

# Welcome to your CDP Climate Change Questionnaire 2019

## C0. Introduction

### C0.1

#### **(C0.1) Give a general description and introduction to your organization.**

Halkbank was founded under Statute 2284 in 1933 as a credit union by small cooperatives for the purposes of providing loans on favourable terms to merchants and artisans in order to promote economic development, and began its operations in 1938. Between the years 1938-1950 Halkbank provided loans through public funds named as "People's Fund". Halkbank was authorized to open branches and grant loans to customers under its own entity in 1950. Despite having been established by local cooperatives, the structure was changed in 1963, whereupon it became a state-owned bank, where original shareholders were unable to contribute capital increases. Throughout 1990s, Halkbank's assets grew rapidly through the merger of certain failed smaller sized state-owned banks, including Töbank, Sümerbank and Etibank. In 2001, 96 branches of Emlakbank, another state-owned bank which was then in the process of liquidation, was merged with Halkbank. One of the major milestones for Halkbank is the acquisition of Pamukbank in 2004. Pamukbank Merger strengthened the banks retail banking capacity significantly with the help of a technologically more advanced banking software with a more developed IT system in the background being deployed through the banks network and the synergy arisen from the combination and rationalization of branch, operation and employee structure. After the Pamukbank merger, Halkbank underwent a serious restructuring process which was initiated by the Statute 4603 relating to public banks with the aim of preparing them for privatization. In line with this restructuring process, Halkbank's organizational structure was completely transformed and a customer focused approach was adopted in the Bank's activities. As of 10 May 2007, 24.98% of the shares of the Bank have been sold through a very successful second public offering and the shares have been listed in Borsa Istanbul. Halkbank's IPO represents the largest one that ever occurred in the Turkish capital markets. Today celebrating its 81th anniversary, Halkbank possesses 994 domestic branches, 6 overseas branches and 3 representative offices overseas, 4.023 ATMs, telephone and internet banking channels, mobile banking applications, innovative products and services. With a free float rate of 48.9%, Halkbank maintains its position as one of the most effective banks of its markets by return on equity. In 2018, Halkbank increased its total assets to TRY 378,4 billion. The Bank recorded total deposits of TRY 249 billion, loans of TRY 251 billion and net profit of TRY 2 billion 522 million for the year. Thus, Halkbank is the 5th largest bank in Turkey in terms of size of total assets and by employment. In line with corporate values, Halkbank commits to carry out sustainable activities in terms of financial, social and environmental aspects of the business world, besides fostering local economics, primarily small and medium-sized enterprises. Halkbank established the "Sustainability Committee" in 2015 and published the Sustainability Policy in order to institutionalize the sustainability approach. A Sustainability Coordination Group consisting of a chairman and six members is formed to execute the

decisions taken by the Sustainability Committee. The Chairman and the members are elected by the Committee every year. Head of the 2018 Sustainability Coordination Group is Head of the Department of International Banking and Structured Finance. Halkbank carries out sustainability works with its stakeholders within the framework of sustainability, energy and environmental policies.

## C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Row 1	January 1, 2018	December 31, 2018	No

## C0.3

**(C0.3) Select the countries/regions for which you will be supplying data.**

Turkey

## C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

TRY

## C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Operational control

## C1. Governance

### C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

### C1.1a

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board-level committee	<p>The Sustainability Committee is the institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities.</p> <p>The committee is responsible from evaluating and managing sustainability related risks and making decisions to take necessary actions. Also risks and other matters subject to board's authorization level are escalated to board.</p> <p>The committee consists of 17 members at the level of board members (2), deputy general managers (5) and department heads (10) The president of the sustainability committee serves as Banks independent board member, and deputy president of the sustainability committee serves as member of the Banks board.</p>
Other, please specify Deputy General Manager	<p>The Sustainability Committee is the institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee consists of 17 members at the level of board members (2), deputy general managers (5) and department heads (10)</p> <p>Deputy General Managers that serve in the sustainability committee and the areas that they are responsible in the Banks management structure are mentioned below.</p> <ul style="list-style-type: none"> <li>+Financial Management and Planning</li> <li>+Banking Operations and Information Technology</li> <li>+Internal Systems</li> <li>+Human Resources and Support Management</li> <li>+Loan Policies, Risk Monitoring, and Legal Proceedings</li> </ul>
Other, please specify Department Head	<p>The Sustainability Committee is an institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee consists of 17 members at the level of board members (2), deputy general managers (5) and department heads (10)</p> <p>Department Heads that serve in the sustainability committee and the areas that they are responsible in the Banks management structure are mentioned below.</p> <ul style="list-style-type: none"> <li>+Head of Loan Policies and Practices</li> <li>+Head of Financial Institutions and Investor Relations</li> <li>+Head of International Banking and Structured Finance</li> <li>+Head of Branch Operations Department</li> <li>+Head of Corporate Communications</li> <li>+Head of Infrastructure Operation and Management</li> <li>+Head of Human Resources</li> <li>+Head of Budget and Reporting</li> </ul>

	+Head of Risk Management +Head of Support and Acquisition Services
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## C1.1b

### (C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – all meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>The Board of Directors conduct Sustainability Management by participating in the Sustainability Committee with two members (at President and deputy President levels).</p> <p>Sustainability committee gathers at least 4 times in a year for the scheduled regular meetings. In these regular meetings, the risks and opportunities for sustainability issues, including climate issues, are assessed and targets are set. Budget adjustments and performance objectives to reach the targets are discussed and decided by the majority votes.</p> <p>In addition, the periodic performance of the objectives is compared with the results of the specified period necessary revisions are decided.</p> <p>Decisions on rewarding performance for sustainability issues are also made in the Sustainability Committees regular meetings.</p> <p>Climate related issues are also discussed in the committee meetings in a risk-opportunity based approach and in line with the lending policies of the bank, necessary recommendations for policy updates and measures are forwarded to the responsible departments. As Head of Loan Policies and Practices and Head of Risk Management departments are also the member of the sustainability committee, there is a robust oversight over the issues</p>
Sporadic - as important matters arise	<p>Other, please specify</p> <p>Matters arising aside from the agenda and extraordinary events</p>	<p>The Board of Directors conduct Sustainability Management by participating in the Sustainability Committee with two members (at President and deputy President levels).</p>

		<p>Apart from the regular meetings, sustainability committee may gather urgently and sporadically for discussing and making decisions for the urgent and important issues arisen outside the regular meeting periods.</p> <p>Manager of Sustainability Practices, Environment and Energy Management Division is authorized for making calls for irregular sustainability committee meetings. Decisions made in the committee that may result important consequences are reported to the board.</p>
Scheduled – all meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p> <p>Other, please specify Management review</p>	<p>Management review meeting is held at least once in a year to ensure the sufficiency and efficiency of the Banks sustainability practices.</p> <p>Topics discussed in the Management Review Meetings are as follows:</p> <ul style="list-style-type: none"> <li>+Follow up activities of previous management review</li> <li>+Review of environment and energy policies</li> <li>+Review of environment and energy performance and related indicators.</li> <li>+Evaluations of compliance regarding legal and other liabilities that Bank is obliged to comply</li> <li>+Achievement levels to environment and energy goals</li> <li>+Risks and opportunities, important environmental impacts, needs and expectations of stakeholders, changes in internal and external matters related to integrated management systems</li> <li>+Results of integrated management internal examinations</li> <li>+Statuses of incompliances, corrective and preventive activities</li> <li>+Projected energy performance for the next period and opportunities for continuous improvement.</li> <li>+Sufficiency of resources</li> </ul> <p>Outputs of the Management Review Meeting are as follows:</p> <ul style="list-style-type: none"> <li>+Results regarding the conformity, sufficiency and efficiency and retaining the persistence of integrated management systems</li> <li>+Decisions for continuous improvement opportunities</li> </ul>

		<p>+Changes in Banks environment and energy performance</p> <p>+Changes in environment and energy policies</p> <p>+Activities to be carried out in case of failure to achieve environment and energy goals</p> <p>+Changes in energy performance indicators</p> <p>+Changes in targets, goals and other elements of integrated management systems, retaining the consistency with Banks commitment to continuous improvement</p> <p>+Opportunities to improve engagement of the integrated management system with other work processes.</p> <p>+Changes in resource allocations.</p> <p>+implications related to Banks strategic direction</p> <p>+Status of the activities carried out as a result of previous management review meetings</p>
Sporadic - as important matters arise	Other, please specify Internal Audits	<p>Halkbank has set up the Integrated Management Systems in compliance with ISO 14001 and ISO 50001 Environmental and Energy Management standards. In order to ensure the operability of the system, check lists for the internal audits were set. The auditing processes for the integrated management system is carried out by the internal control department of the bank. Non-compliance issues are reported to the board.</p> <p>For the urgent and important issues detected in the audits, the committee may gather for extra meetings and make decisions to prevent non-compliance.</p>

## C1.2

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	Both assessing and managing climate-related risks and opportunities	Quarterly
Other, please specify Sustainability Coordination Group	Managing climate-related risks and opportunities	More frequently than quarterly

## C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

The Sustainability committee is the authorized body of the bank's organization on sustainability issues and works subordinately to the board of directors. Members of the committee are appointed by the board of directors. Sustainability committee reports directly to the board of directors in order to coordinate the operations of the Bank related to sustainability. The committee carries out the monitoring function over the Banks operations in order to ensure that the impacts of the Banks operations over economical, environmental and social impacts are in conformity with the articles of "Sustainability Policy" determined by the board of directors. Sustainability committee, whose members are appointed from the Banks board members, deputy general managers and head of departments, holds scheduled meetings at least four times in a year. Risks and opportunities on sustainability matters, which include issues related to climate change are also evaluated in these meetings and targets are set. Budget adjustments and performance targets are discussed and decided by the majority of the votes. In addition, periodical performance results are compared to the targets and decisions for revisions are made if necessary. Rewarding decisions related to sustainability performance are also made in the committee meetings. Committee makes necessary determinations and forms working groups by the participation of related departments, in order to reduce the potential negative impacts of the Banks operations in terms of sustainability. Committee determines the procedures and principles for the Banks energy management. Committee analyses the results of data gathered based on energy management, informs related departments inside the organization, offers suggestions for actions and measures to be taken, reports and discloses to public through related platforms. Committee prepares appropriate framework for the legal/non legal cases for the Bank. As a publicly traded bank whose stocks are traded in Istanbul Stock Exchange, the committee takes initiatives to qualify for the BIST Sustainability Index, where companies with high corporate sustainability performance are involved. Committee coordinates the necessary measures within the Bank for this purpose. The Committee submits its opinions and proposals on the activities and deficiencies in the field of sustainability, beyond its authorization level to the Board of Directors. On the other hand, Sustainability Coordination Group, which is consisted of a chair and a six-member have been formed for the implementation of decisions made by the Sustainability Committee, the control and monitoring of processes, the finalization of ongoing work and the reporting of new developments in regards of sustainability. President and the members of the sustainability coordination group are appointed once in a year by the sustainability committee. The members of the coordination group are the department heads of the Banks. Division manager of the Sustainability Practices, Environment and Energy Management Division is also permanent member of the group. Sustainability Coordination Group Members for 2018 are appointed from the managers mentioned below. Head of International Banking and Structured Finance Head of Human Resources Head of Corporate Communications Head of SME Loans Head of Branch Operations Head of Technological Architecture, Division Manager of Sustainability Practices, Environment and Energy Management The meeting agenda of the coordination group is prepared by the Sustainability Practices, Environment and Energy Management division, also



works are carried out with related departments, about topics discussed in the group meetings, to prepare for the following meetings. If necessary, issues discussed in the coordination group meetings are escalated to the agenda of sustainability committee.

