

Welcome to your CDP Climate Change Questionnaire 2022

C0. Introduction

C0.1

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

Halkbank was established in 1938 to support tradesmen, and craftsmen and to accelerate permanent economic development and has become one of Turkey's steadily growing, well-established, pioneering, and respected brands. Pioneering the development of the Turkish banking sector for 83 years, the Bank continues to serve the real sector with its innovative products and services with a global vision, with 1,018 branches in the country and 5 abroad as of the end of 2021.

Halkbank aims for a livable world where economic, social, and environmental impacts are in balance in all areas where it creates value, especially in its own operations, and growth takes place without compromising these effects. In this direction, it shapes its work with the awareness that it is possible to move forward more strongly towards the future by focusing on sustainable economic, environmental and social development. In this context, it develops products such as the Green Energy Loan Package to support efforts to reduce carbon emissions through renewable energy and energy efficiency projects in order to direct investments to more sustainable technologies and businesses. This package, provides renewable energy investment, green workplace investment, energy efficiency, green-certified construction project, and green light commercial vehicle loans. In addition, it also offers free technical consultancy services for the efficient realization of investment in a way to benefit from the knowledge and experience of engineers with energy manager certificates. Going beyond just providing financial resources to companies the use of resources, while Halkbank works hard to produce innovative solutions for such demands and needs of its customers, it pays great attention to ensuring that its activities are compatible with factors such as environmental protection and energy efficiency. It continues to implement digitalization practices that will accelerate the transition to emission reduction, waste management, and paperless banking, minimizing the carbon footprint resulting from its operations. In line with this, Halkbank has certified all its service buildings, including its Head Office and branches, with the ISO 14001 Environmental Management System and

ISO 50001 Energy Management System, and becoming the first bank in the Turkish banking industry to establish and get certified in the ISO 50001 Energy Management System. It uses a program namely "İKLİM", which it has developed with its own internal resources, in order to manage, monitor, evaluate and report these systems by integrating the relevant environmental and energy management systems and implementing all the requirements. In addition, the Bank continues its waste reduction efforts with the principle of separating its wastes and zero waste within the responsible banking culture, taking into account waste management within the scope of reducing the environmental impacts of its activities. As of 2019, all service locations have complied with the Zero Waste System, and in 2021, 1,055 service locations, including all branches, received Zero Waste Certificates. Halkbank also continues to contribute to "Green and Circular Economy" issues, Turkey's green agreement harmonization process, and studies in this context with the initiatives it has developed under the umbrella of Sustainable Banking.

In addition, Halkbank has been reporting to the Carbon Disclosure Project, one of the public disclosure platforms, since 2013 due to the importance it attaches to the transparency of its operations and has been included in the BIST Sustainability Index since 2017. It is also committed to achieving net-zero by 2050 as one of the first signatories of the NZBA in Turkey by mid-2022.

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, 2021 | December 31, 2021 | No |

C0.3

(C0.3) Select the countries/areas in which you operate.

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 activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

| | Does your organization undertake this activity? | Industry sectors your organization lends to, invests in, and/or insures |
|----------------|---|---|
| Banking (Bank) | Yes | Agricultural products wholesale Animal processing Animal products wholesale Apparel design & manufacturing Basic plastics Coal extraction & processing Cotton farming Dairy & egg products Fast food Finished wood products Fruit farming Grain & corn farming Hypermarkets & superstores Metal smelting, refining & forming |

| | | |
|--|----|--|
| | | Natural gas extraction Oil & gas refining Print publishing Supermarkets, food & drugstores Textiles Wood & paper products wholesale |
| Investing (Asset manager) | No | |
| Investing (Asset owner) | No | |
| Insurance underwriting (Insurance company) | No | |

C0.8

(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

| Indicate whether you are able to provide a unique identifier for your organization | Provide your unique identifier |
|--|--------------------------------|
| Yes, a Ticker symbol | HALKB |
| Yes, an ISIN code | TRETHAL00019 |

