



Welcome to your CDP Climate Change Questionnaire 2020

C0. Introduction

C0.1

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

Halkbank was founded under Statute 2284 in 1933 as a credit union by small cooperatives for the purposes of providing loans on favorable terms to merchants and artisans in order to promote economic development, and began its operations in 1938. Between the years 1938-1950 Halkbank provided loans through public funds named as “People’s Fund”. Halkbank was authorized to open branches and grant loans to customers under its own entity in 1950. Despite having been established by local cooperatives, the structure was changed in 1963, whereupon it became a state-owned bank, where original shareholders were unable to contribute capital increases. Throughout the 1990s, Halkbank’s assets grew rapidly through the merger of certain failed smaller sized state-owned banks, including Töbank, Sümerbank and Etibank. In 2001, 96 branches of Emlakbank, another state-owned bank which was then in the process of liquidation, was merged with Halkbank. One of the major milestones for Halkbank is the acquisition of Pamukbank in 2004. Pamukbank Merger strengthened the bank’s retail banking capacity significantly with the help of a technologically more advanced banking software with a more developed IT system in the background being deployed through the bank’s network and the synergy arisen from the combination and rationalization of branch, operation and employee structure. After the Pamukbank merger, Halkbank underwent a serious restructuring process which was initiated by the Statute 4603 relating to public banks with the aim of preparing them for privatization. In line with this restructuring process, Halkbank’s organizational structure was completely transformed and a customer-focused approach was adopted in the Bank’s activities. As of 10 May 2007, 24.98% of the shares of the Bank have been sold through a very successful second public offering and the shares have been listed in Borsa Istanbul. Halkbank’s IPO represents the largest one that ever occurred in the Turkish capital markets. Today celebrating its 82nd anniversary, Halkbank possesses 1000 domestic branches, 6 overseas branches and 3 representative offices overseas, 4051 ATMs, telephone and internet banking channels, mobile banking applications, innovative products and services. With a free float rate of 24,71%, Halkbank maintains its position as one of the most effective banks of its markets by return on equity. In 2019, Halkbank increased its total assets to TRY 457 billion. The Bank recorded total deposits of TRY 298 billion, loans of TRY 399 billion and net profit of TRY 1 billion 720 million for the year. Thus, Halkbank is the 3rd largest bank in Turkey in terms of the size of total assets and by employment. In line with corporate values, Halkbank commits to carry out sustainable activities in terms of financial, social and environmental aspects of the business world, besides fostering local economics, primarily small and medium-sized enterprises. Halkbank established the "Sustainability Committee" in 2015 and published the Sustainability Policy in order to institutionalize the sustainability approach. A Sustainability Coordination Group consisting of a chairman and six members are formed to execute the



decisions taken by the Sustainability Committee. The Chairman and the members are elected by the Committee every year. Head of the 2019 Sustainability Coordination Group is Head of the Department of International Banking and Financial Institutions. Halkbank carries out sustainability works with its stakeholders within the framework of sustainability, energy and environmental policies. Recognizing the importance of climate change and water scarcity in this context, Halkbank has decided to support the CDP water program since 2016.

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, 2019	December 31, 2019	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 Sustainability Committee is the institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities.</p> <p>The committee is responsible from evaluating and managing sustainability related risks and making decisions to take necessary actions. Also risks and other matters subject to board's authorization level are escalated to board.</p> <p>The committee consists of 20 members at the level of board members (2), deputy general managers (3), group heads (3), department heads (12). The president of the sustainability committee serves as Banks independent board member, and deputy president of the sustainability committee serves as member of the Banks board.</p>
Other, please specify Deputy General Manager	<p>The Sustainability Committee is the institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee consists of 20 members at the level of board members (2), deputy general managers (3), group heads (3), department heads (12)</p> <p>Deputy General Managers that serve in the sustainability committee and the areas that they are responsible in the Banks management structure are mentioned below.</p> <ul style="list-style-type: none"> +Credit Policies, Monitoring and Legal Proceedings +Financial Management and Planning +Banking Operations and Support Services
Other, please specify Group Head	<p>The Sustainability Committee is the institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee consists of 20 members at the level of board members (2), deputy general managers (3), group heads (3), department heads (12)</p> <p>Group Heads that serve in the sustainability committee and the areas that they are responsible in the Banks management structure are mentioned below.</p> <ul style="list-style-type: none"> +Head of Human Resources Group +Head of Information Technologies Group +Head of Internal Systems Group
Other, please specify	<p>The Sustainability Committee is the institutional structure that works under the Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee consists of 20 members at the level of board members (2), deputy</p>