## C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

Yes

## C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

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**Who is entitled to benefit from these incentives?**

Business unit manager

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Other, please specify

Supplying data timely and correctly

**Comment**

Energy Manager sends an appreciation message to the Business Unit Managers for sending the carbon data, which is not accessible from the carbon management reporting system.

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**Who is entitled to benefit from these incentives?**

Business unit manager

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Behavior change related indicator

**Comment**

Energy manager sends an appreciation message to the branches of the Bank which show behaviour change leading to reductions in the emissions (electricity, water, etc. use)



**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Emissions reduction target

**Comment**

Energy Manager sends appreciation message to the employees developing the projects to reduce energy source consumption.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Behavior change related indicator

**Comment**

Employees dispose their used batteries to the battery collection machine located in the 3 Head Office buildings, and they are given a coupon for each battery they dispose. Gifts such as smart scale, fitness band, electronic tooth brush, alarm clock radio and e-book readers are offered for a specific amount of coupons collected.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Behavior change related indicator

**Comment**

Halkbank has set up the Integrated Management Systems in compliance with ISO 14001 and ISO 50001 Environmental and Energy Management standards. In order to ensure the operability of the system, check lists for the internal audits were set. The auditing processes for the integrated management system is carried out by the internal control department of the bank. Non-compliance issues are reported to the board. KPI's are also set for the non-compliance issues related to the integrated management system checklists, so that the staff of the branches failing to comply with the standards are enforced with monetary sanctions.

## C2. Risks and opportunities

### C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	From (years)	To (years)	Comment
Short-term	0	1	<p>Halkbank defines short term as time period up to 1 years time. Opportunities identified to have impacts on short term are;</p> <ul style="list-style-type: none"> <li>+Arising demand for green and responsible products and services (for example: renewable energy financing funds)</li> <li>+Most qualified and talented employees preferences on working for responsible corporations (companies who adopt responsible operating principles will have an advantage)</li> <li>+Responsible products and services being considered positively by foreign investors</li> <li>+Positive contributions to corporate reputation</li> <li>+Easy Access to purpose oriented financial instruments</li> </ul> <p>Risks identified to have impacts on short term are;</p> <ul style="list-style-type: none"> <li>-Impacts of social and demographic changes on the sector (global migrations, changes in the needs of aging population)</li> <li>-Data security issues arising from digitalization trends</li> <li>-Variability on the costs of energy</li> <li>-Loss of market share due to products and services related to climate change not being present in the product inventory</li> <li>-Pressure on the risk portfolio of the loans and services of companies due to physical changes originating from climate change</li> <li>*Emission reporting obligations</li> </ul>
Medium-term	1	5	<p>Halkbank defines medium term as the period between 1-5 years. Opportunities identified to have impacts on medium term are:</p> <ul style="list-style-type: none"> <li>+Opportunity to integrate increasing young population to financial system</li> <li>+Corporate sustainability turning into a new area of competition by the BIST sustainability index independent to sector.</li> <li>+Effectiveness provided by the energy efficiency</li> <li>+ Direct positive effects over the company bottom-line</li> <li>+Positive contributions of research and development works</li> </ul> <p>Risks that identified to have impacts over the medium term are:</p> <ul style="list-style-type: none"> <li>-Impacts of climate change over the banks products and services</li> <li>- Extinction of natural resources having impacts on Bank's resource</li> </ul>

			<p>management</p> <ul style="list-style-type: none"> <li>-Pressures occurring on the risk portfolio of the loans and services of companies due to physical changes originating from climate change</li> <li>-Problems over the communication with the Z generation and green collar employee groups, in terms of human resources</li> <li>-Impacts of taxation costs and emissions related to climate changes over Banks performance (both the direct effects over the Bank and the indirect effects of the burdens over the bank customers)</li> <li>-Operational risks caused by physical conditions</li> <li>-Emission reporting obligations</li> </ul>
Long-term	5	100	<p>Periods longer than 5 years are considered as long term, in Halkbank business strategy.</p> <p>Opportunities determined for long term are,</p> <ul style="list-style-type: none"> <li>+Contributions of sustainability management on corporate reputation</li> <li>+Effectiveness provided by the energy efficiency</li> <li>+Direct positive impacts of low-emission products and services over the company</li> <li>+Positive contributions of research and development works</li> <li>+Renewable energy regulations enabling opportunities to expand to new markets.</li> <li>+Cap and trade programs providing the commercial operations to diversify</li> <li>+Transitions in customer preferences due to changes in climate normal/extremes</li> </ul> <p>Risks identified for long term are:</p> <ul style="list-style-type: none"> <li>-Declines on technical knowledge levels having negative impacts over advanced financial services</li> <li>-Emission reporting obligations</li> </ul>

## C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

## C2.2a

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

Frequency of monitoring	How far into the future are risks considered?	Comment
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Row 1	Six-monthly or more frequently	>6 years	<p>Sustainability committee holds at least four meetings in a year. Identified risks are handled through the works carried out by Sustainability Practices, Environment and Energy Management division and information forwarded by other miscellaneous business units. Actions to be taken to manage these risks are decided.</p> <p>Risks that are discussed in the meetings are not limited to the actual time frame, previously identified risks and actions taken to manage those risks are monitored and possible revisions can be decided at the same time too. Researches are performed and reported based on industry.</p> <p>The risks are evaluated at least four times in a year, in the regular meetings of Sustainability Committee, and at least once by the Board, in the Management Review.</p>
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## C2.2b

### (C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

Risk management at Halkbank is carried out in accordance with the BRSA's "Regulation on Internal Audit and Risk Management Systems of Banks" document published in the Official Gazette of the Turkish Republic dated 08.02.2001 and numbered 24312. Basel II recommendations are also implemented in the Banks risk management models. Monitoring, reporting and management of credit and market risks within the framework of the Regulation rules are carried out within the responsibility of Risk Management Department. Also the works on the management of operational risks are also handled by the Risk Management Department. In Banking sector, the risks related to climate change may be classified not only under credit risks, but also operational risks. The analysis of the procedures regarding the organization's processes for identifying and assessing climate-related risks can be described under two headlines. Primarily the business units are obliged to provide their self assessments through their business activities. Secondly, Sustainability Practices, Environment and Energy Management unit is responsible for both contributing the analysis of the business units assessments and to the whole formation of the bank. Also annually swot analysis report of the bank including climate and sustainability issues are prepared by the authorized consultants and results are reported to the sustainability committee. In addition, both national and international agenda are promptly followed through systematic channels including news alerts, written media and publicly open sources. A precautionary approach is adopted on climate change related matters/such as memberships to concerned bodies/organizations/foundations and disclosing to domestic and international authorities. The control procedures regarding environmental norms in terms of credit risk analysis are managed by determined criterias that are integrated to the credit risk analysis systems. Finally, the 3rd party assessments and disclosing procedures to respected international initiatives related to climate change can be described as one of the most important processes to evaluate the Banks status regarding the topic. Works to improve sustainability performance of the Bank are discussed in the committee meetings and decisions are made to eliminate risks.

## C2.2c

### (C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	<p>Failing to comply with the current regulations related to climate-change may cause fines, which may be considered as an operational risk, and also liquidity risk.</p> <p>In order to ensure that the innovations to be made, in the course of a new product development or internal legislation update processes throughout the Bank, are compatible with the existing legislation and regulations, Bank's legislative compliance unit conducts a preliminary review and provides opinions to the related units and employees responsible for the development of product or internal legislation.</p>
Emerging regulation	Relevant, always included	<p>Failing to comply with the emerging regulations related to climate-change may cause fines, which may be considered as an operational risk, and also liquidity risk.</p> <p>Newly published regulations are followed on a Daily basis by the compliance department and concerned business units are informed about relevant changes. Works are carried out in cooperation with relevant business units in order to maintain compliance with the current practices of the bank and the new coming regulations. A proactive follow up is carried on for the possibly improvable topics on legislative issues. Participation and feedback are provided to the legislative process through working groups and declaration of views.</p>
Technology	Relevant, always included	<p>There is an operational risk in terms of profitability and regulation-related sanctioning, when the devices and equipment installed are not energy efficient, high-carbon or not compliant with emission regulations.</p> <p>Banks technological devices are renewed periodically and in the decision processes for the acquisitions, low carbon and low emission devices are preferred. Also the energy consumption levels of the devices are monitored and in the renewal processed, the preference for the low energy consuming and efficient devices is taken into consideration.</p>
Legal	Relevant, always included	<p>Both operational and credit risks are considered when legal issues related to climate change are addressed.</p> <p>Newly published regulations are followed on a Daily basis by the compliance department and concerned business units are informed</p>

		<p>about relevant changes.</p> <p>Also legal issues about companies relevant to environmental pollution (like fines issued by the government or legal decisions of the courts) are followed by the banks intelligence departments and reported to the relevant divisions. This information is also taken into consideration in the creditability evaluation processes of the candidate customers of the bank as a negative effect on their creditability. Possible taxation practices and emission regulations are also followed and necessary precautions are taken to maintain compliance.</p>
Market	Relevant, always included	<p>Changes in customer preferences and rival companies new inventions related to climate change has to be followed closely in order to cope with market risks.</p> <p>Recent developments and trends relating environment, climate and sustainability issues are followed through the public sources by the banks intelligence departments and relevant divisions are informed about the risks and opportunities. Works are carried out in the areas of product development, rivals products are followed and implementing best practices for meeting the expectations of customers and marketing teams.</p>
Reputation	Relevant, always included	<p>Climate change related negative reputation may cause both credit and market risks for the Bank. Negative reputation may cause the bank difficulties to receive foreign funds, which will decrease the capability to lend. Also a negative reputation for the Bank may lead to market share loss as customers are highly sensitive to reputation based issues in financial sectors.</p> <p>The Banks reputation levels about climate, nature and sustainability issues are given importance as a requirement of the boards policy, and Bank aims to be involved in the sustainability indexes that regulated both nationally and internationally. Periodical reputation studies and surveys are carried out by the corporate communication department.</p>
Acute physical	Relevant, always included	Socio-economical and demographical variations related to climate change are included in the risk assessment processes. But they are considered to be in middle and long term risk portfolios.
Chronic physical	Relevant, always included	Energy emission inventory of buildings, assets and risks related to those are taken into consideration in the decision of selecting processes. (Mostly considered for the operational risks)
Upstream	Relevant, always included	Physical risks of customers, including the risks that can be caused by climate changes are followed in some project based loaning operations, where they are above some margin value. This is one of

		the most important aspects of the credit risks related to climate related issues.
Downstream	Not relevant, explanation provided	Contracts signed with the suppliers in the Banks supply processes include articles about lowering the impacts of climate change. Climate change risks arisen from supplier operations are considered to be at minimum level. Items creating climate change risks are tried to be minimized when supply portfolio is evaluated based on products. (Mostly considered for the operational risks)