C1. Governance

C1.1

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

Yes

C1.1a

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

| Position of individual(s) | Please explain |
|---------------------------|---|
| Board-level committee | <p>The Board Level Sustainability Committee reports to the Bank's Board of Directors to coordinate the Bank's sustainability activities. The committee is responsible of the Coordination of the bank's sustainability efforts, and running an assessment of the economic, environmental, and social effects of its activities, to evaluate and manage the sustainability related risks and making decisions to take necessary actions and overseeing the climate-related risks that the bank would face.</p> <p>Also risks and other matters subject to board's authorization level are escalated to board. The committee consists of 20 members at the level of board members (2), deputy general managers (4), group heads (2), department heads (12). The Chairman of the sustainability committee serves as Banks independent board member, and Vice Chairman of the sustainability committee serves as member of the Banks board. Since the Head of Risk Management Department, the Head of Credit Management, Firm and Project Analysis and Head of Internal Systems Group is also a member of the sustainability committee, there is a strong oversight on the climate issues.</p> <p>Decision made by the committee: In 2021, the Committee decided to improve business processes in order to adapt to national and international developments within the scope of combating the climate crisis. In this direction, the Committee has decided to establish a Climate Action Plan, which includes science-based targets, analyses of direct and indirect risks and opportunities of climate change, and comprehensive studies on sustainable finance products and has started working in this direction. In addition, Halkbank aims to achieve a net-zero portfolio by at least 2050 with the near-term emission targets it will set in the light of climate science with science-based targets in the coming years. The bank has also joined the Net-Zero Banking Alliance and committed to setting GHG emission reduction targets across its operations and its portfolio in line with SBTi criteria in 2022.</p> |

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 | <p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p> | <p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our banking activities</p> <p>Climate-related risks and opportunities to our investment activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our banking activities on the climate</p> <p>The impact of our investing activities on the climate</p> | <p>The Board of Directors carries out the Sustainability Management by joining the Sustainability Committee with two members (at the level of the Chairman and the Vice Chairman). The sustainability committee meets at least 4 times a year for its regular scheduled meetings. In regular meetings, risks and opportunities related to climate change and other sustainability issues are evaluated and targets are determined in our direct operations and bank loan and investment activities. Budget adjustments and performance targets are discussed and decided by a majority vote to achieve climate-related targets. All our banking activities are included in the integrated management system. Environmental performances are constantly monitored and evaluated, taking into account the expectations of internal and external stakeholders. Based on these evaluations, goals, and targets are determined and necessary activities are carried out with continuous improvement. In addition, the periodic performance of the targets is compared with the results of the determined period, and necessary revisions are decided. Decisions on rewarding performance on sustainability issues are also taken at regular meetings. At the meetings, climate-related issues are also discussed with a risk-opportunity-based approach, and policy updates and suggestions for measures are conveyed to the responsible units in line with the bank's lending policies.</p> <p>In 2021, The BoD aimed to create value for stakeholders, manage the risks and opportunities related to climate change, reduce the emissions from the Bank's activities, and increase the Bank's sustainability performance by developing environmentally friendly projects.</p> |

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

| | Board member(s) have competence on climate-related issues | Criteria used to assess competence of board member(s) on climate-related issues |
|-------|---|--|
| Row 1 | Yes | <p>As Halkbank, we are subject to Turkish Banking Law and Capital Markets Board (CMB) regulations in the elections of the Board of Directors. The education level of the board about sustainability is important as a climate change competency. The chairman of the Sustainability Committee, who is also a member of BoD, is competent in sustainable development and economics due to their training and expertise. These criteria meet the board members' competence on climate-related issues.</p> <p>In addition, all Sustainability Committee members have KPIs on environmental and sustainability issues. In order to evaluate their competence in climate and water-related issues, the fact that they have achieved these targets in the past is used as a criterion and proves their competence.</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 |
|---|-------------------------------|---|---|---|
| Other C-Suite Officer, please specify Chairman of Sustainability Committee | Reports to the board directly | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our banking Risks and opportunities related to our own operations | Quarterly |