Department Head	<p>general managers (3), group heads (3), department heads (12)</p> <p>Department Heads that serve in the sustainability committee and the areas that they are responsible in the Banks management structure are mentioned below.</p> <ul style="list-style-type: none"> +Head of Credit Processes and Company Analysis +Head of Investor Relations +Head of International Banking and Financial Institutions +Head of Branch Operations Department +Head of Support and Acquisition Services +Head of Construction Expertise and Real Estate Management +Head of Budget and Reporting +Head of Corporate Architecture and Subsidiaries Coordination +Head of Infrastructure Operation and Management +Head of Human Resources +Head of Risk Management +Head of Corporate Communications
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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	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		<p>The Board of Directors conduct Sustainability Management by participating in the Sustainability Committee with two members (at President and deputy President levels).</p> <p>Sustainability committee gathers at least 4 times in a year for the scheduled regular meetings. In these regular meetings, the risks and opportunities for sustainability issues, including climate issues, are assessed and targets are set. Budget adjustments and performance objectives to reach the targets are discussed and decided by the majority votes.</p> <p>In addition, the periodic performance of the objectives is compared with the results of the specified period necessary revisions are</p>



	<p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>decided.</p> <p>Decisions on rewarding performance for sustainability issues are also made in the Sustainability Committees regular meetings.</p> <p>Climate related issues are also discussed in the committee meetings in a risk-opportunity based approach and in line with the lending policies of the bank, necessary recommendations for policy updates and measures are forwarded to the responsible departments. As 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</p>
<p>Sporadic - as important matters arise</p>	<p>Other, please specify</p> <p>Matters arising aside from the agenda and extraordinary events</p>	<p>The Board of Directors conduct Sustainability Management by participating in the Sustainability Committee with two members (at President and deputy President levels).</p> <p>Apart from the regular meetings, sustainability committee may gather urgently and sporadically for discussing and making decisions for the urgent and important issues arisen outside the regular meeting periods.</p> <p>Manager of Sustainability Practices, Environment and Energy Management Division is authorized for making calls for irregular sustainability committee meetings. Decisions made in the committee that may result important consequences are reported to the board.</p>
<p>Scheduled – all meetings</p>	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p>	<p>Management review meeting is held at least once in a year to ensure the sufficiency and efficiency of the Banks sustainability practices.</p> <p>Topics discussed in the Management Review Meetings are as follows:</p> <p>+Follow up activities of previous</p>