## C2.2d

### (C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

At company level, Halkbank manages the risks arising from its operations meticulously. Bank's risk analysis approach covers not only economic risks but also environmental and social risks including climate change risk that could impact the Bank's reputation. The Risk Management Department establishes risk management systems addressing the risks to which Bank is exposed to, monitors the sufficiency and efficiency of these systems and perform risk definition, classification, measurement, monitoring, controlling, reporting functions. Department investigates the causes of losses resulting from the mentioned risks. Halkbank has integrated management system comprised of ISO 14001 and ISO 50001 which constitute a precautionary approach to climate change risks in order to increase energy efficiency and reduce natural resource use. Besides, emission calculations are done on the basis of ISO 14064-1. Halkbank, at asset level, also takes into account the environmental and social assessment during the allocation of loans. Sustainability related scoring module is applied to companies who demands loans from Halkbank. Also, the new products are designed by taking into account the climate change (such as renewable energy and energy efficiency or environment-friendly loans). Practices required by national legislation as well as additional requirements and legislation prescribed by international organizations are closely observed and implemented during projects run specifically in cooperation with multinational financial institutions. For instance, investments that are financed with funds of World Bank need to comply with the World Bank Environment Assessment Procedures. Environmental and social risks are identified by Sustainability practices, environment and energy management division, which operates fulltime and subordinate to the sustainability committee, and reports to relevant business units. Besides, sectoral research team carries out full time field works about risks and opportunities related to economical, environmental and social impacts, and provides reports to relevant business units in the Banks intranet portal page. When a risk related to climate change is spotted, preliminary examinations are carried out by the Sustainability Practices division and possible solutions to mitigate the risks are determined. The aspects of the risks, whether it is legal, technological or market related, are evaluated, and if necessary, special opinions from the related departments are taken (from legal issues department, technological infrastructure department, marketing department etc.) in order to cover the risk as a whole. According to the authorization level, the issue is escalated to division manager, to department head, and furtherly to the Sustainability Committee. Necessary actions are immediately taken following the decision process and the



records of the issue are saved in order to take precautionary measures for the similar future incidents.

## C2.3

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.3a

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

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**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

**Type of financial impact**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Emission reporting obligation: Emission reporting obligation for energy-intensive sectors is being implemented since 2014. There is a possibility that the scope of the obligation can be expanded to less energy intensive sectors too. Non-compliance to the legislations may lead to operational risk.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

200,000

**Explanation of financial impact figure**

Employees and capital resources to be allocated to emission calculations and reporting.

**Management method**

Halkbank is preparing for the framework to manage risk, to comply with obligations and possible changes in regulations and other legal obligations. Carbon emissions are already calculated annually by the help of an internal online module, which is developed to collect data from each branches monthly.

**Cost of management**

0

**Comment**

It is predicted that the cost of risk management will be much lower than the operational costs. (Less than 1%)

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**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

**Type of financial impact**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Fuel/Energy Taxes and regulations: Introduction of fuel / energy taxes or energy efficiency plans and obligations without excluding non-energy-intensive sectors by government and public authorities to reduce carbon emissions. Underestimation of these taxes in the budget planning and financial statements may cause operational and liquidity risks.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure – minimum (currency)**

4,000,000

**Potential financial impact figure – maximum (currency)**

5,200,000

**Explanation of financial impact figure**

According to the statements of the officers representing The Turkish Republic - Ministry of Environment and Urbanisation, an implementation of a carbon tax of 10 USD per tonnes carbon is in the process of development. In our estimated calculations, Banks yearly total carbon emissions are assumed to vary between 70.000 – 80.000 tonnes. The measured cost is multiplied with the currency (1 USD = 5,80 TRY)

Other possible expenses: Expenses of assigned personnel to follow up changes in regulations, increased costs due to taxes, investment expenditures to obtain more efficient equipment

**Management method**

To eliminate the risk, Halkbank invests in energy efficiency projects for its existing activities and sets minimum productivity levels in the procurement processes. Also a new technology system related to energy monitoring and management is in the process of testing in selected 6 locations. If the cost-utility balance is feasible, a decision to install the system in all locations will be possible. By monitoring the energy consumptions more accurately, it will be much more efficient to manage the costs. These precautions are believed to lower the yearly emission levels

**Cost of management**

80,000,000

**Comment**

The total approximate investment cost for the energy monitoring and automation system is 80 million TRY, which covers the installation of devices like sensors and data transmitters.

---

**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Market: Changing customer behavior

**Type of financial impact**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company- specific description**

Renewable energy regulations: Cancellations of incentives in the renewable energy field may lead to problems in the repayments of the long term loans, due to the changes in customers cash flows. This may cause liquidity an operational risk.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

**Explanation of financial impact figure**

The revocation of incentives in the area of renewable energy may negatively affect the stability of the Bank's existing loans, as existing customers will be affected in terms of loan repayment ability. It may also lead to a decrease in demand for loans related to renewable energy and a decrease in potential incomes and profitability due to the reduction in allocated loans. The financial impact of this risk is too variable to calculate, as Halkbank has customers from all sectors from all around Turkey, and while some customers can be severely effected from this risk, others may not, so in total, the impact may vary.

**Management method**

Halkbank adjusts loan-collateral balance to manage the risk. Halkbank also designates the maturities of energy efficiency loans to their situation plans.

**Cost of management**

0

**Comment**

It is predicted that the cost of risk management will be much lower than the operational costs. (Less than 1%)

---

**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Increased pricing of GHG emissions

**Type of financial impact**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company- specific description**

Lack of emission tax regulations: Uncertainty about the legal limits on emission and consumption values can cause companies to be subject to excessive tax liability due to an exceed in emission values. Due to uncertainties in taxation limits, companies cost management policies may become ineffective. This may lead to problems in companies repayments of the long term loans, due to the changes in customers cash flows. This may cause liquidity an operational risk.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

**Explanation of financial impact figure**

Cost increase and excessive tax burden on companies due to lack of information and uncertainties in tax tariffs. The financial impact of this risk is too variable to calculate, as Halkbank has customers from all sectors from all around Turkey, and while some

customers can be severely effected from this risk, others may not, so in total, the impact may vary.

### **Management method**

Halkbank develops different products to manage and turn the risk into an opportunity. Also, Halkbank has e-learning programs for the SME's. In the website <https://www.halkbankkobigelisim.com.tr>, in line with our main aim to support SME's to achieve growth, we transfer knowledge regarding marketing, changes in regulations, entrepreneurship recommendations and legal advices. Our SME customers can reach detailed information to manage their risks.

### **Cost of management**

0

### **Comment**

It is predicted that the cost of risk management will be much lower than the operational costs. (Less than 1%)

---

### **Identifier**

Risk 5

### **Where in the value chain does the risk driver occur?**

Direct operations

### **Risk type**

Transition risk

### **Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

### **Type of financial impact**

Other, please specify  
Foreign regulations/compliance

### **Company- specific description**

Shortcomings in the regulations: Difficulties that can be faced in processes of procuring funds or extending maturities of previously procured funds from international financial institutions, when the regulations in the country of the funding financial institution are beyond local regulations.

### **Time horizon**

Short-term

### **Likelihood**

Likely

### **Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

**Explanation of financial impact figure**

In the case of the Bank being unable to extend the maturities of the funds procured from international financial institutions, it can be expected that the short term liabilities will increase and that will have some negative effects on Banks financial statements.

**Management method**

In the case of no non-compliance, stricter regulations between the legal regulations of the country in which the international funding institution is located and the local legal regulations can be applied. Also determining the status and applying compliance methods to eliminate potential conflicts can be considered as a sensible approach for managing the risk.

**Cost of management**

0

**Comment**

Costs of legal and operational services to maintain compliance. (We are unable to estimate the cost.)

---

**Identifier**

Risk 6

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Rising mean temperatures

**Type of financial impact**

Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants)

**Company- specific description**

Change in temperature extremes: With changes in temperature extremes, the need for heating and cooling will increase for the branches and all other offices. This may, in very



extreme situations, cause an increase in costs, which may lead to liquidity risk in long term.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

**Explanation of financial impact figure**

With the effects of climate change, maximum temperature levels of summer seasons and minimum temperature levels of winter seasons and their lasting periods may change significantly, which may result more energy consumption for balancing the heat levels of banks branches and other locations. That may cause in increases of banks costs. We are unable to estimate how much an increase in temperatures will effect our yearly costs.

**Management method**

To manage the risk, Halkbank is investing in energy efficiency projects for the current operations and defining minimum efficiency levels for purchases. A new technology system related to energy monitoring and management is in the process of testing in selected 6 locations. If the cost-utility balance is feasible, a decision to install the system in all locations will be possible. By monitoring the energy consumptions more accurately, it will be much more efficient to manage the costs. Moreover, Halkbank is carrying out works to turn the branches into green offices. By the end of 2019, all branches and regional coordinating offices are planned to be integrated into the ISO 14001 ve ISO 50001 management system and %100 percentage coverage of the system for all locations is aimed.

**Cost of management**

80,000,000

**Comment**

It is expected that the cost of the management and automation system integration and monitoring system installation works all across Turkey will be about 80.000.000 TL, and the budgets for the year 2020 will be set at the end of 2019.

**Identifier**

Risk 7

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Acute: Increased severity of extreme weather events such as cyclones and floods

**Type of financial impact**

Increased capital costs (e.g., damage to facilities)

**Company- specific description**

Change in precipitation extremes and droughts: Change in precipitation extremes may lead to extreme weather events, i.e. floods, which can affect the Banks facilities, mostly the branches

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

**Explanation of financial impact figure**

Natural disasters related to climate change may cause the business units to be out of order, which will cause monetary losses. Also important documents and valuable assets may get damage in floods and likewise disasters. We are not able to estimate the cost of this impact, as the damage level may vary in every different situation.

**Management method**

Risk factors are taken into consideration while choosing the locations of buildings for new offices. For the existing buildings, necessary and available precautions are taken in order to reduce risks. Also the locations are insured.

**Cost of management**

250,000

### Comment

The total cost is estimated as TRY 250.000 for all across Turkey.

