

Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

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

World War I, the War of Independence and the 1929 World Economic Depression; It drags our country into an environment of severe economic conditions under the pressure of shortage of goods, high cost of living and high interest rates. Being aware of the necessity of a balanced social structure, the young Republic of Turkey adopts the support of small tradesmen and craftsmen and the development of public banking as its targets in this direction. However, in the first years of the republic, the accumulation of capital, the scarcity of production areas, and the economic difficulties experienced due to the inadequacy of the private sector prevented the emergence of credit institutions that encouraged tradesmen, craftsmen and small professions. In order to transfer resources to tradesmen, artisans and small business owners and to start capital accumulation under suitable conditions for a permanent economic development, social balance and protection of social peace, Türkiye Halk Bankası was established within the scope of the "Halk Bank and People's Funds Law" dated 1933 and numbered 2284. passes. On the basis of the establishment of the People's Bank of Turkey, the Great Leader Atatürk said, "It is also very necessary to establish an organization that will easily give cheap loans to small tradesmen and large industrialists and to try to make the loan cheaper under normal conditions." "The day I see magnificent factories being built instead of the little shops of you artisans, my happiness will reach its highest degree." ideas take an important place and become a guide.

After 1950, Halkbank was authorized to open branches and extend loans directly. Since the beginning of 1964, the bank, which increased its capital and implemented a nationwide branching policy by entering an active working tempo, increased its deposit and loan volume gradually. Halkbank becomes the first bank in the sector for tradesmen, craftsmen and small businesses that are the middle class and its representative in the economy. Having established its basic credit policy primarily on the crediting of its target group and improving the loan disbursement conditions, Halkbank develops its activities over the years and reaches an important position in the banking sector. In 1992, Turkish Teachers Bank (Töbank), in 1993 Sümerbank and in 1998 Etibank were transferred to Halkbank. By the year 2000, the process of restructuring public banks in a way that enables them to work according to the requirements of modern banking and international competition and to prepare for privatization begins. The

Public Banks Joint Board of Directors, which took office in April 2001, changes the organizational structure of Halkbank and acts with the aim of making it a profitable and efficient institution that will create added value for the economy within the framework of modern banking principles and commercial banking rules. In line with this goal, the organizational structure of Halkbank is completely changed in line with the requirements of modern banking and international competition. Customer-oriented marketing activities are added to the operations-oriented banking approach. In 2001, 96 branches of the abolished Türkiye Emlak Bankası were transferred to Halkbank.

In the second half of 2004, Pamukbank was transferred to Halkbank. Halkbank-Pamukbank integration is carried out smoothly and well before the anticipated time, which can be shown as an example in the banking sector. In the new structure, within the scope of customer segmentation, it becomes important to offer privileged products and services to SMEs and individual customers with medium and upper-middle income, and to develop a customer-oriented, quality service approach. Meanwhile, with the transition to the 2000s, the Turkish banking sector is being reshaped with acquisitions, mergers and entry of foreign investors into the market.

Today, Halkbank continues to provide services through its nationwide branches and overseas representations. As a mission bank, Halkbank will continue to support tradesmen, craftsmen and SMEs that form the basis of our country's economy, as well as all entrepreneurs who contribute to the increase in production, investment and employment, with a modern banking approach, as the strong and reliable bank of the sector.

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
Reporting year	January 1, 2020	December 31, 2020	No

C0.3

(C0.3) Select the countries/areas 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 chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)

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 Board Level Sustainability Committee reports to Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee is responsible of the Coordination of the bank's sustainability efforts, and running an assessment of the economic, environmental, and social effects of its activities, to evaluate and manage the sustainability related risks and making decisions to take necessary actions and overseeing the climate-related risks that the bank would face.</p> <p>Also risks and other matters subject to board's authorization level are escalated to board. The committee consists of 20 members at the level of board members (2), deputy general managers (3), group heads (3), department heads (12). The Chairman of the sustainability committee serves as Banks independent board member, and Vice Chairman of the sustainability committee serves as member of the Banks board. Some of the position of individuals that serve in the sustainability committee and the areas that they are responsible in the Banks management structure includes, Credit Policies, Monitoring and Legal Proceedings, Financial Management and Planning, Financial Management and Planning, Head of Credit Processes and Company Analysis and Head of Investor Relations.</p>

	<p>Decision made by the committee: It has been decided that the Integrated Waste Management System and Zero Waste applications, which are inspected by on-site control, will be centrally supervised due to the pandemic. In this context, it has been decided to establish the infrastructure for waste management, environmental dimension assessments, environmental accidents and maintenance/control activities through centralized control over the İKLİM software, and to make physical situation determinations in addition to these activities in on-site inspections. The energy and environmental management performance of branches are monitored via the software called İKLİM, which was created by bank's own resources. In the reporting year, the Board Level Sustainability Committee has decided that the outcomes of this software will be added to branches performance assessments and to implement incentive mechanisms according to the performance of the branches.</p>
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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	Scope of board-level oversight	Please explain
Scheduled – all meetings	<ul style="list-style-type: none"> Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives 	<ul style="list-style-type: none"> Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities The impact of our own operations on the climate The impact of our bank lending 	<p>The Board of Directors conduct Sustainability Management by participating in the Sustainability Committee with two members (at President and deputy President levels). Sustainability committee gathers at least 4 times in a year for the scheduled regular meetings. In these regular meetings, the risks and opportunities related to climate change and other sustainability issues within our direct operations and in our bank lending and investment activities are assessed and targets are set. Budget adjustments and performance objectives to reach the climate related 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</p>

	Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	activities on the climate The impact of our investing activities on the climate	revisions are decided. Decisions on rewarding performance for sustainability issues are also made in the Sustainability Committees regular meetings. 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 Deputy General Manager of Credit Policies, Monitoring and Legal Proceedings and Head of Risk Management departments are also the member of the sustainability committee, there is a robust oversight over the issues.
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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)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our own operations	Quarterly
Other, please specify Sustainability Coordination Group	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	More frequently than quarterly

<p>Other C-Suite Officer, please specify Chairman of Sustainability Committee</p>	<p>Reports to the board directly</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our own operations</p>	<p>Quarterly</p>
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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, group managers, deputy general managers and head of departments such as Credit Policies, Monitoring and Legal Proceedings, Financial Management and Planning, Head of Credit Processes and Company Analysis and Head of Investor Relations, holds scheduled meetings at least four times in a year.

The Chairman of the Sustainability Committee is also a member of the Institution's Independent Board of Directors. The chairman leads the committee to monitor the duties and authorities of the Sustainability Committee and to fulfill the responsibilities of the committee.

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 on the Istanbul Stock Exchange, the sustainability committee takes initiatives and makes decisions to qualify for the BIST Sustainability Index, which includes companies with high corporate sustainability performance. 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 Bank. Division manager of the Sustainability Practices, Environment and Energy Management Division is also permanent member of the group. Sustainability Coordination Group Members for 2020 are appointed from the managers mentioned below.

Head of International Banking and Financial Institutions, Head of Human Resources, Head of Corporate Communications, Head of SME Marketing, 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?

	Provide incentives for the management of climate-related issues	Comment
Row 1	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).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Business unit manager	Non-monetary reward	Other (please specify)	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.

		Supplying data timely and correctly	
Business unit manager	Non-monetary reward	Behavior change related indicator	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)
All employees	Non-monetary reward	Emissions reduction project Energy reduction project Efficiency project Behavior change related indicator	Energy Manager sends appreciation message to the employees developing the projects to reduce energy source consumption.
All employees	Monetary reward	Behavior change related indicator	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 the 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.
All employees	Monetary reward	Behavior change related indicator	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.
Corporate executive team	Monetary reward	Emissions reduction project Emissions reduction target	As Halkbank, we provide incentives (monetarily and through corporate recognition) to Corporate Executive Team members according to their success and performance in the energy and climate related areas.