	<p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p> <p>Other, please specify</p> <p>Management review</p>	<p>management review</p> <ul style="list-style-type: none"> +Review of environment and energy policies +Review of environment and energy performance and related indicators. +Evaluations of compliance regarding legal and other liabilities that Bank is obliged to comply +Achievement levels to environment and energy goals +Risks and opportunities, important environmental impacts, needs and expectations of stakeholders, changes in internal and external matters related to integrated management systems +Results of integrated management internal examinations +Statuses of incompliances, corrective and preventive activities +Projected energy performance for the next period and opportunities for continuous improvement. +Sufficiency of resources <p>Outputs of the Management Review Meeting are as follows:</p> <ul style="list-style-type: none"> +Results regarding the conformity, sufficiency and efficiency and retaining the persistence of integrated management systems +Decisions for continuous improvement opportunities +Changes in Banks environment and energy performance +Changes in environment and energy policies +Activities to be carried out in case of failure to achive environment and energy goals +Changes in energy performance indicators +Changes in targets, goals and other elements of integrated management systems, retaining the consistency with Banks commitment to continuous improvement +Opportunities to improve engagement of the integrated management system with other
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			<p>work processes.</p> <p>+Changes in resource allocations.</p> <p>+implications related to Banks strategic direction</p> <p>+Status of the activities carried out as a result of previous management review meetings</p>
Sporadic - as important matters arise	Other, please specify Internal Audits		<p>Halkbank has set up the Integrated Management Systems in compliance with ISO 14001 and ISO 50001 Environmental and Energy Management standards. In order to ensure the operability of the system, check lists for the internal audits were set. The auditing processes for the integrated management system is carried out by the internal control department of the bank. Non-compliance issues are reported to the board.</p> <p>For the urgent and important issues detected in the audits, the committee may gather for extra meetings and make decisions to prevent non-compliance.</p>

C1.2

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

Name of the position(s) and/or committee(s)	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	Quarterly
Other, please specify Sustainability Coordination Group	Corporate Sustainability/CSR reporting line	Managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	More frequently than quarterly

C1.2a

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

The Sustainability committee is the authorized body of the bank's organization on sustainability issues and works subordinately to the board of directors. Members of the committee are appointed by the board of directors. Sustainability committee reports directly to the board of directors in order to coordinate the operations of the Bank related to sustainability. The committee carries out the monitoring function over the Banks operations in order to ensure that the impacts of the Banks operations over economical, environmental and social impacts are in conformity with the articles of "Sustainability Policy" determined by the board of directors. Sustainability committee, whose members are appointed from the Banks board members, deputy general managers and head of departments, holds scheduled meetings at least four times in a year. Risks and opportunities on sustainability matters, which include issues related to climate change are also evaluated in these meetings and targets are set. Budget adjustments and performance targets are discussed and decided by the majority of the votes. In addition, periodical performance results are compared to the targets and decisions for revisions are made if necessary. Rewarding decisions related to sustainability performance are also made in the committee meetings. Committee makes necessary determinations and forms working groups by the participation of related departments, in order to reduce the potential negative impacts of the Banks operations in terms of sustainability. Committee determines the procedures and principles for the Banks energy management. Committee analyses the results of data gathered based on energy management, informs related departments inside the organization, offers suggestions for actions and measures to be taken, reports and discloses to public through related platforms. Committee prepares appropriate framework for the legal/non legal cases for the Bank. As a publicly traded bank whose stocks are traded in Istanbul Stock Exchange, the committee takes initiatives to qualify for the BIST Sustainability Index, where companies with high corporate sustainability performance are involved. Committee coordinates the necessary measures within the Bank for this purpose. The Committee submits its opinions and proposals on the activities and deficiencies in the field of sustainability, beyond its authorization level to the Board of Directors. On the other hand, Sustainability Coordination Group, which is consisted of a chair and a six-member have been formed for the implementation of decisions made by the Sustainability Committee, the control and monitoring of processes, the finalization of ongoing work and the reporting of new developments in regards of sustainability. President and the members of the sustainability coordination group are appointed once in a year by the sustainability committee. The members of the coordination group are the department heads of the Banks. Division manager of the Sustainability Practices, Environment and Energy Management Division is also permanent member of the group. Sustainability Coordination Group Members for 2019 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) Supplying data timely and correctly	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.
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 they dispose. Gifts such as smart scale, fitness band, electronic tooth brush, alarm clock radio and e-book readers are offered for a specific amount of coupons collected.