---

### Identifier

Risk 8

### Where in the value chain does the risk driver occur?

Customer

### Risk type

Physical risk

### Primary climate-related risk driver

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

### Type of financial impact

Increased credit risk (e.g., increased probability of default and/or loss given default)

### Company- specific description

Changes in precipitation amounts may have potential adverse effects on sectors, whose business processes are based on rainfall amounts, such as agricultural production and hydropower sector.

### Time horizon

Medium-term

### Likelihood

Likely

### Magnitude of impact

Medium

### Are you able to provide a potential financial impact figure?

No, we do not have this figure

### Potential financial impact figure – minimum (currency)

0

### Potential financial impact figure – maximum (currency)

999,999,999

### Explanation of financial impact figure

Potential adverse effects of changes in precipitation amounts may lead to reductions in the productivity of businesses, whose business processes are based on rainfall amounts, such as agricultural production and hydropower sectors. As a result, there will be reductions in their incomes and profits, which may cause difficulties in paying loan debts. This will affect the bank's incomes negatively. (The ratio of loans provided to farmers to Halkbank's total loan portfolio is below 1%.)

**Management method**

Risks are evaluated by Halkbank from a perspective taking future horizons into account, and necessary revisions are made to the methods for lending processes.

**Cost of management**

0

**Comment**

The costs to eliminate the risks can be considered at ignorable levels.

---

**Identifier**

Risk 9

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Reputation: Shifts in consumer preferences

**Type of financial impact**

Reduced revenue from decreased demand for goods/services

**Company- specific description**

Ethical Concerns and Trends: Customers who have an ethical approach towards environmental and social matters are increasingly becoming more and more aware of the environmental performance of companies that they buy goods / services and do business. This possesses a risk for banks that provide loans to environmentally harmful technologies or do not manage their own environmental impacts.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

### **Explanation of financial impact figure**

Customers who are sensitive to companies' approaches to environmental problems prefer to do business with companies that take these issues into account when setting up business models. Banks that have a negative reputation for environmental responsibility actions and sustainability will certainly lose customers with ethical mindset. This will cause them loss of revenue. (Financial impact of the risk can not be calculated.)

### **Management method**

Halkbank holds a similar point of view with ethical customers on social and environmental issues, and desires to take necessary actions to fight against the adverse effects of climate change. Halkbank has developed a sustainable management system plan to reduce the impacts on climate change. In addition, in 2016, the criterias for the environmental impacts were integrated to the utility console, which is used for the evaluation of lending processes of investment projects, and the updated process is currently up and running.

### **Cost of management**

300,000

### **Comment**

The cost of management system was realized at 300.000 TRY

---

### **Identifier**

Risk 10

### **Where in the value chain does the risk driver occur?**

Customer

### **Risk type**

Transition risk

### **Primary climate-related risk driver**

Market: Changing customer behavior

### **Type of financial impact**

Reduced revenue from decreased demand for goods/services

### **Company- specific description**

Fluctuating socio-economic conditions and demographic changes: The effects of climate change and changes in socioeconomic conditions will change people's preferences and priorities, which may reduce the demand for banking services.

### **Time horizon**

Long-term

### **Likelihood**

About as likely as not

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

999,999,999

**Explanation of financial impact figure**

Climate change may also cause changes in socio-economical conditions. Cost of living may increase and it is expected to change the equality of income statistics. These changes will lead to change the priorities and preferences of the customers, and banks will be forced to alter their products to the new market conditions.

**Management method**

Halkbank is diversifying its products to manage the risk. As a Bank whose %51 of shares are owned by State Founded Asset Fund, Halkbank has a critical role in Turkish economics. As an instrument of states monetary and finance policies, Halkbank supports SME's and other designated customer groups (i.e. retired people, workers, medical staff, transportation sector etc.) with either state supported funds or its self owned sources, which can also be considered as an imported function of market regulation, income distribution and crisis management.

**Cost of management**

0

**Comment**

Financial cost to manage the risk can not be calculated.

---

**Identifier**

Risk 11

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Market: Other

**Type of financial impact**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company- specific description**

Implementation of new taxes over high carbon emission energy sources may increase tax burden over low-income earning citizens, who are unable to reach clean energy resources to meet their needs. This may lead them to poverty, and they may economically struggle. Their loans may not be repaid due to insufficient income. If this situation is expanded to countrywide, it will also harm the economic stability of the country, which will cause devaluation of local currency and increase the costs of foreign based funds.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

9,999,999,999

**Explanation of financial impact figure**

The interest incomes from loans that not repaid on due and loss of capital. Also the increased interest costs of foreign based funds. A there is no implementation of carbon tax in Turkey, the amount of impact is not predictable.

**Management method**

Halkbank, as with is majority of shares are owned by state's sovereign wealth fund, serves also as a policy instrument for the state, by supporting low income groups like retired people, workers, and SME's by promoting employment.

**Cost of management**

0

**Comment**

Financial cost to manage the risk cannot be calculated.

---

**Identifier**

Risk 12

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**



Transition risk

**Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

**Type of financial impact**

Increased costs and/or reduced demand for products and services resulting from fines and judgments

**Company- specific description**

With the implementation of new environmental regulations or more strict rules on currently available regulations and non-compliance with these rules might cause a risk of fines and reduced revenue.

**Time horizon**

Current

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

18,000,000

**Explanation of financial impact figure**

The Turkish Republic - Ministry of Environment and Urbanisation has announced an obligation for companies to report their dangerous waste amounts per year in the integrated environment information system on the ministries web site. Failing to report in the system will cause 18.000 TRY fine for each legal entity. As Halkbank has over 1.000 offices all around the country, and all offices having their own legal entity status, the possible fine from not reporting the waste amounts may rise up to 18.000.000 TRY. The coverage of the reporting obligation may be expanded to more data in the future.

**Management method**

The environmental regulations are followed by two departments in Halkbank, one of them is compliance department and the other one is the Sustainability practices division in the administrative service department.

**Cost of management**

0

**Comment**

No additional cost arises due to these operations since these two department are already assigned to follow up regulations.

## C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

### C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

---

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Access to new markets

**Type of financial impact**

Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)

**Company-specific description**

Renewable energy regulations: Increasing the government's targets for the share of renewable energy in total energy production will force more companies to invest in new power sources, which will increase their demand for funds.

**Time horizon**

Long-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

Expansion of credit portfolio and customer base: The targets of the new regulations in the field of renewable energy will increase the income of Halkbank together with the loans to be provided. However, since there is no indication as to which power plants will be needed for which technology, it is not possible to calculate what additional financial support will be required.

**Strategy to realize opportunity**

Halkbank will be responding to loan requests timely by developing new products for the renewable energy projects.

**Cost to realize opportunity**

0

**Comment**

The cost of management is at negligible levels.

---

**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Ability to diversify business activities

**Type of financial impact**

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

**Company-specific description**

Cap and Trade Regulations: If a system for local or international emissions trades and barbers is formed in Turkey by the government, Banking sector can provide brokering services to this business field.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

It is not possible to calculate the financial impact without the scale of the system is certain.

**Strategy to realize opportunity**

In order to be prepared for the system, Halkbank will make necessary arrangements with the applications such as the recruitment of new qualified personnel and the training of the existing personnel to meet the legal requirements.

**Cost to realize opportunity**

0

**Comment**

Estimation of management cost is not possible when legal framework and structure of the system is not certain.

---

**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact**

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

**Company-specific description**

Changes in temperature extremes: With the change of the temperature extremes, better cooling and heating systems will be needed for the facilities, and in order to meet this requirement, the companies will need additional funds as they will have to make new investments.

**Time horizon**

Long-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

### **Explanation of financial impact figure**

In order to maintain their efficiency levels and production quantities, companies will need to adapt to changing climate conditions. To achieve this, the cooling and heating system investments will be needed, which can be financed by funds provided by financial institutions. This will result in an increase in the income and profitability of financial institutions. The financial impact of this opportunity has not been assessed yet.

### **Strategy to realize opportunity**

Halkbank formed an evaluation team of 30 examination engineers, 20 of which are energy managers, to further its capacity for funding energy efficiency projects. In addition, the employees in the branches are given necessary trainings. On the other hand, free energy efficiency consultancy services are provided by Halkbank to customers who are willing to apply for energy efficiency credits.

### **Cost to realize opportunity**

0

### **Comment**

Costs are expected to be low compared to the benefits related to these applications.

---

### **Identifier**

Opp4

### **Where in the value chain does the opportunity occur?**

Customer

### **Opportunity type**

Products and services

### **Primary climate-related opportunity driver**

Shift in consumer preferences

### **Type of financial impact**

Increased revenue through demand for lower emissions products and services

### **Company-specific description**

Changing customer behaviour: Companies will be moving towards greener operations to meet customer expectations, which will increase the need for new technology and reinforcement investments.

### **Time horizon**

Long-term

### **Likelihood**

More likely than not

### **Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

Companies will be forced to change their production technologies and procedures to meet the demand for more green qualified products. This will lead to the need for extra investment, which will increase the income and profitability of financial institutions, provided that the investments are financed by loans supplied by financial institutions.

**Strategy to realize opportunity**

Halkbanks current management standards are competent enough to support necessary changes and accelerate the integration.

**Cost to realize opportunity**

0

**Comment**

There will not be any extra burden to utilize this opportunity and it will be possible to fulfil the new loan demands with the existing capacity.

---

**Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Energy source

**Primary climate-related opportunity driver**

Use of new technologies

**Type of financial impact**

Reduced operational costs (e.g., through use of lowest cost abatement)

**Company-specific description**

Increased energy efficiency: The reduction in operational costs will provide the bank a competitive advantage. While the grid power in Turkey is based on scarce fossil fuel, a return of less energy use will be provided by the energy efficiency, which will bring the Bank into a position less exposed to instability in fuel prices. Also, In Banking sector, with the rising digitalisation trends, the usage of new technological banking services such as online banking, virtual credit cards and electronic in voice applications will tend to reduce the operational costs of the banks with their positive impacts over carbon emissions.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

Upgrading to new technologies and developing applications will reduce the most important operational costs of the Bank by reducing the need for energy consumption. With operational costs decreasing, product and service prices will be available to customers on more affordable terms, which will provide a competitive advantage for the Bank.

**Strategy to realize opportunity**

Halkbank promotes energy efficiency by measuring and controlling branch-based energy use with the latest technologies throughout its organization, reducing energy consumption through improvements in its processes and energy efficiency projects. Halkbank also undertakes behavior-changing initiatives aimed at ensuring energy efficiency for the employees within the Bank.

**Cost to realize opportunity**

0

**Comment**

It is not possible to calculate the net cost since the process improvements and initiatives to be made vary.