		Energy reduction project Energy reduction target Efficiency project Efficiency target	
All employees	Monetary reward	Efficiency project	Applicable and innovative ideas related to climate change can be rewarded monetarily with the committee decision.
All employees	Monetary reward	Emissions reduction project Energy reduction project Efficiency project	As Halkbank, we provide incentives (monetarily and through corporate recognition) to our employees according to their success and performance in the energy and climate related areas.

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	<p>Halkbank defines short term as time period up to 3 years time. Opportunities identified to have impacts on short term are;</p> <ul style="list-style-type: none"> +Arising demand for green and responsible products and services (for example: renewable energy financing funds) +Most qualified and talented employees preferences on working for responsible corporations (companies who adopt responsible operating principles will have an advantage) +Responsible products and services being considered positively by foreign investors +Positive contributions to corporate reputation +Easy Access to purpose oriented financial instruments <p>Risks identified to have impacts on short term are;</p> <ul style="list-style-type: none"> -Impacts of social and demographic changes on the sector (global migrations, changes in the needs of aging population) -Data security issues arising from digitalization trends -Variability on the costs of energy -Loss of market share due to products and services related to climate change not being present in the product inventory -Pressure on the risk portfolio of the loans and services of companies due to physical changes originating from climate change *Emission reporting obligations
Medium-term	3	10	<p>Halkbank defines medium term as the period between 3-10 years. Opportunities identified to have impacts on medium term are:</p> <ul style="list-style-type: none"> +Opportunity to integrate increasing young population to financial system +Corporate sustainability turning into a new area of competition by the BIST sustainability index independent to sector. +Effectiveness provided by the energy efficiency + Direct positive effects over the company bottom-line +Positive contributions of research and development works <p>Risks that identified to have impacts over the medium term are:</p> <ul style="list-style-type: none"> -Impacts of climate change over the banks products and services - Extinction of natural resources having impacts on Bank's resource management -Pressures occurring on the risk portfolio of the loans and services of companies due to physical changes originating from climate change -Problems over the communication with the Z generation and green collar employee groups, in terms of human resources -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) -Operational risks caused by physical conditions -Emission reporting obligations
Long-term	10	100	<p>Periods longer than 10 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"> +Contributions of sustainability management on corporate reputation +Effectiveness provided by the energy efficiency +Direct positive impacts of low-emission products and services over the company +Positive contributions of research and development works +Renewable energy regulations enabling opportunities to expand to new markets. +Cap and trade programs providing the commercial operations to diversify +Transitions in customer preferences due to changes in climate normal/extremes <p>Risks identified for long term are:</p> <ul style="list-style-type: none"> -Declines on technical knowledge levels having negative impacts over advanced financial services -Emission reporting obligations

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

While achieving the targets and strategies of the Bank collectively and for each type of risk , there is limit of risk we want to carry. The threshold level is determined to ensure that the Bank remains within the limits of its risk capacity. The trigger level refers to the level of early warning of the risk level.

The purpose of the risk level framework is not to prevent taking risks, but to ensure that bank strategies and plans are applied in a consistent manner with the risk level determined by the Board of Directors and that the Bank has an appropriate risk profile. Risk and performance indicators are created by taking into account the scope of the risk in order to provide an analysis of risk factors that are considered to have an impact. While creating these indicators, it should be taken into consideration that operational losses / errors may affect risks. Therefore, the same metrics can be taken into account both in determining operational risk and in assessing reputation risks. Apart from this, metrics that do not indicate operational risk but point to reputation risk can be created. The numerical quantities in the indicators and the changes these sizes show over time are used in the process of determining and evaluating the risks. For example, reconciliation errors, staff turnover rate, number of system outages, transaction volumes and error numbers, audit scores, number / rate of non-audit activity areas. Risk indicators

(for example, the number of system outages in a given period) are used to monitor possible factors related to key risks. Performance indicators (for example, customer satisfaction index, indicators such as a high degree of change in stock prices compared to banks of similar scale) provide meaningful information about the current state of business processes with operational weaknesses, errors and losses. Both risk and performance indicators act as a trigger mechanism at trigger levels where risk levels approach or exceed threshold / limits and require immediate risk reduction.

Since most of the risks arising from climate change belong to the operational risk category, operational risk limits can be taken as a basis for CDP reporting. An operational risk event due to climate change exceeding TRY 55,000,000 to be experienced on an annual basis or in a single event can be considered to have a substantive financial impact for Halkbank.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations
Upstream
Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

Risks related to economic, environmental, and social issues are reviewed by the Board of Directors more than a year.

The Credit Committee, Audit Committee, Corporate Governing Committee, Asset-Liability Committee, Charges Committee, Operational Risk Committee and Sustainability Committee all report to the Board of Directors. Sustainable development indicators are managed by the Board of Directors within the framework of the Turkish Commercial Code, Banking Legislation, Capital Market Legislation, other relevant legislation, and the Bank's Articles of Association. Accordingly, climate change risk and opportunity indicators are evaluated by the Board of Directors through the Sustainability Committee in order to point which risks and opportunities could have a substantive financial or strategic impact on the organization.

The 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. Risks that are discussed in the meetings are not limited to the actual time frame, previously identified risks and actions to manage those risks are monitored and possible revisions can be decided at the same time too. Research is performed and reported based on industry. 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. In order to mitigate, transfer and control the identified climate-related risks and to capitalize on opportunities, the Board of Directors delegate its powers to make loans within limits set forth in the provisions of the Banking Law, as well as other powers, to management organs and managers, as defined in the internal directive, and in accordance with the guidelines and procedures laid down by the Banking Regulation and Supervisory Board, and monitors developments pertaining to the powers that it has delegated, ensuring that they are supervised by the units assigned with the responsibility within the Bank's internal risk assessment processes.

To ensure the risks arising from bank's direct operations that may affect its operations are managed effectively, an Internationally Recognized Risk Management Framework has been devised and integrated with business processes in line with the procedures and guidelines stipulated in the Banking Law.

The Risk Management Department establishes the necessary risk management systems with regard to the credit, market, liquidity and operational risks facing the Bank, monitors the sufficiency and efficiency of those systems, and evaluates, monitors and reports on the risks.

Risk management processes include the following:

- Works regarding the risk level of the balance sheet are undertaken in the process of budget preparation.
- Forward-looking assumptions are made based on stress tests and scenario analyses evaluating the potential impact of unforeseen market conditions on the core areas of operation; the amount of capital that is required to be set aside for each type of risk is calculated; and the outcome of analyses is shared by the senior management.
- As part of the Corporate Risk Management process, area managers identify and assess potential risks in the Bank's operating areas and the necessary controls are established in order to prevent such risks.

Physical Risk Example: In terms of an extreme weather event that can cause destruction in farmlands and hydropower plants, the possible financial and operational risks related to these sectors and regions are assessed by the sustainability committee and board of directors. The possible impact levels are decided by Risk Management Department in line with the sustainability committee. The end results are shared with other related business units and actions to be taken are discussed necessary control mechanisms are established.

Transitional Opportunity Example: As the transition to a lower-carbon economy progress, the customers of Bank are looking for opportunities for a smoother transition.