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 | N/A |

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 |
|--------------------------|-------------------|-----------------------------|---|
| Corporate executive team | Monetary reward | Emissions reduction project | As Halkbank, we provide incentives (monetarily and through corporate recognition) to Corporate Executive Team members according to their success and performance in the energy and climate-related areas. Additionally, applicable and innovative ideas related to climate change can be rewarded monetarily with the committee decision. |

C-FS1.4

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

| | Employment-based retirement scheme that incorporates ESG criteria, including climate change | Describe how funds within the retirement scheme are selected and how your organization ensures that ESG criteria are incorporated |
|-------|---|--|
| Row 1 | Yes, as an investment option | Employees are automatically registered in the BES (Pension System) at Halkbank. During registration, employees can make their own fund choices. Among the fund options offered, there is also the Sustainability |

| | |
|--|---|
| | Stock Fund. In this way, employees have the option to enroll in an employment-based retirement scheme that incorporates ESG criteria. |
|--|---|

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

| | From (years) | To (years) | Comment |
|------------|--------------|------------|---|
| Short-term | 0 | 3 | <p>Halkbank defines short term as time period up to 3 years time.</p> <p>Opportunities identified to have impacts on short term are;</p> <ul style="list-style-type: none"> +Arising demand for green and responsible products and services (for example renewable energy financing funds) +Most qualified and talented employees preferences on working for responsible corporations (companies who adopt responsible operating principles will have an advantage) +Responsible products and services being considered positively by foreign investors +Positive contributions to corporate reputation +Easy access to purpose-oriented financial instruments <p>Risks identified to have impacts on the short term are;</p> <ul style="list-style-type: none"> -Impacts of social and demographic changes on the sector (global migrations, changes in the needs of the aging population) -Data security issues arising from digitalization trends |

| | | | |
|-------------|----|-----|--|
| | | | <ul style="list-style-type: none"> -Variability in the costs of energy -Loss of market share due to products and services related to climate change not being present in the product inventory -Pressure on the risk portfolio of the loans and services of companies due to physical changes originating from climate change -Emission reporting obligations |
| Medium-term | 3 | 10 | <p>Halkbank defines medium term as the period between 3-10 years.</p> <p>Opportunities identified to have impacts on medium term are:</p> <ul style="list-style-type: none"> +Opportunity to integrate the increasing young population to the financial system +Corporate sustainability turning into a new area of competition by the BIST sustainability index independent to sector. +Effectiveness provided by the energy efficiency + Direct positive effects over the company bottom-line +Positive contributions of research and development works <p>Risks that are identified to have impacts over the medium term are:</p> <ul style="list-style-type: none"> -Impacts of climate change over the bank's products and services - The extinction of natural resources has 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 Bank's performance (both the direct effects over the Bank and the indirect effects of the burdens over the bank customers) -Operational risks caused by physical conditions -Emission reporting obligations |
| Long-term | 10 | 100 | <p>Periods longer than 10 years are considered as long term, in Halkbank business strategy.</p> <p>Opportunities determined for long term are,</p> <ul style="list-style-type: none"> +Contributions of sustainability management on corporate reputation +Effectiveness provided by the energy efficiency +Direct positive impacts of low-emission products and services over the company |

| | | |
|--|--|--|
| | | <ul style="list-style-type: none"> +Positive contributions of research and development works +Renewable energy regulations enabling opportunities to expand to new markets. +Cap and trade programs providing the commercial operations to diversify +Transitions in customer preferences due to changes in climate normal/extremes <p>Risks identified for long term are:</p> <ul style="list-style-type: none"> -Declines on technical knowledge levels having negative impacts over advanced financial services -Emission reporting obligations |
|--|--|--|