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.
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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	1	Halkbank defines short term as time period up to 1 years time. Opportunities identified to have impacts on short term are; +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)

			<p>+Responsible products and services being considered positively by foreign investors +Positive contributions to corporate reputation +Easy Access to purpose oriented financial instruments</p> <p>Risks identified to have impacts on short term are; -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</p>
Medium-term	1	5	<p>Halkbank defines medium term as the period between 1-5 years. Opportunities identified to have impacts on medium term are: +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> <p>Risks that identified to have impacts over the medium term are: -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</p>
Long-term	5	100	<p>Periods longer than 5 years are considered as long term, in Halkbank business strategy. Opportunities determined for long term are, +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</p>



			<p>+Positive contributions of research and development works</p> <p>+Renewable energy regulations enabling opportunities to expand to new markets.</p> <p>+Cap and trade programs providing the commercial operations to diversify</p> <p>+Transitions in customer preferences due to changes in climate normal/extremes</p> <p>Risks identified for long term are:</p> <p>-Declines on technical knowledge levels having negative impacts over advanced financial services</p> <p>-Emission reporting obligations</p>
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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 he wants 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.

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

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 are taken to manage those risks are monitored and possible revisions can be decided at the same time too. Researches are performed and reported based on industry. 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.

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

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

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. Investments financed by Halkbank are evaluated with

		<p>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>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>
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 by ranking the loan evaluation and project evaluation reports in line with our sustainability criteria. 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 24% of our portfolio.</p>

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	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 exposure to water-related risk and opportunities by evaluating: (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) (b) Loaned Projects that are vulnerable to water related risks, such as agricultural industries and investments (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. (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.
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	Halkbank is committed to comply with regulations and forests-related risks and opportunities are assessed under this criteria for portfolio exposure.
Other products and services, please specify	Not applicable		No other products than loans are available.



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	For the loan requests to some specific fund programs, the emission reduction data are requested from the project owners.
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)

200,000

Explanation of financial impact figure

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

Cost of response to risk

0

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.

Comment

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

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)

4,000,000

Potential financial impact figure – maximum (currency)

5,200,000

Explanation of financial impact figure

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

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

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

Comment

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

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

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

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost of response to risk

0

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.

Comment

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

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & 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 long term loans, due to the changes in customers cash flows. This may cause liquidity an operational risk.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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.

Cost of response to risk

0

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.

Comment

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

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Mandates on and regulation of existing products and services

Primary potential financial impact

Other, please specify

Foreign regulations/compliance

Climate risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

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

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure



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

Cost of response to risk

0

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type & 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?

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

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

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.

Comment

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

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Direct operations

Risk type & 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?

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

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

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.

Comment

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

Identifier

Risk 8

Where in the value chain does the risk driver occur?

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?

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

Potential adverse effects of changes in precipitation amounts may lead to reductions in the productivity of businesses, whose business processes are based on rainfall



amounts, such as agricultural production and hydropower sectors. As a result, there will be reductions in their incomes and profits, which may cause difficulties in paying loan debts. This will affect the bank's incomes negatively. (The ratio of loans provided to farmers to Halkbank's total loan portfolio is below 1%.)

Cost of response to risk

0

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.

Comment

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

Identifier

Risk 9

Where in the value chain does the risk driver occur?

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.

Comment

The cost of management system was realized at 300.000 TRY

Identifier

Risk 10

Where in the value chain does the risk driver occur?

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-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

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

0

Description of response and explanation of cost calculation

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

Comment

Financial cost to manage the risk can not be calculated.

Identifier

Risk 11

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

0

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 12

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, an estimated range



Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

18,000,000

Explanation of financial impact figure

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

Cost of response to risk

0

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.

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

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

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

The cost of management is at negligible levels.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Ability to diversify business activities

Primary potential financial impact

Increased revenues resulting from increased production capacity

Company-specific description

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

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation



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

Comment

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

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

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 has not been assessed yet.

Cost to realize opportunity

0

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.