In very soon future, this transition will fasten and sectors such as energy and manufacturing may face new regulations related to climate change. The opportunity and risk levels of this scenarios are evaluated in sustainability committee and the Board according to bank's risk management systems. The outcomes are shared with related business units and further actions are established.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	<p>Even though the current regulations are directly affecting mostly the manufacturing and energy sectors, their impact on bank is indirect.</p> <p>For example, in Turkey, Ministry of Environment and Urbanization published regulations related to climate change such as "Substances that Deplete the Ozone Layer" & "Monitoring of Greenhouse Gas Emissions". Most of our customers who is active in several sectors are responsible to meet the requirements on the regulations. When non-compliance with the regulation is determined, penal sanctions are applied by the authorities. That can affect our customers' ability to repay, which effects the bank.</p> <p>This may be considered as an operational risk, and liquidity risk for the bank. Thus, the risk type is relevant to bank and always included in the climate-related risk assessments.</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> <p>The European Union has put forward the Green Deal, aiming to reduce greenhouse gas emissions by 55% by 2030 and to be carbon neutral by 2050. The EU aims to completely change the fossil fuel-based economic model by spreading the Green Deal criteria to the countries that has business relations with Europe. The regulation will require</p>

		<p>companies to monitor and verify their green-house gas emissions. As Halkbank, we are aware of the risks and opportunities this situation holds. We are integrating possible carbon tax in project evaluation reports of energy and carbon intensive sectors projects we finance.</p> <p>We see this regulation, which directly affects Turkey, and our customers, as an opportunity to transform the country's economy. Customers will also look for new opportunities to excel their transitioning to a low-carbon economy establish new management systems and they will be needing funding. This will provide Halkbank new markets and opportunities related to climate change.</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>Due to the new technologies arising in accordance with climate-related emerging regulations, there will be a lot of customers that wish to integrate their business to a low-carbon version. This will also lead low-carbon products to have a bigger section in the market, from climate related digital-entrepreneurs to great clean-energy producing.</p> <p>In this case, as a bank, we can provide lendings to both producers and users of these low carbon products. At the same time the repayments may fail and this would directly effect the bank. Thus it is important to follow up the technological development related to climate chance and this risk type is always relevant and included in our risk assessment process.</p> <p>In this scope, as Halkbank, we are working on a software that will allow us to monitor the greenhouse gas emissions of our branches and possibly our customers in coming years.</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 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.</p> <p>This information is also taken into consideration in the creditability</p>

		<p>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> <p>With the emerging regulations, new markets will occur and shares will change. New low-carbon products and greener options in terms of climate change are arising everyday. Customer companies of bank are facing the risks related to transition to low-carbon economy in terms of new investments and new fields to compete. The risks they are facing indirectly affecting bank in terms of their repayments and new market risks.</p> <p>Thus, the market risks are always relevant and included in our risk assessment procedures and it is integrated in our project evaluation reports.</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. Thus reputation risks are relevant and always included in risk assessment process of Bank. The indicators that can affect the banks reputation of projects are integrated into project evaluation reports and they are taken into account as well.</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	<p>It was announced that in 2020, 350 thousand people died due to climate disasters, and at least 17 million people had to leave their homes. The cost of the crisis was 145 billion in 2020. According to the</p>

		<p>Turkey 2020 Climate Assessment Report prepared by the General Directorate of Meteorology, there were 984 extraordinary weather events. 2020 was recorded as the year with the most extraordinary weather events.</p> <p>The harm caused by these events are important for the Bank's risk assessment. The customer companies are asked if they are integrated the acute physical risks related to climate change in their risk assessments via the project evaluation reports. Their responses are used as an input to banks risk assessments and lending processes. The harm the companies face may cause the repayments to fail and this would directly affect the bank.</p> <p>Thus, the risk type is relevant and always included in banks risk assessments.</p>
Chronic physical	Relevant, always included	<p>Long-term shifts in climate patterns like temperature rise, causing climate change itself, is very visible in today's world.</p> <p>According to the Turkey 2020 Climate Assessment Report prepared by the General Directorate of Meteorology, extreme temperatures occurred in 2020 constitute 1% of the total in meteorological disaster distribution. Even though its proportion is very little, the impacts in the big picture is enormous. The outcomes will not only affect our bank lending and direct operations, but every aspect of life and world.</p> <p>As Halkbank, we are aware of our contribution to these impacts and we are working on providing more lendings to greener and low-carbon projects instead of conventional business options in terms of climate. The related information is gathered within the project evaluation reports and decision of lendings and other actions are made afterwards.</p> <p>Thus, the risk type is relevant and always considered in our risk assessment procedures.</p>

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	We assess our portfolio's exposure to climate-related risks and opportunities by ranking the loan evaluation and project evaluation reports in line with our sustainability criteria. The headings included in evaluation report related to sustainability assessment are

		Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment.
Other products and services, please specify	Not applicable	

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Minority of the portfolio	Quantitative	<p>We assess our portfolio's exposure to climate-related risks and opportunities. Investments financed by Halkbank are evaluated with the project evaluation report. Assessment criteria, including environmental and social impact assessment issues and other sustainability issues, have been integrated into the scoring system within the scope of the report. As of 2016, with the investments, the current activities of the company have been started to be evaluated and scored in terms of environmental and social impact. The evaluation criteria, which were integrated into the system in 2011 to make corporate social responsibility assessment, were updated at the beginning of 2016 to include developments in sustainability.</p> <p>Firms and projects requesting loans with the Credit Evaluation Report (CER) scoring methodology are within the scope of the "Sustainability Evaluation" in accordance with the article "To take care to evaluate the credit demands within the framework of the Bank's credit policies by considering environmental and social factors as well as economic factors" in Sustainability and Environmental Policies is scored. Not only investments, but also the activities of companies applying for loans are evaluated in terms of sustainability. Environmental factors and sustainability assessment are divided into 3 different groups as low, medium and high risk. The headings included in the Sustainability Assessment are as follows:</p> <ul style="list-style-type: none"> »» Environmental Impact Assessment Report »» Green Building Certificate »» ISO Environmental Management Certificate

			<p>»» Carbon Emission Assessment »» Occupational Health and Safety Assessment</p> <p>Sustainability Committee evaluates and implements suggestions for improvement and functioning of the mechanism in the environmental and social assessments in lending processes. Halkbank negatively evaluates projects in sectors that are accepted and banned in a very high risk group in the international literature.</p> <p>All commercial loan requests, the loan requests over 15M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 15M TRY is also subject to the project evaluation report besides loan evaluation report.</p> <p>We estimate the coverage of our portfolio against these thresholds as 26% of our portfolio.</p>
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C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Minority of the portfolio	<p>Water related risks are mainly relevant to the extent such risks impose a threat to the business of our clients, that might potentially affect the creditworthiness and loan repayment capabilities of our customers. Halkbank assess it's portfolio's exposure to water-related risk and opportunities by evaluating the credit and project evaluation report</p> <p>(a) negative impact of water-related risks of the financed projects on both the financial (default risk of loans) and non-financial performance (such as reputation risk arising from malign loans)</p> <p>(b) Loaned Projects that are vulnerable to water related risks, such as industries where water is a vital source in their production stages and investments</p> <p>(c) even it is not a substantive change in wide network business, interruption of service caused by natural disasters such as flooding might have a negative temporary impact on revenue.</p>

			<p>(d) Previously loaned companies, who are subjected in the media by activities causing water pollution may have a reputational risk to the Bank. Newspapers and coverage are routinely followed by relevant divisions of the Bank to spot such news and take necessary actions.</p> <p>All commercial loan requests, the loan requests over 15M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 15M TRY is also subject to the project evaluation report besides loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 26% of our portfolio.</p>
Other products and services, please specify	Not applicable		No other products than loans are available.