---

**Identifier**

Opp6

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&D and innovation

**Type of financial impact**

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

**Company-specific description**

Research and Development plays an important role in adapting to new market conditions. With Research and Development, innovation services and products will be developed and revenues will increase. Especially new risk perception trends will require new risk calculation and mitigation methods.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

In terms of insurance products and services in particular, it will be possible to make more accurate calculations not only for new products but also for the bank's existing risk portfolio. In this way, the productivity of the existing products will be increased. This also applies to project financing products and services. The more accurate risk calculations will allow for a more profitable rate of return for loans.

This opportunity has the potential to increase the productivity of products related to risk capital and insurance. It will create competitive advantage for the bank, increase profitability and reduce risk levels.

**Strategy to realize opportunity**

It is necessary to work in a multi-stakeholder approach to determine a more accurate and multi dimensional climate risk structure. For this reason, Research and Development studies should be designed with a multidisciplinary and science-based approach. Research and Development teams should not only include financial product developers, but also professionals with social and earth sciences backgrounds. External learning and internal distribution of knowledge should be enabled.

**Cost to realize opportunity**

0

**Comment**

We are unable to estimate the approximate costs at this stage.

---

**Identifier**

Opp6

**Where in the value chain does the opportunity occur?**

Direct operations



**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Access to new markets

**Type of financial impact**

Increased diversification of financial assets (e.g., green bonds and infrastructure)

**Company-specific description**

Sustainability indexes: Corporate sustainability is transforming into a new area of competition with the global indexes, such as BIST Sustainability Index

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

Achieving a higher rank in sustainability index attracts investors, especially long term investors such as pension funds. This opportunity also has potential to increase the value of Halkbank's shares and other public financial products.

**Strategy to realize opportunity**

In addition to the BIST Sustainability Index, Halkbank is also enthusiastic to rank among in various sustainability indexes, and spreads efforts on this purpose.

**Cost to realize opportunity**

150,000

**Comment**

Verification and consultancy services are acquired to determine the areas that can be improved on the Bank's processes and practices in the context of sustainability and to be ranked among in sustainability indexes.

---

**Identifier**

Opp8

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Access to new markets

**Type of financial impact**

Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)

**Company-specific description**

Access to purpose oriented funds: There are specific funds aiming to finance low emission technologies and energy projects; hence providing favourable financial instruments for entrepreneurs. Through an advanced understanding of low carbon economy, Halkbank aims to become a hub, connecting these funds and entrepreneurs, which will increase revenue of the company as well.

Also, green bonds and green loans may have a higher shares in total loans and Banks who develop market compatible green loan products will have the opportunity to increase their profits.

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

By connecting purpose oriented funds and eligible entrepreneurs, Halkbank may increase its revenues especially in project finance instruments. This may also increase long term engagement opportunities with these clients which will generate diverse business opportunities. This opportunity will increase net income for the Bank by increasing loan volume for entrepreneurs in low-carbon technologies and energy projects.

**Strategy to realize opportunity**

Halkbank seizes opportunities to get in touch with global funds aiming low carbon investment and connect them with its vast client base who are seeking favourable funding opportunities.

**Cost to realize opportunity**

0

**Comment**

Management cost is negligible.

---

**Identifier**

Opp9

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company-specific description**

Increased corporate reputation: Most valuable asset of a financial institution is its reputation. By featuring climate change mitigation strategies, corporate reputation of Halkbank among the customers will increase. This will be reflected to consumer behaviour and increase revenues.

**Time horizon**

Short-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

This opportunity has potential to increase the Banks customer loyalty besides customer base.

**Strategy to realize opportunity**

In order to benefit from this opportunity, Halkbank discloses its policies, practices and performance to its stakeholders via various media primarily through its sustainability reports. Halkbank also takes innovative actions, both internally and externally, in order to raise awareness on climate change issues and ways of dealing with them.

**Cost to realize opportunity**

0

**Comment**

Management cost is negligible.

---

**Identifier**

Opp10

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact**

Increased revenue through demand for lower emissions products and services

**Company-specific description**

The responsive approach of Halkbank over environmental matters and its actions to fight against climate change issues will help its reputation to improve, which will lead to access to longer-term financing under favourable conditions from international financial institutions.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Explanation of financial impact figure**

As a highly reputed company in banking sector, Halkbank will be able to access funds from international financial institutions on more favourable terms such as longer maturity periods and low interest rates, which will help the bank reduce the costs, and increase profitability of its placements.

**Strategy to realize opportunity**

Halkbank reports any developments with respect to the sustainability efforts to the international financial institutions.

**Cost to realize opportunity**

0

**Comment**

Management cost is negligible.

## C2.5

**(C2.5) Describe where and how the identified risks and opportunities have impacted your business.**

	Impact	Description
Products and services	Impacted	Climate sensitive products such as loans and financial services incentivizing and supporting renewable energy are developed. The new financial services are offered to current and potential customers, which are exposed to climate related risks. Climate related risks of conventional investments and projects are commenced to be involved in the evaluation processes of loan requests. The margins of these products and services reached a certain and significant level, and considered as a profitable area.
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	Low energy consuming vehicles and IT hardware and products are preferred in acquisitions for Banks operations. In addition, the suppliers are encouraged to produce such low energy consuming and efficient products.
Adaptation and mitigation activities	Impacted	An organizational authorized body (sustainability committee, coordination group and division) was established to cope with sustainability issues. Calculation of emissions are done within the organization and verification services are acquired from independent authorized third parties.
Investment in R&D	Not yet impacted	Peer practices, innovated best practices are followed through the banking sector, and available practices are discussed and considered in the decision processes for future implementations.
Operations	Impacted	Energy efficiency is considered as a constant development area, and stocks of emissions are decreased due to new implementations. Cost of operations are decreased due to these practices. Physical buildings are transformed to achieve energy efficiency.
Other, please specify	Not evaluated	N/A Other than mentioned above

## C2.6

**(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.**

	Relevance	Description
Revenues	Impacted	New service commitments, increased marketability and increased profitability due to lower cost credit products. The high turnover

		rates due to long term follow-ups by international organizations have also affected the income and profitability of these loans positively.
Operating costs	Impacted	There are positive impacts on operational costs due to low electric consumption, heating costs and costs related to fuel consumptions of vehicles.
Capital expenditures / capital allocation	Impacted	Low emission materials are used in retrofittings of branch offices. Low fuel consuming vehicles are acquired, energy management, virtual server and IT system investments are made.
Acquisitions and divestments	Not yet impacted	Such impact not yet observed, as an incident related to this not happened yet.
Access to capital	Impacted	As climate change is taken into account in company management and product development processes and there is an effective sustainability management and performance reporting system, access to new financial instruments such as renewable energy funds and climate-sensitive investment funds is facilitated.
Assets	Impacted	Operating costs have been reduced with energy efficiency investments made in branches and operation buildings. Asset values have improved.
Liabilities	Not yet impacted	Such impact not yet observed, as an incident related to this has not happened yet.
Other	Not evaluated	N/A Other than mentioned above

## C3. Business Strategy

### C3.1

**(C3.1) Are climate-related issues integrated into your business strategy?**

Yes

#### C3.1a

**(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?**

Yes, qualitative

#### C3.1c

**(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

The issue of fighting the effects of climate change is assessed by a risk and opportunity-based approach across the bank. Scenario analysis based on Nationally Determined Contribution

(NDC) works are used along with the operational and commercial inputs when evaluating risks and opportunities.

Sustainability practices, environment and energy management division monitors the sector, leading companies and their practices related to climate change and environment throughout the year. The practices that are not present in Halkbank's practices, or insufficiencies identified are reported to the Sustainability committee alongside with the recommendations about possible improvements. The division also maintains coordination among the different departments and business units to ensure the compliance with the changes in regulation and sustainability practices. The division carries out the works to realize Banks business strategy compliant with the aims of reducing emission and energy consumption by taking the accomplished practices in the economy and legislations into account. Other crucial functions of the division are; \* conformity of products/services/ \*Precautions needed to be taken in terms of building management and vehicles/equipment/ \*Human resources policy and maintaining the awareness of employees.

The Sustainability Committee conducts its activities within the framework of Halkbank Environmental policy, Energy policy and Sustainability policy. The risks arising from climate change are assessed in the Project Loan evaluation process. In addition, the activities of any company that requests loans are also examined in terms of environmental and social impacts. Low carbon economy is not only important for the sustainable environment but also for the new business opportunities. The energy efficiency and renewable energy loans have a direct effect on the bottom line; moreover these loans may lead new business partnerships with stakeholders. Operational efficiency has been integrated to Bank's business strategy. An integrated management system covering the ISO 14001 environmental management system and ISO 50001 energy management systems for the Halkbank's activities and workflows was adopted. The Bank has completed and implemented the certification process for the Head Office and auxiliary HQ service buildings. The Bank has also decided to extend the coverage of the integrated management system, which currently covers 703 locations. In 2019, the integrated management system will be expanded to all its buildings throughout the country.

## C3.1d

**(C3.1d) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios	Details
Nationally determined contributions (NDCs)	<p>Republic of Turkey has published the INDC document linked to the climate protocol 1/CP.19 and 1/CP.20, in which the methods are determined to achieve the UN FCCC targets. The document is prepared with the market coverage for the whole country.</p> <p>According to the statement, Turkey is held responsible for the 0.7% of global emissions produced since the industrial revolution. With this document, Turkey declare that they will support the targets to hold the global temperature increase below the 2 C and to decrease the emissions inventory % 21 by 2030 and states</p>

	<p>necessary steps and fields of work towards this. According to the NDC, a series of works requiring large-scale investment for transformation in industrial applications, changes in energy portfolio, as well as policy development and planning across the country is foreseen.</p> <p>This scenario plan affects Halkbank activities at two points. The first point is, lowering the emissions inventory by increasing energy efficiency and making projects and investments towards the foreseen energy efficiency targets. The second point is the need for finance that will arise due to the large scale public and private sector investment requirements by the national plan. The ability of Halkbank to respond to these needs within project financing is a financial opportunity for the company</p> <p>Halkbank, while benefiting from this opportunity, aims to control the socioeconomical impacts of the investments that will be made, to prevent producing new environmental impacts, particularly water, waste and biodiversity related issues, contributing to reduce national emissions inventory, by the policies and methodologies that it will follow.</p>
--	---

## C4. Targets and performance

### C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Intensity target

### C4.1b

**(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).**

---

**Target reference number**

Int 1

**Scope**

Scope 1

**% emissions in Scope**

51.38

**Targeted % reduction from base year**

0.5

**Metric**

Metric tons CO2e per kilometer



**Base year**

2016

**Start year**

2017

**Normalized base year emissions covered by target (metric tons CO2e)**

0.01

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

0

**Target status**

Underway

**Please explain**

#In calculations, it is presumed that diesel vehicles consume 6 litres per 100 km and fuel vehicles consume 8 litres per 100 km. Estimate distance travelled is calculated from total diesel and fuel consumption data based on these assumptions.# Halkbank prefers more efficient and low consuming vehicles when acquiring company vehicles. It is planned to change the high GHG emitting vehicles with new ones by 2020 to achieve the target.