Comment

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

Identifier

Opp4

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium



Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

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

Identifier

Opp5

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of new technologies

Primary potential financial impact

Reduced direct costs

Company-specific description

Increased energy efficiency: The reduction in operational costs will provide the bank a competitive advantage. While the grid power in Turkey is based on scarce fossil fuel, a return of less energy use will be provided by the energy efficiency, which will bring the

Bank into a position less exposed to instability in fuel prices. Also, In Banking sector, with the rising digitalisation trends, the usage of new technological banking services such as online banking, virtual credit cards and electronic in voice applications will tend to reduce the operational costs of the banks with their positive impacts over carbon emissions.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

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



Identifier

Opp6

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

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

Primary potential financial impact

Increased portfolio value due to upward revaluation of assets

Company-specific description

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

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

This opportunity has the potential to increase the productivity of products related to risk



capital and insurance. It will create competitive advantage for the bank, increase profitability and reduce risk levels.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

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

Identifier

Opp6

Where in the value chain does the opportunity occur?

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased diversification of financial assets

Company-specific description

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

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)



Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

150,000

Strategy to realize opportunity and explanation of cost calculation

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

Comment

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

Identifier

Opp8

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

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

Also, green bonds and green loans may have a higher shares in total loans and Banks



who develop market compatible green loan products will have the opportunity to increase their profits.

Time horizon

Likelihood

Virtually certain

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

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

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Management cost is negligible.

Identifier

Opp9

Where in the value chain does the opportunity occur?



Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Management cost is negligible.

Identifier

Opp10

Where in the value chain does the opportunity occur?

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

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

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity



0

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Management cost is negligible.

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) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative

C3.1b

(C3.1b) 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</p>

	<p>projects and investments towards the foreseen energy efficiency targets. The second point is the need for finance that will arise due to the large scale public and private sector investment requirements by the national plan. The ability of Halkbank to respond to these needs within project financing is a financial opportunity for the company</p> <p>Halkbank, while benefiting from this opportunity, aims to control the socioeconomical impacts of the investments that will be made, to prevent producing new environmental impacts, particularly water, waste and biodiversity related issues, contributing to reduce national emissions inventory, by the policies and methodologies that it will follow.</p>
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C3.1d

(C3.1d) 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	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.
Supply chain and/or value chain	Yes	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.
Investment in R&D	Not evaluated	Peer practices, innovated best practices are followed through the banking sector, and available practices are discussed and considered in the decision processes for future implementations.
Operations	Yes	Energy efficiency is considered as a constant development area, and stocks of emissions are decreased due to new implementations. Cost of operations are decreased due to these practices. Physical buildings are transformed to achieve energy efficiency.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Capital expenditures Capital allocation Access to capital Assets	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.

C3.1f

(C3.1f) 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-FS3.2

(C-FS3.2) 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-FS3.2a

(C-FS3.2a) 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 loan policy covers not only financial factors but also sustainability and environmental factors, which includes climate related issues. . The sustainability criteria set has been added to the credit evaluation report scoring criteria. 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 24% of our portfolio.
Other products and services,			

please specify			
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C4. Targets and performance

C4.1

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

Intensity target

C4.1b

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

Target reference number

Int 1

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

2020

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

% change anticipated in absolute Scope 3 emissions

0

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

0.000156

% of target achieved [auto-calculated]

127.3885350318

Target status in reporting year

Underway

Is this a science-based target?

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

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 2020 to achieve the target. The intensity figure in base year has been corrected since it was miscalculated.

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

2020

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)

0.00919

% of target achieved [auto-calculated]

105.5793991416

Target status in reporting year

Revised

Is this a science-based target?

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

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.). Due to the changing conjuncture of the country, the increase in the number of branches were more than expected. Thus, the target has been revised.

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)

0.0481

% of target achieved [auto-calculated]

146.4354527938

Target status in reporting year

Revised

Is this a science-based target?

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

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.).
Due to the changing conjuncture of the country, the increase in the number of branches was more than expected. Thus, the target has been revised.

Target reference number

Int 4

Year target was set

2016

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

2016

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

0.000467

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

0.84

Target year

2020

Targeted reduction from base year (%)

0.5

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

0.000464665

% 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)

0.001096

% of target achieved [auto-calculated]

-26,937.9014989293

Target status in reporting year

Retired

Is this a science-based target?