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Minority of the portfolio	<p>According to Ministry of Agriculture and Forestry, the total area of forests in 2019 in Turkey is about 22.7M hectare, which is about 1.8% more than the 2015. Protecting ecosystems that are vital to climate change is very important in combating climate change. The forests are one of these vital ecosystems in terms of being a carbon sink.</p> <p>As Halkbank we process credit applications in line with our project evaluation reports which includes sections about environmental impacts that also includes deforestation.</p> <p>Halkbank is committed to comply with forestation regulations. Forests-related risks and opportunities are assessed under this criterion for portfolio exposure.</p>
Other products and	Not applicable		No other products than loans are available.

services, please specify			
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C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	<p>For the loan requests to some specific fund programs, the emission and emission reduction data are requested from the project owners.</p> <p>This is done via the loan and project evaluation reports. We can see customers inputs to the environment and its results related to climate in these reports.</p> <p>In these reports in line with our risk assessment procedures, we request our customer companies to disclose their business' environmental impact assessments, that includes their water use and consumptions and deforestation contributions. Their carbon emissions and any other related emission reduction plans are requested. All the information gathered related to environmental and climate change subjects in this process affects the lending process.</p>
Other products and services, please specify	Not applicable	

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.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Mandates on and regulation of existing products and services

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

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 (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

500,000

Explanation of financial impact figure

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

Cost of response to risk

5,000

Description of response and explanation of cost calculation

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 response is predicted to be less than the 1% of the financial impact of the risk, which is about 5,000 TRY

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Mandates on and regulation of existing products and services

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

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 (currency)

Potential financial impact figure – minimum (currency)

5,950,000

Potential financial impact figure – maximum (currency)

40,000,000

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. Also the carbon tax is expected to be around 50 EUR per tonne of carbon in EU by 2050. 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 in 2020 (1 USD = 8,50 TRY) (1 EUR=10 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

Cost of response to risk

80,000,000

Description of response and explanation of cost calculation

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. 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.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation

Mandates on and regulation of existing products and services

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Renewable energy and energy efficiency regulations: Cancellations of incentives in the renewable energy and energy efficiency 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?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

15,000,000

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 calculated with this assumption. 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.

Cost of response to risk

150,000

Description of response and explanation of cost calculation

Halkbank adjusts loan-collateral balance to manage the risk. Halkbank also designates the maturities of energy efficiency loans to their situation plans. The cost of response is predicted to be less than the potential impact figure. It is predicted that the cost of risk

management will be much lower than the impact figure, which is approximately 150,000 TRY.

Comment

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation
Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

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 medium 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

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

40,460,000

Potential financial impact figure – maximum (currency)

238,000,000

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.

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. Also the carbon tax is expected to be around 50 EUR per tonne of carbon in EU by 2050. In our estimated calculations, the carbon emission prevented in 2020 due to loans given to renewable energy sector is about 476,000 Tons CO₂e. If we assume that this amount of carbon emissions were obligated to carbon tax in the future, the cost would affect our customers and their repayments to bank. The measured cost is multiplied with the currency in 2020 (1 USD = 8,50 TRY) (1 EUR=10 TRY)

Cost of response to risk

400,000

Description of response and explanation of cost calculation

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. It is predicted that the cost of risk management will be much lower than the financial impact figure, thus it is predicted to be around 400,000 TRY.

Comment

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical
Rising mean temperatures

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

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?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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. The impact figure is calculated with the assumptions related to our annual energy consumption costs.

Cost of response to risk

80,000,000

Description of response and explanation of cost calculation

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. In 2019, all branches and regional coordinating offices were integrated into the ISO 14001 ve ISO 50001 management system. The cost of the management and automation system integration and monitoring system installation works all across Turkey are about 80.000.000 TL.

Comment

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased capital expenditures

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

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?

Yes, a single figure estimate

Potential financial impact figure (currency)

500,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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. The potential impact figure is calculated with the assumptions of possible natural disaster impact.

Cost of response to risk

250,000

Description of response and explanation of cost calculation

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. The total cost of precautions in branches are estimated as TRY 250.000 for all across Turkey.

Comment

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Chronic physical

Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

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?

Yes, a single figure estimate

Potential financial impact figure (currency)

40,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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 approximate loans provided to these sectors are about 40,000,000 TRY.

Cost of response to risk

400,000

Description of response and explanation of cost calculation

Risks are evaluated by Halkbank from a perspective taking future horizons into account, and necessary revisions are made to the methods for lending processes. The costs to eliminate the risks are estimated to be <1% of financial impact figure, which is approximately 400,000 TRY.

Comment

Identifier

Risk 8

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Reputation
Shifts in consumer preferences

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

Market risk

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 (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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.)

Cost of response to risk

300,000

Description of response and explanation of cost calculation

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. The cost of management system was realized at 300.000 TRY

Comment

Identifier

Risk 9

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

Market risk

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-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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.

Cost of response to risk

Description of response and explanation of cost calculation

Halkbank is diversifying its products to manage the risk. As a Bank whose %75.3 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.

Comment

Financial cost to manage the risk can not be calculated.

Identifier

Risk 10

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Uncertainty in market signals

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Market risk

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 (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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.

Cost of response to risk

Description of response and explanation of cost calculation

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.

Comment

Financial cost to manage the risk cannot be calculated.

Identifier

Risk 11

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Mandates on and regulation of existing products and services

Primary potential financial impact

Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

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

Short-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

25,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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 24,123 TRY fine for each legal entity. As Halkbank has over 1,040 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 25,000,000 TRY. The coverage of the reporting obligation may be expanded to more data in the future.

Cost of response to risk

1,500,000

Description of response and explanation of cost calculation

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. The necessary trainings related to regulations and purchases made in order to report the dangerous waste amounts cost approximately 1,500,000 TRY.

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?

Downstream

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

With the rising renewable energy needs and requirements for transitioning to a low-carbon economy, new markets for energy are growing. Our customers from sectors affected by the transition to a low-carbon economy are also looking for new ways to improve themselves in order not to conflict with the constantly emerging regulations such as GreenDeal and also not contributing to climate change. Therefore, the importance of investments such as renewable energy systems, solar panels, wind turbines are increasing. New investments in these areas are already taken place in the sector.

As Halkbank, we follow closely the innovation and investment opportunities we can achieve in this increasing market. We provide our customers options within the new market, such as lower lending rates and longer investment time horizons. Thus, our activities in new markets accelerates and we can increase our income accordingly.

Time horizon

Medium-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

333,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Accessing new markets provides Halkbank to enlarge its 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.

The financial impact figure is calculated with the sum of the lendings provided by Halkbank to renewable energy system investment projects in 2020. This includes projects such as wind power plants, solar panel plants and hydro-power plants.

Cost to realize opportunity

5,000,000

Strategy to realize opportunity and explanation of cost calculation

Halkbank is responding to loan requests timely by developing new services and products for the renewable energy projects. These actions are led by the Sustainability Committee of Halkbank. Necessary trainings are provided to employees to meet the possible customer requirements about the regulations and renewable energy sector lendings.

The trainings, advertisements of the actions and new purchases in relation with these products and services financial cost was about 5.000.000 TRY in 2020. This figure is calculated with the assumptions of expense of spendings above.

Comment

Identifier

Opp2

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

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Due to visible changes in temperature extremes in soon future, better cooling and heating systems will be needed for the facilities and production sites. In order to meet this requirement, the companies will need additional funds as they will have to make new investments to be able to continue their business and production lines.

Also with increasing awareness of effects of climate change, as well as emerging and implemented policies and factors such as reputation levels, demand for new low-carbon products and services will increase. So, companies will be looking for greener options instead of conventional cooling/heating systems.

This is opportunity for both direct operations of Bank and the new markets it is serving.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

185,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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 is assessed to be approximately 185,000,000 TRY. This value calculated with the assumption of 5% of total personal finance lendings provided to customers would be spend in this area.

Cost to realize opportunity

5,000,000

Strategy to realize opportunity and explanation of cost calculation

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. Financial cost of these actions was about 5.000.000 TRY in 2020. This figure is calculated with the assumptions of expense of spendings above.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resilience

Primary climate-related opportunity driver

New products and services related to ensuring resiliency

Primary potential financial impact

Returns on investment in low-emission technology

Company-specific description

With the increased energy efficiency goals in Bank's direct operations, the energy savings and emission reduction activities are taking place. 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 also bring the Bank into a position less exposed to instability in fossil-based energy prices.