**% change anticipated in absolute Scope 1+2 emissions**

2

**% change anticipated in absolute Scope 3 emissions**

0

---

**Target reference number**

Int 2

**Scope**

Scope 1

**% emissions in Scope**

48.62

**Targeted % reduction from base year**

0.5

**Metric**

Metric tons CO2e per square meter\*

**Base year**

2016

**Start year**

2016

**Normalized base year emissions covered by target (metric tons CO2e)**

0.01

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

100

**Target status**

Underway

**Please explain**

Scope of target: #Total Scope 1 targets excluding vehicles# Works for implementing the energy monitoring system to all of the service units, which will enable to track all energy consumption sources and energy efficiency is still in progress.

Halkbank is the first bank in Turkey that established ISO 50001 Energy Management System. The aim is to reduce its own environmental negative impacts and to increase its energy efficiency, reduce waste and decrease the use of resources (energy, paper, water etc.).

**% change anticipated in absolute Scope 1+2 emissions**

5

**% change anticipated in absolute Scope 3 emissions**

0

---

**Target reference number**

Int 3

**Scope**

Scope 2 (location-based)

**% emissions in Scope**

100

**Targeted % reduction from base year**

1

**Metric**

Metric tons CO2e per square meter\*

**Base year**

2016

**Start year**

2016

**Normalized base year emissions covered by target (metric tons CO2e)**

0.05

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

100

**Target status**

Underway

**Please explain**

Target scope:#Electricity consumption#:Works for implementing the energy monitoring system to all of the service units, which will enable to track all energy consumption sources and energy efficiency is still in progress. Halkbank is the first bank in Turkey that established ISO 50001 Energy Management System. The aim is to reduce its own environmental negative impacts and to increase its energy efficiency, reduce waste and decrease the use of resources (energy, paper, water etc.).

**% change anticipated in absolute Scope 1+2 emissions**

5

**% change anticipated in absolute Scope 3 emissions**

0

---

**Target reference number**

Int 4

**Scope**

Scope 3: Waste generated in operations

**% emissions in Scope**

1.53

**Targeted % reduction from base year**

0.5

**Metric**

Metric tons CO2e per square meter\*

**Base year**

2016

**Start year**

2016

**Normalized base year emissions covered by target (metric tons CO2e)**

0.01

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

100

**Target status**

Underway

**Please explain**

Waste management that is implemented in extent to ISO 14001 is ongoing.

**% change anticipated in absolute Scope 1+2 emissions**

0

**% change anticipated in absolute Scope 3 emissions**

1

---

**Target reference number**

Int 5

**Scope**

Scope 3: Business travel

**% emissions in Scope**

17.44

**Targeted % reduction from base year**

1

**Metric**

Metric tons CO2e per unit FTE employee

**Base year**

2016

**Start year**

2016

**Normalized base year emissions covered by target (metric tons CO2e)**

0.16

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

0

**Target status**

Underway

**Please explain**

Business travels are carried out depending to a plan prepared before. System for online meetings and video conferences was implemented and its coverage was extended to decrease the business travel needs.

**% change anticipated in absolute Scope 1+2 emissions**

0

**% change anticipated in absolute Scope 3 emissions**

2

---

**Target reference number**

Int 6

**Scope**

Other, please specify  
Scope 3:Paper Use

**% emissions in Scope**

9.15

**Targeted % reduction from base year**

0.5

**Metric**

Metric tons CO2e per unit FTE employee

**Base year**

2016

**Start year**

2016

**Normalized base year emissions covered by target (metric tons CO2e)**

0.1

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

100

**Target status**

Underway

**Please explain**

Works to reduce paper consumption per employee will be expanded.

**% change anticipated in absolute Scope 1+2 emissions**

0

**% change anticipated in absolute Scope 3 emissions**

2

---

**Target reference number**

Int 7

**Scope**

Other, please specify  
Scope 3:Water use

**% emissions in Scope**

1.53

**Targeted % reduction from base year**

0.25

**Metric**

Metric tons CO2e per unit FTE employee

**Base year**

2016

**Start year**

2016

**Normalized base year emissions covered by target (metric tons CO2e)**

0.01

**Target year**

2020

**Is this a science-based target?**

No, and we do not anticipate setting one in the next 2 years

**% of target achieved**

0

**Target status**

Underway

**Please explain**

Works for implementing the monitoring system to all of the service units, which will enable to track water consumption and ensure energy efficiency are still in progress. Waste management that is implemented in extent to ISO 14001 is ongoing.

**% change anticipated in absolute Scope 1+2 emissions**

0

**% change anticipated in absolute Scope 3 emissions**

0.5

---

**Target reference number**

Int 8

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

100

**Targeted % reduction from base year**

30

**Metric**

Other, please specify  
Metric Tonnes CO2 Per Total Assets

**Base year**

2015

**Start year**

2018

**Normalized base year emissions covered by target (metric tons CO2e)**

47,059

**Target year**

2023

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**% of target achieved**

0

**Target status**

New

**Please explain**

It is expected for our Bank to increase its total assets more rapidly than the increase in scope 1+2 emissions with the help of efficiency practices in energy consuming applications.

**% change anticipated in absolute Scope 1+2 emissions**

133

**% change anticipated in absolute Scope 3 emissions**

0

## C4.2

**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.**

## C4.3

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

## C4.3a

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	0
To be implemented*	0	0
Implementation commenced*	0	0
Implemented*	9	259



Not to be implemented	0	0
-----------------------	---	---

## C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

---

### Initiative type

Process emissions reductions

### Description of initiative

Behavioral change

### Estimated annual CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)

0.02

### Scope

Scope 3

### Voluntary/Mandatory

Voluntary

### Annual monetary savings (unit currency – as specified in C0.4)

166

### Investment required (unit currency – as specified in C0.4)

0

### Payback period

No payback

### Estimated lifetime of the initiative

Ongoing

### Comment

Reduction in paper use via using soft copies of documents instead of printing in Compliance Department (80 sheets of paper in a week/approximately 4.160 sheets of paper per year)

---

### Initiative type

Process emissions reductions

### Description of initiative

Behavioral change

### Estimated annual CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)

0.06

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

520

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

An option to cancel printing orders were added to laser printer devices, which enables us to save at least 13.000 sheets of paper per year.

---

**Initiative type**

Process emissions reductions

**Description of initiative**

Changes in operations

**Estimated annual CO2e savings (metric tonnes CO2e)**

43.8

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

366,666

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

Halkbank mediates course payments transactions between the customers and Turkish Employment Institution. The contract between customers and the Bank in order to provide the payment services, which was of 42 pages was simplified. This revision lead to a saving of approximately 9.166.650 sheets of paper per year.

---

**Initiative type**

Process emissions reductions

**Description of initiative**

Changes in operations

**Estimated annual CO2e savings (metric tonnes CO2e)**

0.96

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

12,489

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

A number of new paperless banking services were implemented that enabling customers to sign various contracts and forms digitally over the mobile banking application. This lead to a save of 201.312 sheets of paper in a 4 month period.

---

**Initiative type**

Process emissions reductions

**Description of initiative**

Changes in operations

**Estimated annual CO2e savings (metric tonnes CO2e)**

0.04

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

836

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

An update in internal Banking systems, which is called "Panorama Service Catalog" was made, enabling a total of 672 banking and operational business processes to become automated. This enabled a save in overtime Working hours and travels of personnel transport vehicles.

---

**Initiative type**

Process emissions reductions

**Description of initiative**

Changes in operations

**Estimated annual CO2e savings (metric tonnes CO2e)**

0.17

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

2,889

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

An update in internal IT Banking systems, which is called "Middle sized objects" was made, enabling the inputs of object to become automated. This enabled a save in overtime Working hours and travels of personnel transport vehicles.

---

**Initiative type**

Process emissions reductions

**Description of initiative**

Behavioral change

**Estimated annual CO2e savings (metric tonnes CO2e)**

0.06

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

9,000

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

SME-1 Loan proposal documents were previously sent from local branches to the HQ for approval. This procedure was changed, so that the proposal documents are now send digitally to the HQ for approval, which lead a save in Cargo.

---

**Initiative type**

Process emissions reductions

**Description of initiative**

Changes in operations

**Estimated annual CO2e savings (metric tonnes CO2e)**

58.5

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

648,900

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

Ongoing

**Comment**

As a legal obligation, monthly balance sheets are sent to customers of deposit accounts. A new process has been implemented to get customers consent to receive the balance sheets via soft copies digitally. This lead to a significant save in paper usage.

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

155.64

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

177,623

**Investment required (unit currency – as specified in C0.4)**

1,612,290

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Reduction of electricity use was enabled by replacing fluorescent lamps with LED lamps.

### C4.3c

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Lower return on investment (ROI) specification	Investment decisions are based on lower return on investment (ROI). Halkbank chooses the projects for head quarters with ROI less than 1.5 years and for branches other units with ROI less than 3.5 years to invest in. The reason why the ROI expectation is lower for head quarters is that the number of existing head quarter buildings will be reduced after 3 years.

### C4.5

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

### C4.5a

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.**

---

**Level of aggregation**

Group of products

**Description of product/Group of products**

Loans for energy efficiency and renewable energy projects.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product and avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify

Banks own taxonomy inc. renewable energy

**% revenue from low carbon product(s) in the reporting year**

0.5

**Comment**

Halkbank designs clean energy funds. Funds that are fulfilled from the sources of international financial institutions, terms about environmental and social issues are negotiated. In the allocation and lending processes of these loans, environmental and

social guidelines of the the relevant creditors are taken into account. Data is calculated only based on funds allocated from international institutions. Numbers will be higher when Halkbank's own results are added.

## C5. Emissions methodology

### C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

#### Scope 1

---

**Base year start**

January 1, 2015

**Base year end**

December 31, 2015

**Base year emissions (metric tons CO2e)**

17,247

**Comment**

#### Scope 2 (location-based)

---

**Base year start**

January 1, 2015

**Base year end**

December 31, 2015

**Base year emissions (metric tons CO2e)**

29,812

**Comment**

#### Scope 2 (market-based)

---

**Base year start**

January 1, 2015

**Base year end**

December 31, 2015

**Base year emissions (metric tons CO2e)**

29,812

**Comment**



## C5.2

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

Defra Voluntary 2017 Reporting Guidelines

ISO 14064-1

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## C6. Emissions data

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO<sub>2</sub>e?**

**Reporting year**

---

**Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)**

13,971.18

**Start date**

January 1, 2018

**End date**

December 31, 2018

**Comment**

### C6.2

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

**Row 1**

---

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

**Comment**

Supplier specific data for Halkbank's electricity consumption is not available.