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

Please explain (including target coverage)

The waste data for the base year wasn't as accurate as the current year, thus a significant increase in the waste amount occurred. Comparison of the base year and target year would not be fair and reflect the true change. Thus, this target is retired.

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)

0.17

% of target achieved [auto-calculated]

-625

Target status in reporting year

Underway

Is this a science-based target?

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

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.

The calculation % of total base year emissions in selected Scope in 2018 didn't include emissions due to the fuel-and-energy-related activities (not included in Scope 1 or 2), it is revised.

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)

0.1

% of target achieved [auto-calculated]

0

Target status in reporting year

Underway

Is this a science-based target?

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

Please explain (including target coverage)

Works to reduce paper consumption per employee will be expanded.

The calculation % of total base year emissions in selected Scope in 2018 didn't include emissions due to the fuel-and-energy-related activities (not included in Scope 1 or 2), it is revised.

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)

0.011

% of target achieved [auto-calculated]

107.1428571429

Target status in reporting year

Revised

Is this a science-based target?

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

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 calculation % of total base year emissions in selected Scope in 2018 didn't include



emissions due to the fuel-and-energy-related activities (not included in Scope 1 or 2), it is revised.

In line with the new radical decisions taken within the organization, the target has been revised with a more ambitious one.

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

133

% 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

Underway

Is this a science-based target?

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

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.

C4.2

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

No other climate-related targets

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		
To be implemented*	2	34
Implementation commenced*		
Implemented*	3	464
Not to be implemented		

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)

453

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

731,935

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

3,915,340

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

Old fluorescent light is replaced with efficient LED armatures in 82 branch offices in Turkey.

Initiative category & Initiative type

Company policy or behavioral change
Resource efficiency

Estimated annual CO2e savings (metric tonnes CO2e)

10.85

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

54,668

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.

Initiative category & Initiative type

Waste reduction and material circularity
Waste reduction

Estimated annual CO2e savings (metric tonnes CO2e)

0.05

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

0

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

0

Payback period

No payback

Estimated lifetime of the initiative

>30 years

Comment

Most of the magazine and periodical subscriptions are replaced with electronic versions.

C4.3c

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

Method	Comment
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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.
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C4.5

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

Yes

C4.5a

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

Level of aggregation

Group of products

Description of product/Group of products

Loans for energy efficiency and renewable energy projects.

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

Low-carbon product and avoided emissions

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

Other, please specify

Banks own taxonomy including renewable energy

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

0.5

% of total portfolio value

24

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 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 Voluntary 2017 Reporting Guidelines

ISO 14064-1

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

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO₂e?

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

13,579.13

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

31,146.72

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

5,347.71

Emissions calculation methodology

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

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

60.9

Please explain

Accommodation data is provided by the tourism agency.

Capital goods

Evaluation status

Not evaluated

Please explain

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

Evaluation status

Relevant, calculated



Metric tonnes CO2e

14,925.65

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

8.96

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

Not relevant, explanation provided

Please explain

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

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

709.81

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



0

Please explain

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

3,718.41

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.

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

80.84

Please explain

Flight data were provided by the travel agency.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

3,234.41

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.

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

100

Please explain

The average route length for each route is provided by the suppliers.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Upstream leased assets are not relevant to the bank.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

40.38

Emissions calculation methodology

Post and shipping expenses: Monthly numbers from Regional coordinators and branches are received./ Postage expenses are followed from the invoices taken from the postage company. European Mail Industry Platform, "The Facts of Our Value Chain" report is used for the unit GHG emission per postage.

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

100

Please explain

Postage expenses are followed from the invoices taken from the mail/courier company.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Not relevant to the bank's operations.

Downstream leased assets



Evaluation status

Not relevant, explanation provided

Please explain

Not relevant to the bank's operations.

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

Not relevant to the bank's operations.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

Not relevant to the bank's operations.