In order to monitor safely and plan the possible emission reduction activities, a software called İKLİM was established by Halkbank R&D department.

The energy and environmental management performance of branches are monitored via

the software called İKLİM, meaning climate, which was created by bank's own resources.

Time horizon

Medium-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

5,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

It has been decided that the Integrated Waste Management System and Zero Waste applications, which are inspected by on-site control, will be centrally supervised due to the pandemic. In this context, a software called İKLİM is established by our R&D department. It has been decided to establish the infrastructure for waste management, environmental dimension assessments, environmental accidents and maintenance/control activities through centralized control over the İKLİM software, and to make physical situation determinations in addition to these activities in on-site inspections.

After establishing the software and the system is ready to be used at its full, the foreseen financial impact is calculated to be 5,000,000 annually. This figure represents the estimated financial impact of savings in all branches will be made due to actions taken in accordance with the outcomes of the İKLİM software.

Cost to realize opportunity

80,000,000

Strategy to realize opportunity and explanation of cost calculation

The outcomes of this software will be used to assess the branches environmental and energy management efficiency and necessary improvements in these fields can be accomplished.

The financial impact of establishing the software, providing trainings and preparations of branches was 80,000,000 in total.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization’s strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization’s low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	Yes	

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative

C3.2a

(C3.2a) Provide details of your organization’s use of climate-related scenario analysis.

Climate-related scenarios and models applied	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 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 socioeconomic 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>
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C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	<p>With worldwide increased awareness of climate change, issues related to that and its effects are being more visible. Following that, emerging policies and reputation risks due to climate change are changing customer needs and preferences for low-carbon products and services. These shifts in consumer preferences have influenced our approach to strategy to products and services.</p> <p>Climate sensitive products such as loans and financial services incentivising 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.</p>
Supply chain and/or value chain	Yes	<p>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.</p> <p>Supplier and value chain engagement related to climate change is important for Halkbank. In terms of corporate</p>

		<p>purchases, data is gathered from suppliers and scored based on their environmental and climate impacts. This provides an option to see and choose suppliers with less impacts on climate.</p> <p>In our annual executive meetings, we make sure that no extra carbon emissions occur. In order to achieve this, we cooperate with business owners and ask for low-carbon services and products. In addition, the total carbon emissions emitted in these meetings are offset in accordance with standards since 2014.</p>
Investment in R&D	Evaluation in progress	<p>The software İKLİM is developed by Halkbank R&D department in order to have an efficient monitoring system of energy and environmental management of the branches. This will help us to monitor branches situations in emission levels and environmental aspects. This project is still in progress. When the project is finalized in a few years, we also consider introducing this software to our suppliers and our customers, so that we can monitor emissions that affects us indirectly.</p> <p>Another climate related R&D project that will allow customers to choose from is in progress. We will provide our customers low-carbon alternatives of our products in coming years.</p>
Operations	Yes	<p>As the financial risks posed by carbon taxes started to have a high share in risk analysis, initiatives to reduce carbon emissions started to increase. As a start to the reduction of scope 2 emissions in 2018, solar energy panels were installed in our headquarters in Ataşehir. In this way, 11,613 kW and 9,699 kW electricity consumption were realized from renewable energy sources in 2019 and 2020 respectively.</p> <p>In line with our targets in the coming years, efforts to reduce carbon emissions that we cause are increasing. We plan to reduce our scope 2 emissions by increasing the use of renewable energy in our headquarters and other branches.</p>

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

Financial planning elements that have been influenced	Description of influence
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<p>Row 1</p>	<p>Revenues Direct costs Capital expenditures Capital allocation Access to capital Assets</p>	<p>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. Regarding the operational cost, there are positive impacts on operational costs due to low electric consumption, heating costs and costs related to fuel consumption of vehicles. Low emission materials are used in retrofitting of branch offices. Low fuel consuming vehicles are acquired, energy management, virtual server and IT system investments are made. For access to capital, 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. Operating costs have been reduced with energy efficiency investments made in branches and operation buildings. Asset values have improved. Awareness raising efforts were also made in the reporting year in respect of all energy management systems within the Bank, with the objective being to reduce the power consumption resulting from the increase in total operations, and to make improvements in Scope 2 emissions stemming from consumption of electricity in the years to come by switching to sustainable carbon management. Our Bank plans to make use of new solar panels for its power supply. The solar panels on our annex office building, situated in Atasehir, generated 9,699 KW of electrical energy in 2020. With increasing renewable energy needs and the need to transition to a low-carbon economy, new markets for renewable energy are growing rapidly. Our customers from industries affected by the transition to a low-carbon economy are also looking for new ways to integrate their businesses with renewable energy so as not to conflict with ever-evolving regulations and contribute to climate change, like GreenDeal. For this reason, the importance of investments such as renewable energy systems, solar panels, wind turbines are increasing. New investments in these areas have started to take place in the sector. As Halkbank, we closely follow innovation and investment opportunities in the market. We offer our clients new market options such as lower loan rates and longer investment times. Thus, our activities in new markets accelerate and we can increase our revenue accordingly. In 2020, the loans we provide to renewable energy projects are around 333,000,000M TRY. We expect this number to increase in a few years due to the increasing climate change practices.</p>
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C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

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 insufficiency 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 legislation 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 all its buildings throughout the country.

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.6a

(C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description

Bank lending (Bank)	Credit policy Risk policy Other, please specify Sustainability, Environment and Energy Policies	Minority of the portfolio	The bank credit policy covers not only financial factors but also sustainability and environmental factors, which includes climate related issues. The sustainability criteria has been integrated into the credit policy in 2016, in line with our sustainability committee's establishment. The project evaluation reports and loan requests are examined in accordance with the credit policy. The topics included in the credit policy's Sustainability Assessment are: »» Environmental Impact Assessment Report »» Green Building Certificate »» ISO Environmental Management Certificate »» Carbon Emission Assessment »» Occupational Health and Safety Assessment »» Evaluation of Sensitivity to Consumer Rights All commercial loan requests, the loan requests over 15M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 15M TRY is also subject to the project evaluation report besides loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 26% of our portfolio.
Other products and services, please specify			

C4. Targets and performance

C4.1

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

Both absolute and intensity targets

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2019

Covered emissions in base year (metric tons CO₂e)

44,734

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2040

Targeted reduction from base year (%)

20

Covered emissions in target year (metric tons CO₂e) [auto-calculated]

35,787.2

Covered emissions in reporting year (metric tons CO₂e)

44,748.99

% of target achieved [auto-calculated]

-0.1675459382

Target status in reporting year

New

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

As Halkbank we are monitoring our GHG emissions since 2012. In 2020, we set a target to decrease our company wide scope 1 and 2 emissions by 20% by 2040 from a base year of 2019.

C4.1b

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

Target reference number

Int 1

Year target was set

2017

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Scope 1

Intensity metric

Metric tons CO₂e per kilometer

Base year

2016

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.000157

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

51.38

Target year

2023

Targeted reduction from base year (%)

0.5

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0.000156215

% change anticipated in absolute Scope 1+2 emissions

-2.5

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0.000162

% of target achieved [auto-calculated]

-636.9426751592

Target status in reporting year

Revised

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

#In calculations, it is presumed that diesel vehicles consume 6 liters per 100 km and fuel vehicles consume 8 liters per 100 km. Estimate distance traveled 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 2023 to achieve the target. The target could not achieved due to pandemic and target year revised as 2023.