## C6.3

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?**

### Reporting year

---

**Scope 2, location-based**

30,169.06

**Start date**

January 1, 2018

**End date**

December 31, 2018

**Comment**

## C6.4

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

No

## C6.5

**(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.**

### Purchased goods and services

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

5,999.37

**Emissions calculation methodology**

Share of paper purchased, accommodation and water supply and treatment in scope 3 emissions: Purchased paper data supplied from the accounting system multiplied by Defra factors. In 2018 response, water supply and treatment and accommodation emissions were not included in this category.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

## Explanation

### Capital goods

---

#### Evaluation status

Not evaluated

#### Explanation

### Fuel-and-energy-related activities (not included in Scope 1 or 2)

---

#### Evaluation status

Relevant, calculated

#### Metric tonnes CO<sub>2</sub>e

15,314.73

#### Emissions calculation methodology

Fuel consumptions of business travels WTT emissions, diesel consumptions of personnel transport services WTT, losses of electricity distribution and transmission, data supplied from the accounting system multiplied by Defra factors.

#### Percentage of emissions calculated using data obtained from suppliers or value chain partners

4.44

#### Explanation

Flight data were received from the tourism company.

### Upstream transportation and distribution

---

#### Evaluation status

Not relevant, explanation provided

#### Explanation

Upstream transportation is not a relevant scope 3 category for the bank.

### Waste generated in operations

---

#### Evaluation status

Relevant, calculated

#### Metric tonnes CO<sub>2</sub>e

314.96

#### Emissions calculation methodology

Waste amounts are followed through the numbers notified by regional coordinators, branch offices and head offices. Defra factors are used to calculate.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Explanation**

**Business travel**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

4,278.82

**Emissions calculation methodology**

Transportation data of full time personnel (bus,taxi, public transportation, ship, train, private vehicle, plane)

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

77.26

**Explanation**

Flight data were provided by the travel agency.

**Employee commuting**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

3,490.17

**Emissions calculation methodology**

The average route length for the Istanbul provincial personnel (arrival / return) is calculated by dividing the sum of all route distances recorded in the offroad system services by the number of routes. The service route length of the other provinces is calculated by taking the average of all routes.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Explanation**

**Upstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Upstream leased assets are not relevant to the bank.

**Downstream transportation and distribution**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

40.7

**Emissions calculation methodology**

Post and shipping expenses: Monthly numbers from Regional coordinators and branches are received./ Shipping expenses are followed from the invoices taken from the shipping company.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Explanation**

**Processing of sold products**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Processing of sold products isn't relevant to banks operations.

**Use of sold products**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Use of sold products isn't relevant to bank's operations.

**End of life treatment of sold products**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Not relevant to the bank's operations.

### Downstream leased assets

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Not relevant to the bank's operations.

### Franchises

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

The bank has no franchising operations.

### Investments

---

**Evaluation status**

Relevant, not yet calculated

**Explanation**

The bank has no direct investments but may have indirect investment operations via investment loans. However, the emissions caused by these investments are not calculated yet.

### Other (upstream)

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Not relevant to the bank's operations.

### Other (downstream)

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Not relevant to the bank's operations.

## C6.7

**(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?**

No

## C6.10

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO<sub>2</sub>e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

---

**Intensity figure**

0.000011

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

44,140.24

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

39,904,581,000

**Scope 2 figure used**

Location-based

**% change from previous year**

19.31

**Direction of change**

Decreased

**Reason for change**

While the income of the bank increased by 35%, the global emissions decreased by 4%. Thus, the intensity figure decreased.

---

**Intensity figure**

2.05

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

44,140.24

**Metric denominator**

full time equivalent (FTE) employee

**Metric denominator: Unit total**

21,530

**Scope 2 figure used**

Location-based

**% change from previous year**

4.42

**Direction of change**

Decreased

**Reason for change**

While the number of FTE increased by 5%, the global emissions decreased by 4%.  
Thus, the intensity figure decreased.

---

**Intensity figure**

0.00000012

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

44,140.24

**Metric denominator**

Other, please specify  
Size of total assets

**Metric denominator: Unit total**

378,422,060,000

**Scope 2 figure used**

Location-based

**% change from previous year**

19.31

**Direction of change**

Decreased

**Reason for change**

While the size of assets increased by 24%, the global emissions decreased by 4%.  
Thus, the intensity figure decreased.

## C7. Emissions breakdowns

### C7.1

**(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?**

No

### C7.2

**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**



Country/Region	Scope 1 emissions (metric tons CO2e)
Turkey	13,971.18

### C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By activity

### C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Banking Operations	13,971.18

### C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Turkey	30,169.06	0	64,959.34	0

### C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By activity

### C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Banking Operations	30,169.06	0

### C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

## C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption				
Other emissions reduction activities	1,690.76	Decreased	3.69	The global emissions are reduced by several emission reduction activities. The implementation of integrated management systems of ISO 140001, ISO 50001 helped the bank to increase awareness among the employees and to optimise operational procedures. Aside from the behavioral changes, the bank acquired more energy efficient hardware in buildings(e.g. replacement of light bulbs with LEDs).
Divestment				
Acquisitions				
Mergers				
Change in output				
Change in methodology				
Change in boundary				
Change in physical operating conditions				
Unidentified				
Other				

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Location-based

## C8. Energy

### C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

### C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

### C8.2a

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	55,800.74	55,800.74

Consumption of purchased or acquired electricity		0	64,959.34	64,959.34
Total energy consumption		0	120,760.08	120,760.08

## C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

## C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

---

### Fuels (excluding feedstocks)

Natural Gas

### Heating value

LHV (lower heating value)

### Total fuel MWh consumed by the organization

19,942.41

### MWh fuel consumed for self-generation of electricity

0

### MWh fuel consumed for self-generation of heat

19,942.41

### Comment

---

**Fuels (excluding feedstocks)**

Fuel Oil Number 1

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

565.69

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

565.69

**Comment**

---

**Fuels (excluding feedstocks)**

Coal

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

1,769.9

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

1,769.9

**Comment**

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

3,962.94

**MWh fuel consumed for self-generation of electricity**

632.63

**MWh fuel consumed for self-generation of heat**

3,330.31

**Comment**

---

**Fuels (excluding feedstocks)**

Petrol

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

423.57

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

0

**Comment**

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

29,136.23

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

0

**Comment**

---

## **C8.2d**

**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Coal**

---

**Emission factor**

2,452.3

**Unit**

kg CO2e per metric ton

**Emission factor source**

DEFRA 2018 Emission Factors

**Comment**

**Diesel**

---

**Emission factor**

2.6878

**Unit**

kg CO2e per liter

**Emission factor source**

DEFRA 2018 Emission Factors

**Comment**

**Fuel Oil Number 1**

---

**Emission factor**

3,228.8

**Unit**

kg CO2e per metric ton

**Emission factor source**

DEFRA 2018 Emission Factors

**Comment**

**Natural Gas**

---

**Emission factor**

2.0465

**Unit**

kg CO2e per m3

**Emission factor source**

DEFRA 2018 Emission Factors

**Comment**

## Petrol

---

**Emission factor**

2.20307

**Unit**

kg CO2e per liter

**Emission factor source**

DEFRA 2018 Emission Factors

**Comment**

## C8.2f

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

---

**Basis for applying a low-carbon emission factor**

No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

**Low-carbon technology type**

**Region of consumption of low-carbon electricity, heat, steam or cooling**

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**

**Emission factor (in units of metric tons CO2e per MWh)**

**Comment**

## C9. Additional metrics

### C9.1

**(C9.1) Provide any additional climate-related metrics relevant to your business.**



---

**Description**

Waste

**Metric value**

827,694.14

**Metric numerator**

827,694.14 kg (weight)

**Metric denominator (intensity metric only)**

N/A

**% change from previous year**

6.72

**Direction of change**

Decreased

**Please explain**

In banking operations many paperless or less paper intensive procedures were developed leading to a 9.4% decrease in paper consumption, which reduced the amount of waste paper. We also believe that the implementation of ISO 14001 environment management system helped the Bank to reduce the waste figure.

---

**Description**

Energy usage

**Metric value**

434,732.79

**Metric numerator**

434,732.79 GJ

**Metric denominator (intensity metric only)**

N/A

**% change from previous year**

5.6

**Direction of change**

Decreased

**Please explain**

Significant decrease in the consumption of natural gas lead to an reduction in the total energy usage. We also believe that the implementation of ISO 50001 energy management system helped the Bank to reduce the energy usage.

## C10. Verification

### C10.1

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

### C10.1a

**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.**

---

**Scope**

Scope 1

**Verification or assurance cycle in place**

Annual process


**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Halkbank\_FY18 CDP Assurance statement\_imzalı.pdf

**Page/ section reference**


1 page

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

 Halkbank\_FY18 CDP Assurance statement\_imzalı.pdf

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process


**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Halkbank\_FY18 CDP Assurance statement\_imzalı.pdf

**Page/ section reference**


1 page

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

 Halkbank\_FY18 CDP Assurance statement\_imzalı.pdf

## C10.1b

**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**

---

**Scope**

Scope 3- all relevant categories


**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

 Halkbank\_FY18 CDP Assurance statement\_imzalı.pdf

**Page/section reference**

1 page

**Relevant standard**

ISAE3000






## C10.2


**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

### C10.2a

**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C8. Energy	Other, please specify Energy Consumption	ISAE3000	GRI 302-1 energy consumption inside the company Halkbank_FY17 CDP Assurance statement_signed.pdf  1
C6. Emissions data	Other, please specify Water withdrawals	ISAE3000	GRI 303-1 Water withdrawal by source Halkbank_FY17 CDP Assurance statement_signed.pdf  1
C6. Emissions data	Other, please specify Waste	ISAE3000	GRI 306-2 Collected and Disposed Wastes by weight Halkbank_FY17 CDP Assurance statement_signed.pdf  1
C6. Emissions data	Other, please specify Other indirect GHG Emissions	ISAE3000	Scope 3 -Other indirect GHG emissions (tCO2e)* GRI 305-3 Halkbank_FY17 CDP Assurance statement_signed.pdf  1
C6. Emissions data	Other, please specify Scope 3 Emissions	ISAE3000	Scope 3 Emissions verified  1

 1Halkbank\_FY18 CDP Assurance statement\_imzalı.pdf

## C11. Carbon pricing

### C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

No, and we do not anticipate being regulated in the next three years

### C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

Yes

### C11.2a

**(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.**

---

#### **Credit origination or credit purchase**

Credit purchase

#### **Project type**

Wind

#### **Project identification**

At the annual managers meeting of 2018, which is a regular event organized every year by Halkbank, 588 tonnes of CO<sub>2</sub>e emission was generated. The emission was neutralized by purchasing the carbon credits of Borusan's Harmanlik wind energy plant Project, which is certificated under gold standard.

