness and consciousness among employees and stakeholders.

## **7. SUSTAINABLE PROCUREMENT MANAGEMENT**

Halkbank, recognizing its transformative influence across sectors, has adopted a sustainability approach in its procurement processes as well. Within this framework, it leverages its transformative power in procurement activities to encourage suppliers to consider the environmental, social, and governance (ESG) aspects of the products and services they provide, in line with its environmental responsibility.

The Bank incorporates sustainable procurement management into its strategy, target-setting, action plans, and operational processes.

Halkbank views its stakeholders and solution partners as integral to advancing its sustainability initiatives. Therefore, it expects the following from its suppliers in conducting their operations:

- To adopt and fully comply with local regulations concerning climate change mitigation,
- To adopt and fully comply with Halkbank's sustainability-related policies,
- To demonstrate sensitivity towards environmental issues and exert efforts to limit environmental impacts,
- To support initiatives that promote wider adoption of environmental sustainability,
- To support the development and proliferation of environmentally friendly technologies,
- To prioritize fundamental sustainability-related matters including: climate change mitigation, environmental health, energy efficiency, quality standards, business ethics, human and worker rights, occupational health and safety while maintaining transparency, reliability and integrity,
- To demonstrate utmost attention to the use of environmentally sensitive materials.

Halkbank maintains the authority to audit its suppliers annually and/or when deemed necessary within the framework of its Sustainability Policy. In this context, Halkbank reserves the following rights for monitoring and auditing purposes:

- Suppliers must be capable of demonstrating compliance with Halkbank's sustainability and related policies through documentation, reports or certificates upon the Bank's request,
- Suppliers must establish policies and procedures to address all potential violations of Halkbank's sustainability and related policies,

- When the Bank deems appropriate, it reserves the right to conduct audits or commission third-party audits of suppliers' operations, records, processes, regulations, standards or other relevant documents to verify compliance with Halkbank's sustainability and related policies,
- The Bank may organize training programs for suppliers to enhance their sustainability awareness when necessary,
- Halkbank retains the authority to terminate business relationships with suppliers who fail to meet the criteria established in accordance with the Bank's sustainability and related policies,
- Suppliers acknowledge that compliance with Halkbank's sustainability and related policies constitutes a significant performance indicator.

## **APPENDIX 1: Exclusion List**

The following activities will not be financed:

- Production of weapons of mass destruction and landmines,
- Activities violating human rights,
- Forced labor and hazardous child labor, including operations where child labor is used in sectors prohibited by national/international laws,
- Casinos,
- Companies employing illegal workers,
- Companies that are found to have links to terrorism,
- Production/trade of narcotics,
- Production/trade of substances banned by international conventions, including: pharmaceuticals, pesticides (insecticides), herbicides (plant-killing chemicals),
- Diamond mining and diamond trade in countries not included in the “Kimberley” process,
- Trade of wildlife and products regulated under the CITES Convention (regarding the trade of endangered wildlife and plant species)
- Production/trade of polychlorinated biphenyls (PCBs) and banned asbestos types or asbestos-containing products,
- Activities causing significant alteration, damage, or destruction of UNESCO World Heritage-listed cultural assets,
- Operations in Ramsar-listed wetlands per the Ramsar Convention (convention on the wetlands that have an international significance),
- Companies seeming to conduct activities or do business regarding the production and trade of radioactive materials (except for energy plants which meet international safety standards and are established to provide the fundamental energy need of the country, and medical equipment, quality control devices and situations in which the use of the radioactive material is limited, insignificant, and the adequate protection is provided),
- Production/trade of Ozone-depleting substances illegal under the laws of Republic of Türkiye,
- Cross-border trade of waste/residues non-compliant with the Basel Convention and related regulations.