Target reference number

Int 2

Year target was set

2016

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Scope 1

Intensity metric

Metric tons CO₂e per square meter

Base year

2016

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.01165

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

48.62

Target year

2023

Targeted reduction from base year (%)

20

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

0.00932

% change anticipated in absolute Scope 1+2 emissions

5

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO2e per unit of activity)

0.010884

% of target achieved [auto-calculated]

32.8755364807

Target status in reporting year

Revised

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

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.). The target could not be achieved due to pandemic and target year revised as 2023.

Target reference number

Int 3

Year target was set

2016

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Scope 2 (location-based)

Intensity metric

Metric tons CO₂e per square meter

Base year

2016

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.0519

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2020

Targeted reduction from base year (%)

5

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0.049305

% change anticipated in absolute Scope 1+2 emissions

5

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0.047168

% of target achieved [auto-calculated]

182.3506743738

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

Target scope:#Electricity consumption#: Works for implementing the energy monitoring system to all of the service units, which will enable us to track all energy consumption sources and energy efficiency is still in progress. Halkbank is the first bank in Turkey that established the 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.).
The target has been achieved.

Target reference number

Int 4

Year target was set

2020

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Scope 3: Waste generated in operations

Intensity metric

Metric tons CO₂e per square meter

Base year

2019

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.001096

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

0.84

Target year

2023

Targeted reduction from base year (%)

0.5

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0.00109052

% change anticipated in absolute Scope 1+2 emissions

5

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0.000879

% of target achieved [auto-calculated]

3,959.8540145985

Target status in reporting year

Revised

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

The waste data monitoring system has been established in recent years. Thus the base year has been revised to 2019 from 2016 because the scope of target has been changed. Target year has also been revised as 2023.

Target reference number

Int 5

Year target was set

2016

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Scope 3: Business travel

Intensity metric

Metric tons CO₂e per unit FTE employee

Base year

2016

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.16

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

9.5

Target year

2020

Targeted reduction from base year (%)

1

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0.1584

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

2

Intensity figure in reporting year (metric tons CO2e per unit of activity)

0.046

% of target achieved [auto-calculated]

7,125

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

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

Emissions caused by business travel has decreased due to the pandemic precautions.

The target has been achieved.

Target reference number

Int 6

Year target was set

2016

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Other, please specify

Scope 3:Paper Use

Intensity metric

Metric tons CO2e per unit FTE employee

Base year

2016

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.1

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

5

Target year

2020

Targeted reduction from base year (%)

0.5

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0.0995

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

2

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0.05

% of target achieved [auto-calculated]

10,000

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

Works to reduce paper consumption per employee will be expanded.

The initiatives to reduce paper use were successful. The target has been achieved.

Target reference number

Int 7

Year target was set

2016

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Other, please specify

Scope 3:Water use

Intensity metric

Metric tons CO₂e per unit FTE employee

Base year

2016

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.014

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

0.83

Target year

2020

Targeted reduction from base year (%)

20

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0.0112

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

0.5

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0.009

% of target achieved [auto-calculated]

178.5714285714

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

Works for implementing the monitoring system to all of the service units, which will enable us to track water consumption and ensure energy efficiency are still in progress. Waste management that is implemented in the extent to ISO 14001 is ongoing. The target has been achieved due to the precautions taken during pandemic.

Target reference number

Int 8

Year target was set

2018

Target coverage

Business activity

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Other, please specify

Metric Tonnes CO2 Per Total Assets

Base year

2015

Intensity figure in base year (metric tons CO2e per unit of activity)

0.0000003

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2023

Targeted reduction from base year (%)

30

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

0.00000021

% change anticipated in absolute Scope 1+2 emissions

2

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO2e per unit of activity)

0.0000001

% of target achieved [auto-calculated]

222.2222222222

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

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. Total assets of bank almost tripled since the target is set. The target has been achieved.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number

Low 1

Year target was set

2020

Target coverage

Business activity

Target type: absolute or intensity

Intensity

Target type: energy carrier

Electricity

Target type: activity

Production

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

unit of service provided

Base year

2020

Figure or percentage in base year

0.0156

Target year

2040

Figure or percentage in target year

0.08

Figure or percentage in reporting year

0.0156

% of target achieved [auto-calculated]

0

Target status in reporting year

New

Is this target part of an emissions target?

No, it's not part of an overarching initiative

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

We set a target to increase the percentage of loans given to renewable energy production projects compared to loans provided to total energy production by about four times by 2040.

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*	3	449.5
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 category & Initiative type

Energy efficiency in buildings
 Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

416

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

643,415

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

3,517,739

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

Old fluorescent light is replaced with efficient LED armatures in 73 branch offices in Turkey.

Initiative category & Initiative type

Company policy or behavioral change
Resource efficiency

Estimated annual CO₂e savings (metric tonnes CO₂e)

19.2

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

238,056

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

0

Payback period

No payback

Estimated lifetime of the initiative

>30 years

Comment

Replacement of hard copies of many internal processes with paperless processes. Moreover, reduces the use of paper by using two sides of the paper sheets. About 21 tonnes of paper consumption was prevented by digitizing many transactions such as cover letter and loan agreements within the scope of Paperless Banking applications.

Initiative category & Initiative type

Company policy or behavioral change
Resource efficiency

Estimated annual CO₂e savings (metric tonnes CO₂e)

14.04

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

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

55,000

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

0

Payback period

No payback

Estimated lifetime of the initiative

>30 years

Comment

Within the scope of energy efficiency studies in our bank, the electricity consumption of computers was examined and it was determined that the most energy consuming part among computer components was computer screens. After this study, "CTRL+ALT+DELETE=Saving" project was started.

The aim of the project is to prevent unnecessary energy consumption when the personnel is not using the computer and to raise awareness in this direction.

On a computer that is on but not in use, the screen goes into sleep mode after 15 minutes. With this project, when the computer is locked with the CTRL+ALT+DELETE keys with a special software, the screens go into sleep mode instantly and energy saving is achieved.

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 have been providing to companies that invest in wind turbines and solar panels to meet their electricity and energy needs, Green energy loans to support the generation of electricity and heat energy from renewable biomass energy sources.

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 including renewable energy

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

0.8

% of total portfolio value

26

Asset classes/ product types

Bank lending

Corporate Loans

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 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 emissions.

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

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 CO₂e?

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

14,206.59

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 CO₂e?

Reporting year

Scope 2, location-based

30,542.4

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 gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

2,132.38

Emissions calculation methodology

Paper purchased, accommodation, and water supply and treatment are included in this category. Data is provided by our suppliers. Consumption figures for each activity are multiplied by DEFRA emission factors.

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

Please explain

Capital goods

Evaluation status

Relevant, not yet calculated

Please explain

Data for CO₂ emissions due to capital good activities in 2020 could not be gathered. We will be working on having this data and calculating the emissions in the next years.

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

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

13,745.87

Emissions calculation methodology

Fuel consumptions of business travel WTT emissions, diesel consumptions of personnel transport services WTT emissions, losses of electricity distribution and transmission are reported in this category. Data supplied from the accounting system multiplied by DEFRA emission factors.

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

Please explain

The percentage of emissions calculated using data obtained from suppliers and value chain partners covers business travels and staff commuting. Halkbank gathers data from its suppliers and value chain partners by double-checking with its own records.

Upstream transportation and distribution

Evaluation status

Relevant, not yet calculated

Please explain

Data for CO2 emissions due to upstream t&d activities in 2020 could not be gathered. We will be working on having this data and calculating the emissions in the next years.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

569.42

Emissions calculation methodology

Waste amounts are followed through the numbers notified by regional coordinators, branch offices and head offices. This indicator includes recyclable (glass, plastic, paper) waste and non-hazardous (domestic waste) waste collected as a result of Halkbank's operations. Since there is no central collection system for domestic waste, the total weekly waste amount was determined as a result of a weekly monitoring study conducted at Halkbank Ataşehir Headquarters Building. The average amount of domestic waste per person is calculated by dividing the total amount of domestic waste monitored by the total number of employees in the building. The annual domestic waste amount is calculated by multiplying the average domestic waste per person (kg) by the total number of Halkbank employees. DEFRA emission factors are used for the emission calculations.