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

0.00000091

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

44,725.86

Metric denominator

unit total revenue

Metric denominator: Unit total

49,070,000,000



Scope 2 figure used

Location-based

% change from previous year

18.11

Direction of change

Decreased

Reason for change

Although both total emission(Scope 1&2) and total revenue are increased, the increase in the revenue is higher.

Intensity figure

2.05

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

44,725.86

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

21,545

Scope 2 figure used

Location-based

% change from previous year

0.85

Direction of change

Decreased

Reason for change

The increase in the total emission is lower than the increase in the number of employees thanks to behavioral change projects within the organisation.

Intensity figure

0.0000001

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

44,725.86

Metric denominator



Other, please specify
 Size of total assets

Metric denominator: Unit total

457,045,000,000

Scope 2 figure used

Location-based

% change from previous year

16.62

Direction of change

Decreased

Reason for change

Although both total emissions (Scope 1&2) and total assets are increased, the increase in the assets is higher.

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				
Other emissions reduction activities	1.02	Decreased	453	Gross Scope 1+2 emissions decreased by 1.02%, due to energy efficiency activities undertaken. Lighting has changed in some of the branches with LED, which resulted with reduction in electricity consumption. The figure is

				calculated by dividing the emission reduction achieved by reduction activities by the global emissions of 2018 and multiplying it with 100.
Divestment			0	
Acquisitions			0	
Mergers				
Change in output	1.72	Increased	764	The increase is due to the change in the number of branch offices. The change in output is calculated by dividing the emission increase due by the global emissions of 2018 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	55,453.35	55,453.35
Consumption of purchased or acquired electricity		0	66,982.2	66,982.2
Total energy consumption		0	122,435.55	122,435.55

C9. Additional metrics

C9.1

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

Description

Waste

Metric value

1,711,599

Metric numerator

kg

Metric denominator (intensity metric only)

N/A

% change from previous year

52

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

485,463

Metric numerator

GJ

Metric denominator (intensity metric only)

N/A

% change from previous year

12

Direction of change

Increased

Please explain

This metric covers all of the energy consumption(fuels and electricity) of Halkbank. Although, the fuel consumption for heating is highly reduced the increase in electricity and diesel consumption due to the new branch offices increased the total figure.

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 Assurance Report_final_21.07.2020.pdf

Page/ section reference

1-3

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 Assurance Report_final_21.07.2020.pdf

Page/ section reference

1-3

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: Purchased goods and services

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 Assurance Report_final_21.07.2020.pdf

Page/section reference

1-3

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100



Scope 3 category

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

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 Assurance Report_final_21.07.2020.pdf

Page/section reference

1-3

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Waste generated in operations

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 Assurance Report_final_21.07.2020.pdf

Page/section reference

1-3

Relevant standard

ISAE3000



Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Business travel

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 Assurance Report_final_21.07.2020.pdf

Page/section reference

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Employee commuting

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 Assurance Report_final_21.07.2020.pdf

Page/section reference

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Downstream transportation and distribution

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 Assurance Report_final_21.07.2020.pdf

Page/section reference

1-3

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?

Yes

C10.2a

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
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C8. Energy	Energy consumption	ISAE3000	This verification is carried out annually. The parameter in the report is "GRI 302-1 energy consumption inside the company" on page 1.  1
C6. Emissions data	Other, please specify Water withdrawals	ISAE3000	This verification is carried out annually. The parameter in the report is "This verification is carried out annually. The parameter in the report is "GRI 302-1 energy consumption inside the company" on page ." on page 1.  1
C6. Emissions data	Other, please specify Waste	ISAE3000	This verification is carried out annually. The parameter in the report is "This verification is carried out annually. The parameter in the report is "GRI 302-1 energy consumption inside the company" on page ." on page 1.  1
C6. Emissions data	Other, please specify Other indirect GHG Emissions	ISAE3000	This verification is carried out annually. The parameter in the report is "Other indirect(Scope 3) GHG Emissions as per GRI 305-3(2016)" on page 1 .  1