The annual managers meeting event is neutralized as carbon-free since 2015, and meeting of 2019 is also neutralized at 546 tonnes of CO<sub>2</sub>e . The reports can be reached at [https://www.halkbank.com.tr/5819-raporlar\\_ve\\_etkinlikler](https://www.halkbank.com.tr/5819-raporlar_ve_etkinlikler)

#### **Verified to which standard**

Gold Standard

#### **Number of credits (metric tonnes CO<sub>2</sub>e)**

588

#### **Number of credits (metric tonnes CO<sub>2</sub>e): Risk adjusted volume**

588

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

**C11.3**

**(C11.3) Does your organization use an internal price on carbon?**

Yes

**C11.3a**

**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

---

**Objective for implementing an internal carbon price**

Change internal behavior  
Drive energy efficiency  
Drive low-carbon investment

**GHG Scope**

Scope 1  
Scope 2  
Scope 3

**Application**

All business units

**Actual price(s) used (Currency /metric ton)**

0

**Variance of price(s) used**

0

**Type of internal carbon price**

Other, please specify  
Service Contract

**Impact & implication**

Currently there isn't a carbon or emission tax implementation in Turkish taxation system. Thereby, emission levels are not a substantial burden for project cash flow. But in case of financing international projects, local regulations and legislations of the relevant countries related to carbon and emission taxation are taken into account. In such situations, current emission-per-tonnes market price is considered. As there isn't a carbon tax or emission tax, carbon prices are not used in the financial accounts. But in our carbon-neutralized events, average carbon prices valid in projects in Turkey are used.

Moreover, we are implementing a pilot scale energy monitoring project in some of our branches. Then the results will be used to set benchmark criteria for the branches to comply with, where the actual internal price of carbon will be developed.

## C12. Engagement

### C12.1

#### (C12.1) Do you engage with your value chain on climate-related issues?

- Yes, our suppliers
- Yes, our customers
- Yes, other partners in the value chain

### C12.1a

#### (C12.1a) Provide details of your climate-related supplier engagement strategy.

---

##### Type of engagement

Engagement & incentivization (changing supplier behavior)

##### Details of engagement

Other, please specify  
Trainings to raise awareness on partners

##### % of suppliers by number

100

##### % total procurement spend (direct and indirect)

100

##### % Scope 3 emissions as reported in C6.5

100

##### Rationale for the coverage of your engagement

Halkbank is willing to raise awareness about climate change, environment and social related issues and energy efficiency. At this point of view, all suppliers, business partners and related parties are provided with trainings and briefings about this subject. There isn't a discrimination between any kind of suppliers or parties related to these trainings, all partners are eligible for these trainings

##### Impact of engagement, including measures of success

As maintaining awareness can be considered as intangible, it is not appropriate to measure the success within numeric values. But we believe that every training provided had made difference in regards of raising

awareness in climate change, environmental subjects and energy efficiency.

**Comment**

Trainings to employees of suppliers and other business partners are given to increase awareness on energy efficiency and environment

## C12.1b

**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

---

**Type of engagement**

Education/information sharing

**Details of engagement**

Run an engagement campaign to educate customers about the climate change impacts of (using) your products, goods, and/or services

**% of customers by number**

12

**% Scope 3 emissions as reported in C6.5**

0

**Please explain the rationale for selecting this group of customers and scope of engagement**

Halkbank provides online trainings to SME customers via [www.halkbankkobi.com.tr](http://www.halkbankkobi.com.tr) regarding to optimize their production and manage their finances more efficiently. Currently the web site has 190.050 members, which is approximately % 12 of total SME customers.

**Impact of engagement, including measures of success**

Online training module helps SME customers to determine the necessary precautions to optimize their production, including raw material supplies. For example, SME's in the food production sector may have set backs in agricultural raw material supply due to climate changes. Useful information for the SME's are provided by Halkbank, as the leading Bank in Turkey to support SME's.

## C12.1c

**(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.**

Halkbank's climate-related engagement strategy with its partners can be described in two headlines: Training and data sharing. Energy management system trainings were provided to operational staff and supplier companies employees in 2017. Also all full time employees were



given e-learning trainings to raise awareness. Another noteworthy subject to mention here is our partnership with the hotel that supplied the accommodation services of our annually organized regular managers meeting. Data to calculate the emissions of this organization is provided by the hotels management, which can be mentioned as a data sharing based engagement related to climate change. Also another aspect of this kind of data sharing companionship is present with the shipping company and the flight travel agency company.

## C12.3

### (C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

- Direct engagement with policy makers
- Trade associations
- Other

## C12.3a

### (C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Energy efficiency	Support with minor exceptions	Opinions are submitted with respect to any proposals and drafts received from the Ministry of Energy. Also recommendations are submitted with respect to measures to be taken legally in order to solve any problems and troubles encountered in relation to energy efficiency financing.	Legal necessity to monitor energy consumption of SMEs.
Clean energy generation	Support with minor exceptions	Opinions are submitted with respect to any proposals and drafts received from the Ministry of Energy and Directorate General of Renewable Energy. Also recommendations are submitted with respect to measures to be taken legally in order to solve any environmental and social problems and troubles encountered in relation to renewable energy financing.	Primarily, the resources such as sun, biomass have been recommended to be evaluated.
Climate finance	Support with minor exceptions	Negotiations are carried out with the Ministry of Energy with respect to measurement and evaluation activities performed through the	The results of the measurement and evaluation performed with respect to energy efficiency through the supports provided by

		supports provided by any various sponsors for the purpose of financing the fight with the climate change.	any various sponsors for the purpose of financing the fight with the climate change have been recommended to be disclosed to any and all financial institutions through a publicly common platform.
Other, please specify Sustainable Development Goals	Support with minor exceptions	Halkbank sustainability team is one of the participants of the workshop organised by the Republic of Turkey Ministry of Development in order to take steps for the contribution to Sustainable Development Goals (SDG).	Halkbank submitted all its projects related to the 17 SDG. Halkbank declared that it would be in a position to take action for the achievement of the SDG target of Turkey.
Energy efficiency	Support with minor exceptions	Halkbank energy manager participated in a workshop named "Energy Efficiency Action Plan" of Turkey organised by the Ministry of Energy and the Directorate General of Renewable Energy.	Halkbank recommended some solutions on building efficiency including new Technologies for low carbon buildings and legislative requirements regarding the issue.
Other, please specify Waste Management	Support	Halkbank commits to the management of waste, and with the implementation of zero waste project inside the Turkish republic - Ministry of Environment and Urbanisation, a policy and legislation base among the topic is being formed in line with the Bank's policy.	Halkbank commits to the Ministries recommendations and shows full support by innovative solutions.

### C12.3b

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

### C12.3c

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

#### Trade association

The Banks Association of Turkey (TBB)

### **Is your position on climate change consistent with theirs?**

Consistent

### **Please explain the trade association's position**

The Banks Association of Turkey was founded in 1958. It is a professional organization, which is a legal entity with the status of a public institution, established pursuant to Article 79 of the Banks Act. The head office of the Association is in Istanbul.

The purpose of the Association is to preserve the rights and benefits of banks, to carry on studies for the growth of the banking sector, for its robust functioning and the development of banking profession, strengthening of competition power, to take the decisions/ensure that they are taken to prevent unfair competition, to implement and demand implementation of these decisions, in line with the principles of open market economics and perfect competition and the regulations, principles and rules of banking. Its vision is leading financial sector to an international scale and strength, through increasing efficiency and productivity of the financial sector.

The association plays a leading role with respect to financing of the climate change in the banking industry, and takes any necessary initiatives in order to bring the best international practices into the industry.

The association has formed a workgroup named "Financial sectors role in sustainable growth" to maintain a general approach focused on protecting environment in the crediting and other services of the banks, and to provide efforts handling the topic as a social Project.

### **How have you influenced, or are you attempting to influence their position?**

Halkbank has been taken part actively in the Working Group for the Role of the Financial Industry With Respect to Sustainable Growth within the organization of the Banks Association of Turkey.

As an example;

The Banks Association of Turkey and its members supported the "World clock" event that is conducted under the leadership of "Protection of Natural Life Foundation" On March 31, Saturday, between 20.30-21.30, during the same action as the rest of the world, the enlightenments of the headquarters buildings of member banks participating in the TBB and the event were closed for one hour. Halkbank also supported this event.

## **C12.3e**

### **(C12.3e) Provide details of the other engagement activities that you undertake.**

Halkbank takes new steps in order to internalize the effects of climate changes into its policies and procedures. The Bank attends the workshops organized for such purpose together with the institutions such as Istanbul Stock Exchange, Global Compact Turkey, and supports any efforts with respect to establishment of Policy. As mentioned above, Halkbank sustainability team is a member of "Sustainable Development Goals" workshop by the Republic of Turkey Ministry of Development. Halkbank extends loans from French Development Agency (AFD) funds under

SUNREF (Sustainable use of natural resources and energy finance) label. The IFI team and sustainability team attend the workshops organized annually.

## C12.3f

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Maintaining consistency of climate related policies within the activities is considered as a substantial matter for Halkbank. In order to maintain sustainable banking operations, Halkbank established an integrated management system comprised of ISO 14001 Environment and ISO 50001 Energy Management System. Halkbank is the first bank in Turkey that established ISO 50001 Energy Management System. The aim is to reduce its own environmental negative impacts and to increase its energy efficiency, reduce waste and decrease the use of resources (energy, paper, water etc.). In the periodical meetings of sustainability committee, the effects of changes in market conditions and bank's activities impacts on environment are taken into agenda in line with banks environment, energy and climate changes policies. Necessary precautions to be taken are evaluated and business units opinions are referred about the topics. The results are reported to the board. Customers and stakeholders complaints from public channels, which are directly or indirectly relevant to the bank are forwarded from the Banks corporative communications unit to sustainability units. Necessary examinations and evaluations are made and if there are any precautions to be taken regarding the subjects exist, the issue is escalated into the agenda of Sustainability committee.

## C12.4

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

---


### Publication

In mainstream reports

### Status

Complete

### Attach the document

 2018 annualreporteng.pdf

### Page/Section reference

Pages:  
5-14, 24-31, 76-104

### Content elements

Governance  
Strategy  
Other, please specify  
Financial Statements

### Comment

---

### Publication

In voluntary sustainability report

### Status

### Attach the document

### Page/Section reference

### Content elements

Governance  
Strategy  
Risks & opportunities  
Emissions figures  
Emission targets

### Comment

## C14. Signoff

### C-FI

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

You may find additional information regarding our sustainability approach on our web site at <https://www.halkbank.com.tr/en/investorrelations/3194/sustainability> For any other information related to sustainability, please contact following persons: Mr. Yasar Bilginturan (Division Manager - Sustainability Practices, Environment and Energy Management) - Yasar.BILGINTURAN@halkbank.com.tr Mr.Ali Emin Uzun (Manager - Sustainability Practices, Environment and Energy Management) - aliemin.uzun@halkbank.com.tr

## C14.1

**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Sustainability Practices, Environment and Energy Management Division Manager	Environment/Sustainability manager

## Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

**Please confirm below**