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

Please explain

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

1,052.16

Emissions calculation methodology

Transportation data of full-time personnel (bus, taxi, public transportation, ship, train, private vehicle, plane) are reported under this category. Km.passeenger data for each transport mode is gathered and DEFRA emission factors are used for each different transportation mode. Flight data were provided by the travel agency.

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

Please explain

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

3,366.83

Emissions calculation methodology

The average route length for all staff vehicles operationally controlled by Halkbank (arrival / return) is calculated by dividing the sum of all route distances recorded in the offroad system services by the number of routes. The total annual distance is converted into fuel consumption according to the average unit fuel consumption of relevant vehicle types. DEFRA emission factors are used for the emission calculations. The average route length for each route is provided by the suppliers.

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

Please explain

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Bank doesn't have any upstream leased asset, the category is not relevant.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

690.82

Emissions calculation methodology

Downstream transportation and distribution emissions calculated with monthly numbers that gathered from regional coordinators and branches.

Postage expenses are followed from the invoices taken from the postage company.

"The Environmental Impact of Mail:A Baseline, Pitney Bowes Inc., 2008, pg 12" and

"ASOS GREENHOUSE GAS REPORT 2016/17, CarbonSmart" reports are used for the unit GHG emission per postage.

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

Please explain

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Financial services provided by the bank cause greenhouse gas emissions. These emissions have been disclosed in the "investment activities" category.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Financial services provided by the bank cause greenhouse gas emissions. These emissions have been disclosed in the "investment activities" category.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Financial services provided by the bank cause greenhouse gas emissions. These emissions have been disclosed in the “investment activities” category.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Bank doesn't have any downstream leased asset, the category is not relevant.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

The bank has no franchising operations.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

There is not other emissions

Other (downstream)

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

1,971.64

Emissions calculation methodology

6,849 employees have worked home office in 2020 due to pandemic which equals to 3,670,328 working hours approximately. The electricity consumption of devices that been used during working hours and Lighting during home-office is calculated in this headline. Also, heating and cooling data is included in the calculations.

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

Please explain

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.000000845

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

44,784.99

Metric denominator

unit total revenue

Metric denominator: Unit total

53,024,126,000

Scope 2 figure used

Location-based

% change from previous year

7.2

Direction of change

Decreased

Reason for change

Even the change in gross global Scope 1 and 2 is mainly same with only a 0.13% change, revenue is increased due to loans provided in pandemic. The change in revenue is approximately 8%. Thus, the intensity figure decreased about 7.2%.

Intensity figure

1,943

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

44,784.99

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

23,047

Scope 2 figure used

Location-based

% change from previous year

5.22

Direction of change

Decreased

Reason for change

The increase in the total emission is 0.13% and the increase in FTE employees is 6.97%. Thus the change in the intensity figure is decreased in comparison to 2019 value, with the same metric denominator.

Intensity figure

0.0000000658

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

44,784.99

Metric denominator

Other, please specify
Size of total assets

Metric denominator: Unit total

680,026,000,000

Scope 2 figure used

Location-based

% change from previous year

34.2

Direction of change

Decreased

Reason for change

The increase in the total emission is 0.13% and the increase in total assets is almost 40% due to pandemic. Thus the change in the intensity figure is decreased in comparison to 2019 value, with the same metric denominator.

C7. Emissions breakdowns

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?

Increased

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	4.52	Decreased	0.01	Renewable energy is generated with in the solar panels in our Ataşehir headquarters building. In 2019, the value was 11,613 kWh where in 2020 the value was 9,699 kWh. The change in value multiplied with the emission factor for Turkey, IEA to see the estimated emissions if that amount of electricity was used from the grid. Thus, the difference in emissions is found to be 4.52 CO2e. The percentage is calculated as, change in emissions/last years scope 1+2*100: $(4.52/44,725.86)*100$ and found to be 0.01%
Other emissions reduction activities	449.5	Decreased	1	Emission reduction value is based on the initiatives took place in 2020, as mentioned in chapter 4. Percentage is calculated as, change in emissions/last years scope 1+2*100: $(449.5/44,725.86)*100$ and found to be 1%
Divestment				
Acquisitions				
Mergers				

Change in output	477.16	Increased	1.07	The increase is mainly due to the change in the number of branch offices. This figure also includes decreases due to pandemic such as decreases in business travels. The change in output percentage is calculated by dividing the emission increase by the global emissions of 2019 and multiplying it with 100.
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 undertook this energy-related activity in the reporting year
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 (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	49,402.65	49,402.65
Consumption of purchased or acquired electricity		9.7	65,527.57	65,537.27
Total energy consumption		9.7	114,930.22	114,939.92

C9. Additional metrics

C9.1

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

Description

Waste

Metric value

2,019,875.67

Metric numerator

kg

Metric denominator (intensity metric only)

N/A

% change from previous year

18

Direction of change

Increased

Please explain

The data collection methods of waste generation are improved, which resulted into a significant increase in the total figure.

Description

Energy usage

Metric value

114,979.49

Metric numerator

MWh

Metric denominator (intensity metric only)

N/A

% change from previous year

6

Direction of change

Decreased

Please explain

This metric covers all of the energy consumption(fuels and electricity) of Halkbank. The fuel consumption for heating is highly reduced. The decrease in electricity and diesel consumption due to pandemic precautions decreased the total figure. This metric represents the figure in Question C8.2a

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 emissions, and attach the relevant statements.

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_CDP_CC_AssuranceReport2021_1407.pdf

Page/ section reference

page 4 - Limited Assurance Conclusion
page 8 - Emissions values

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

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

Scope 2 approach

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_CDP_CC_AssuranceReport2021_1407.pdf

Page/ section reference

page 4 - Limited Assurance Conclusion

page 8 - Emissions values

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

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

Scope 3 category

Scope 3 (upstream & downstream)

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_CDP_CC_AssuranceReport2021_1407.pdf

Page/section reference

page 4 - Limited Assurance Conclusion

page 8 - Emissions values

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

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?

In progress

C11. Carbon pricing

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, which is organized every year by Halkbank, 532 tonnes of CO₂e emission was generated in 2020.

The 532 tons of CO₂e emissions caused by the event were offset and made carbon neutral in accordance with the PAS 2060 standard. For offsetting, the carbon credit obtained from the Gold Certified Borusan Mut Wind Power Plant project located in Mut district of Mersin was used.

The annual managers' meeting event is organised as carbon-neutral since 2015.

The reports can be reached at

<https://www.halkbank.com.tr/tr/bankamiz/surdurulebilirlik/surdurulebilirlik/raporlar-ve-etkinlikler.html>

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO₂e)

532

Number of credits (metric tonnes CO₂e): Risk adjusted volume

532

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

Application

We are implementing a pilot scale energy monitoring project in some of our branches. The emissions and investment cost in this area are will be used to implement a internal carbon price. Then the results will be used to set benchmark criteria for the all business units and branches to comply with, where the actual internal price of carbon will be developed. We plan to use uniform carbon pricing in branch offices in country wide.

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

10

Variance of price(s) used

In our carbon-neutralized events, average carbon prices valid in projects in Turkey are used, which is about 10 TRY per tonne of CO₂e. As the emissions and investment cost in this area are will be used to implement a internal carbon price, the values are predicted to vary between 10-200 TRY for Halkbank.

Type of internal carbon price

Offsets
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, which is about 10 TRY per tonne of CO₂e.