C2.1b

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

While achieving the targets and strategies of the Bank collectively and for each type of risk, there is a limit of risk we want to carry. The threshold level is determined to ensure that the Bank remains within the limits of its risk capacity. The trigger level refers to the level of early warning of the risk level. The purpose of the risk level framework is not to prevent taking risks, but to ensure that bank strategies and plans are applied in a consistent manner with the risk level determined by the Board of Directors and that the Bank has an appropriate risk profile. Risk and performance indicators are created by taking into account the scope of the risk in order to provide an analysis of risk factors that are considered to have an impact. While creating these indicators, it should be taken into consideration that operational losses/errors may affect risks. Therefore, the same metrics can be taken into account both in determining operational risk and in assessing reputation risks. Apart from this, metrics that do not indicate operational risk but point to reputation risk can be created. The numerical quantities in the indicators and the changes these sizes show over time are used in the process of determining and evaluating the risks. For example, reconciliation errors, staff turnover rate, number of system outages, transaction volumes and error numbers, audit scores, number/rate of non-audit activity areas. Risk indicators (for example, the number of system outages in a given period) are used to monitor possible factors related to key risks. Performance indicators (for example, customer satisfaction index, indicators such as a high degree of change in stock prices compared to banks of similar scale) provide meaningful information about the current state of business processes with operational weaknesses, errors and losses. Both risk and performance indicators act as a trigger mechanism at trigger levels where risk levels

approach or exceed threshold/limits and require immediate risk reduction. A rise event due to climate change exceeding TRY 55,000,000 to be experienced on an annual basis or in a single event can be considered to have a substantive financial impact for Halkbank.

C2.2

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

Value chain stage(s) covered

Direct operations
Upstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

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

organization that has been reported by the committees.

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. Research is performed and reported based on industry and sector. The risks are evaluated at least four times in a year, in the regular meetings of Sustainability Committee, and at least once by the Board, in the Management Review.

In order to mitigate, transfer and control the identified climate-related risks and to capitalize on opportunities, the Board of Directors delegate its powers to make loans within limits set forth in the provisions of the Banking Law, as well as other powers, to management organs and managers, as defined in the internal directive, and in accordance with the guidelines and procedures laid down by the Banking Regulation and Supervisory Board, and monitors developments pertaining to the powers that it has delegated, ensuring that they are supervised by the units assigned with the responsibility within the Bank's internal risk assessment processes.

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

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

Risk management processes include the following:

- Works regarding the risk level of the balance sheet are undertaken in the process of budget preparation.
- Forward-looking assumptions are made based on stress tests and scenario analyses evaluating the potential impact of unforeseen market conditions on the core areas of operation; the amount of capital that is required to be set aside for each type of risk is calculated; and the outcome of analyses is shared by the senior management.
- As part of the Corporate Risk Management process, area managers identify and assess potential risks in the Bank's operating areas and the necessary controls are established in order to prevent such risks.
- If such risks are determined to have an impact up to 55 M TRY on an annual basis or in a single event, the risk then classified as high impact.

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

Transitional Opportunity Example: As the transition to a lower-carbon economy progress, the customers of Bank are looking for opportunities for a smoother transition. Transitioning to a 1.5 Degrees world is fastening and sectors such as energy and manufacturing may face new regulations related to climate change. The opportunity and risk levels of this scenarios are evaluated in sustainability committee and the Board in line with the bank's risk management systems. The outcomes are shared with related business units and committees and further actions are established.