 1Halkbank Assurance Report_ENG_final_21.07.2020.pdf

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 of 2019, which is organized every year by Halkbank, 546 tonnes of CO2e emission was generated. The emission was offset by purchasing the carbon credits of Borusan's Harmanlik wind energy plant project, which is certificated under Gold Standard. The annual managers' meeting event is organised as carbon-neutral since 2015. The reports can be reached at https://www.halkbank.com.tr/5819-raporlar_ve_etkinlikler

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

546

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

546

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

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

Yes

C11.3a

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

Objective for implementing an internal carbon price

Change internal behavior
Drive energy efficiency
Drive low-carbon investment

GHG Scope

Scope 1
Scope 2
Scope 3

Application

All business units

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

0



Variance of price(s) used

0

Type of internal carbon price

Other, please specify
Service Contract

Impact & implication

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

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

C12. Engagement

C12.1

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

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

C12.1a

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

Type of engagement

Engagement & incentivization (changing supplier behavior)

Details of engagement

Other, please specify
Trainings to raise awareness on partners

% of suppliers by number

100

% total procurement spend (direct and indirect)

100



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

100

Rationale for the coverage of your engagement

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

Impact of engagement, including measures of success

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

Comment

Training to employees of suppliers and other business partners are given to increase awareness of energy efficiency and environment.

C12.1b

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

Type of engagement

Education/information sharing

Details of engagement

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

% of customers by number

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

0

Portfolio coverage (total or outstanding)

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 190.050 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.

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 2017. 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
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	Legal necessity to monitor energy consumption of SMEs.

		troubles encountered in relation to energy efficiency financing.	
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 Energy and the Directorate General of Renewable Energy.	Halkbank recommended some solutions on building efficiency including new Technologies for low carbon buildings and legislative requirements regarding the issue.
Other, please specify Waste Management	Support	Halkbank commits to the management of waste, and with the implementation of zero waste project inside the Turkish republic - Ministry of Environment and Urbanisation, a policy and	Halkbank commits to the Ministries recommendations and shows full support by innovative solutions.



		legislation base among the topic is being formed in line with the Bank's policy.	
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C12.3b

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

Yes

C12.3c

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

Trade association

The Banks Association of Turkey (TBB)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

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

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

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

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

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

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



Banks Association of Turkey.

As an example;

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

C12.3e

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

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

C12.3f

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

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

C12.4

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


Publication

In mainstream reports

Status

Complete

Attach the document

 2019_annual_report.pdf

Page/Section reference

6-16, 22-29, 74-114

Content elements

Governance
Strategy
Other, please specify
Financial Statements

Comment

2019 Annual Report


Publication

In voluntary sustainability report

Status

Complete

Attach the document

 2019 Sustainability Report.pdf

Page/Section reference

All report

Content elements

Governance
Strategy
Risks & opportunities



Emissions figures
Emission targets

Comment

GRI Materiality Disclosure You may reach our up to date Sustainability Reports through the following links; Turkish Reports: https://www.halkbank.com.tr/5819-raporlar_ve_etkinlikler English Reports: <https://www.halkbank.com.tr/en/investor-relations/3194/sustainability>

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	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	
Other products and services, please specify	Not applicable	

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 "Investments" emissions or alternative carbon footprinting and/or exposure metrics)

We do asses some of our portfolio's impact on climate change but it is only limited with emission reducing projects. We plan to conduct a footprint study of our total portfolio within two years.

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	Halkbank is providing loans for emission reduction and low-emission projects and increases its portfolio coverage on projects that help battling for 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 for the loan evaluation reports and project evaluation reports include an assessment of the impact on climate change. The coverage of this assessment is around 24% of Halbank's 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	Since Halbank has not developed a science-based target yet, it would not be appropriate to request our clients/investees to do it. However, once Halbank achieves a science-based target, the clients/investees will be informed to encourage them.



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/investorrelations/3194/sustainability>

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	Sustainability Practices, Environment and Energy Management Division Manager	Environment/Sustainability manager

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	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