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

Run an engagement campaign to educate suppliers about climate change

% of suppliers by number

40

% total procurement spend (direct and indirect)

80

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement

Coverage: Regular and effective communication with the stakeholders is the cornerstone of Halkbank's Approach to Sustainability. In our trainings with suppliers on climate change, we choose our suppliers with whom we do the most financial business. Therefore coverage for our supplier engagement corresponds to 40% of all the suppliers. Additionally, our suppliers we provide trainings equals to 80% of all supply for all of our branches.

The main objective of these trainings are to provide sources for our suppliers about

environmental, social and economic sides of sustainability concept and leading them in the field. By achieving this, outcomes can help Halkbank in two ways; firstly, helping to create a better managed sustainability in behalf of humanity in terms of climate change, secondly, Indirectly reducing Halkbank's environmental effects to climate change

Impact of engagement, including measures of success

By achieving this goal, outcomes can help Halkbank in two ways; firstly, helping to create a better managed sustainability in behalf of humanity in terms of climate change, secondly, Indirectly reducing Halkbank's environmental effects to climate change.

Our suppliers' view and their actions on climate change have been changing through the years due to our engagement efforts. Since 2016 we have been arranging these training and meetings with our suppliers. There is a visible increase in the number of suppliers who are showing better performance and taking actions about climate change within their business.

Comment

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

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)

Minority of the portfolio

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

Halkbank provides online training to SME customers via www.halkbankkobi.com.tr regarding to optimize their production and manage their finances more efficiently. Currently, the web site has more than 200,000 members, which is approximately % 12 of total SME customers.

Impact of engagement, including measures of success

The 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 setbacks in agricultural raw material supply due to climate changes. Useful information for the SME's is provided by Halkbank, as the leading Bank in Turkey to support SME's.

Our customers' view and their actions on climate change have been changing through the years due to our engagement efforts. Since 2016 we have been arranging these training and meetings with our customers. There is a visible increase in the number of SME customers who are showing better performance and taking actions about climate change within their business.

C12.1d

(C12.1d) 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 training was provided to operational staff and supplier company employees in 2020. Also, all full-time employees were given e-learning training 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 hotel management, which can be mentioned as a data-sharing based engagement related to climate change. Moreover, Halkbank has asked the hotel management not to change bedsheets daily and use reusable water pitchers to reduce plastic usage. All these commitments helped to reduce energy and material consumption and GHG emissions. 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
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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 supports provided by any various sponsors for the purpose of financing the fight with the climate change.	The results of the measurement and evaluation performed with respect to energy efficiency through the supports provided by 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	Halkbank recommended some solutions on building efficiency including new Technologies for low carbon buildings and

		Energy and the Directorate General of Renewable Energy.	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?

As Halkbank, we are member of board of directors of the Banks Association of Turkey. We are actively participating in the Role of the Financial Sector in Sustainable Growth Working Group of the association.

This working group was established in order to contribute to the studies to be carried out on the creation of a general approach regarding the protection of the environment in lending and other services of banks and on the issue of handling the issue as a social project. The group has works on raising general stakeholder awareness and disseminating the use of best practices, especially for the transition to a low carbon economy. The Banks Association of Turkey also provides distance education training for banks on environmental and social risk assessment.

As an active member of this group, Halkbank took part in the preparation and revision of the "Sustainability Guide for the Banking Sector" republished by the Banks Association in 2020.

This guide defines 10 key principles for the banking and financial sector sustainability approach. These are intended to be a guidance for financial institutions in line with sustainable development goals.

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 28, 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

 WEB Halkbank_EntegreRapor2020.pdf

Page/Section reference

Sustainability & Climate Change: pg 41, 48, 52, 58

Engagement: pg 80-94

R&D: pg 96-104

Environmental Aspects: pg 110-120

Environmental Performance: pg 131-133

GRI Index: pg 134-139

Content elements

- Governance
- Strategy
- Risks & opportunities
- Emissions figures
- Emission targets

Comment

The Halkbank 2020 Integrated Report is available in Turkish for now. The pages stated above is for the Turkish Report attached. The English version of the report with the GRI Label will be available in coming days and will be accessible from <https://www.halkbank.com.tr/en/investor-relations/corporate-governance/sustainability.html>
Turkish version can also be viewed from <https://www.halkbank.com.tr/tr/bankamiz/surdurulebilirlik/surdurulebilirlik/raporlar-ve-etkinlikler.html>

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework		NA
Industry initiative	Other, please specify The Banks Association of Turkey, Sustainability Study Group	Halkbank is an active member of The Banks Association of Turkey, Sustainability Study Group.
Commitment		NA

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Category 15 "Investment" total absolute emissions	

Other products and services, please specify	Not applicable		
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C-FS14.1a

(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)

Category 15 (Investments)

Evaluation status

Relevant, calculated

Scope 3 portfolio emissions (metric tons CO₂e)

0

Portfolio coverage

More than 0% but less than or equal to 10%

Percentage calculated using data obtained from client/investees

100

Emissions calculation methodology

The produced renewable energy amounts within the projects that Halkbank has provided loans have been calculated. Then the estimated CO₂ emissions calculated with the Primary Energy and Greenhouse Gases Emission Conversion Coefficients in Annex-6 of the "ENERGY PERFORMANCE REGULATION IN BUILDINGS" published in the Official Gazette on 5 December 2008 by the Ministry of Public Works and Settlement were used.

If the amount of energy was produced from mixed electricity generation sources instead of renewable sources, the approximate CO₂ emissions would be 475.964 tons.

Thus, the emission of CO₂ emissions to the nature as much as this difference has been prevented, therefore the CO₂ emissions within this boundaries of scope 3 is 0.

Please explain

Within the financial activities of Halkbank, one of the biggest indirect impacts to climate change is due to loans provided to energy sector. The portfolio coverage is the proportion of renewable and green energy loans provided to all loans provided to energy sector, which is 1.54%.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	Yes, by industry	

C-FS14.2b

(C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Energy	Total carbon absolute emissions (CO2e)	Metric tons CO2e	0	<p>Within the financial activities of Halkbank, one of the biggest indirect impacts to climate change is due to loans provided to energy sector. The portfolio coverage is the proportion of renewable and green energy loans provided to all loans provided to energy sector, which is 1.54%.</p> <p>If the amount of energy was produced from mixed electricity generation sources instead of renewable sources, the approximate CO2 emissions would be 475.964 tons.</p> <p>Thus, the emission of CO2 emissions to the nature as much as this difference has been prevented, therefore the CO2 emissions within this boundaries of scope 3 is 0.</p> <p>The distribution of loans given to the renewable energy sector can be broken down as 45% hydroelectric power plant, 32% biomass power plant, 21% solar power plant and 2% geothermal power plant.</p>

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	As Halkbank, we work to reduce both our direct emissions and our indirect emissions. We offer many loan and financing options to our customers in order to reduce portfolio-based

		emissions. Examples of these are SMEs Energizing Loan Package, Green Energy Loan, Energy Efficiency Loan and FKA Renewable Energy Loan. In line with these, our customers can invest in greener and renewable options for their business. In this way, the impact of their business on climate change is reduced. This also reduces our portfolios negative impacts on climate change.
Other products and services, please specify	Not applicable	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	The sustainability criteria of the loan evaluation reports and project evaluation reports include an assessment of the impact on climate change. Within these assessment reports, we can see if our customers have aligned their business strategies to a well below 2 degree. This helps the bank to see its customers' approach to climate change issues and their strategies. All commercial loan requests, the loan requests over 15M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 15M TRY is also subject to the project evaluation report besides loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 26% of our portfolio.

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	As Halkbank, we are taking actions to have a science-based target. In line with this, we are planning projects that will support our portfolio to set science-based targets as well in the next two years.

C15. 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/investor-relations/corporate-governance/sustainability.html>

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Chairman of Sustainability Committee (Halkbank Independent Board Member)	Board/Executive board

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

Please confirm below

I have read and accept the applicable Terms