C2.2a

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

| | Relevance & inclusion | Please explain |
|---------------------|---------------------------|--|
| Current regulation | Relevant, always included | Even though the current regulations are directly affecting mostly the manufacturing and energy sectors, their impact on the bank is indirect. For example, in Turkey, the Ministry of Environment and Urbanization published regulations related to climate change such as "Substances that Deplete the Ozone Layer" & "Monitoring of Greenhouse Gas Emissions". Most of our customers who are active in carbon intense sectors are responsible to meet the requirements of these regulations. When non-compliance with the regulation is determined, penal sanctions are applied by the authorities. That can affect our customers' ability to repay, which would affect the bank. This is considered an operational risk and liquidity risk for the bank. Thus, the risk type is relevant to Halkbank and always included in the climate-related risk assessments. |
| Emerging regulation | Relevant, always included | Failing to comply with the emerging regulations related to climate change may cause fines, which may be considered an operational risk, and also liquidity risk. 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. The European Union has put forward the Green Deal, aiming to reduce greenhouse gas emissions by 55% by 2030 and to be net-zero by 2050. Türkiye has also passed the Paris Agreement in October 2021 and in line with the purpose of the Paris Agreement and EU Green Deal, Turkey has announced its goal of achieving net-zero emissions by 2053. The EU aims to completely change the fossil fuel-based economic model by spreading the Green Deal criteria to the countries that have business relations with |

| | | |
|------------|---------------------------|---|
| | | <p>Europe. The regulation will require companies to monitor and verify their greenhouse gas emissions. Due to these developments, an ETS is expected to form for carbon-intensive sectors in Türkiye. As Halkbank, we are aware of the risks and opportunities this situation holds. We are establishing systems to integrate possible carbon pricing in project evaluation reports of energy and carbon-intensive sectors projects we finance. We see this regulation, which directly affects Türkiye, and our customers, as an opportunity to transform the country's economy. Customers will also look for new opportunities to excel in their transition to a low-carbon economy and establish new management systems and they will be needing funding. This will provide Halkbank with new markets and opportunities related to climate change.</p> |
| Technology | Relevant, always included | <p>There is operational risk in terms of profitability and regulation-related sanctioning, when the devices and equipment installed are not energy efficient, causing high carbon emissions or not compliant with emission regulations. Due to the new technologies arising in accordance with climate-related emerging regulations, there will be a lot of customers that wish to integrate their business into a low-carbon version in line with 1.5 Degrees World. This will also lead low-carbon products to have a bigger section in the market, from climate-related digital entrepreneurs to great clean-energy producing. In this case, as a bank, we can provide lending to both producers and users of these low-carbon products. At the same time, there is also the risk of repayments failing which then would directly affect the bank. Thus it is important to follow up on the technological development related to climate change and this risk type is always relevant and included in our risk assessment process. In this scope, as Halkbank, we are working on software that will allow us to monitor the greenhouse gas emissions of our branches and possibly our customers in the coming years.</p> |
| Legal | Relevant, always included | <p>Both operational and credit risks are considered when legal issues related to climate change are addressed. Newly published regulations are followed on a daily basis by the compliance department and concerned business units are informed about relevant changes. 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 bank's intelligence departments and reported to the relevant divisions. This information is also taken into consideration in the creditability evaluation processes of the candidate customers of the bank as a negative effect on their creditability. Therefore, this risk type is always relevant and included in our risk assessment process. Possible taxation practices and emission regulations are also followed and necessary precautions are taken to maintain compliance.</p> |
| Market | Relevant, always included | <p>Changes in customer preferences and rival companies' new inventions related to climate change have to be followed closely in order to cope with market risks. Recent developments and trends relating to the environment, climate and sustainability issues are followed through the public sources by the bank's intelligence departments and relevant divisions</p> |

| | | |
|----------------|---------------------------|---|
| | | are informed about the risks and opportunities. Works are carried out in the areas of product development and implementing best practices for meeting the expectations of customers and marketing teams. With the emerging regulations, new markets will occur and market shares will change. New low-carbon products and greener options in terms of climate change are arising everyday. Customer companies of the bank are facing the risks related to the transition to a low-carbon economy in terms of new investments and new fields to compete. The risks they are facing indirectly affect the bank in terms of their repayments and new market risks. Thus, the market risks are always relevant and included in our risk assessment procedures and it is integrated into our project evaluation reports. |
| Reputation | Relevant, always included | Climate-related negative reputation may cause both credit and market risks for the Bank. A negative reputation may cause the bank difficulties to receive foreign funds, which will decrease the capability to lend. Also, a negative reputation for the Bank may lead to market share loss as customers are highly sensitive to reputation-based issues in financial sectors. Thus reputation risks are relevant and always included in the risk assessment process of Halkbank. The indicators that can affect the bank's reputation are integrated into project evaluation reports and they are taken into account as well. The Bank's reputation levels regarding climate, nature and sustainability issues are given importance as a requirement of the board's policy, and Halkbank aims to be involved in the sustainability indexes that are regulated both nationally and internationally. Periodical reputation studies and surveys are carried out by the corporate communication department. |
| Acute physical | Relevant, always included | It was announced that in 2020, 350 thousand people died due to climate disasters, and at least 17 million people had to leave their homes. The cost of the crisis was 145 billion in 2020. According to the Turkey 2021 Climate Assessment Report prepared by the General Directorate of Meteorology, the average temperature of Turkey in 2021 was 14.9°C, which was 1.4°C above the 1981-2010 average of 13.5°C. This made the year 2021 the 4th warmest year since 1998. According to the Evaluation Report, 1024 extraordinary weather events were recorded in 2021 in Turkey. This marks another year that has been recorded as the most extraordinary weather events occurred. The harm caused by these events is important for the Bank's risk assessment for its portfolio and direct operations. The customer companies are asked if they are integrated the acute physical risks related to climate change in their risk assessments via the project evaluation reports. Their responses are used as input to banks risk assessments and lending processes. The harm the companies face may cause the repayments to fail and this would directly affect the bank. Thus, the risk type is relevant and always included in the bank's risk assessments. |

| | | |
|------------------|---------------------------|---|
| Chronic physical | Relevant, always included | Long-term shifts in climate patterns like temperature rise, causing climate change itself, is very visible in today's world. According to the Turkey 2021 Climate Assessment Report prepared by the General Directorate of Meteorology, forest fires due to extreme temperatures that occurred in 2021 constitute 3% of the total in meteorological disaster distribution. Even though its proportion is seems little, the impact in the big picture is enormous. The outcomes will not only affect our bank lending and direct operations but every aspect of life and the world. As Halkbank, we are aware of our contribution to these impacts and we are working on providing more lending to greener and low-carbon projects instead of conventional business options in terms of climate. The related information is gathered within the project evaluation reports and decisions on lending and other actions are made afterward. Thus, the risk type is relevant and always considered in our risk assessment procedures. |
|------------------|---------------------------|---|

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 |
|----------------|------------------------------------|
| Banking (Bank) | Yes |

C-FS2.2c

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

| | Type of risk management process | Proportion of portfolio covered by risk management process | Type of assessment | Time horizon(s) covered | Tools and methods used | Provide the rationale for implementing this process to assess your portfolio's exposure to climate-related risks and opportunities |
|----------------|--|--|------------------------------|--|---|--|
| Banking (Bank) | Integrated into multi-disciplinary company-wide risk | 73 | Qualitative and quantitative | Short-term Medium-term Long-term | Scenario analysis Internal tools/methods | We assess our portfolio's exposure to climate-related risks and opportunities. Investments financed by Halkbank are evaluated with the project evaluation report. Assessment criteria, including environmental |

| | | | | | | |
|--|--------------------|--|--|--|----------------------|--|
| | management process | | | | External consultants | <p>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 a corporate social responsibility assessment, were updated at the beginning of 2016 to include developments in sustainability. Firms and projects requesting loans with the Credit Evaluation Report (CER) scoring methodology are within the scope of the "Sustainability Evaluation" in accordance with the article "To take care to evaluate the credit demands within the framework of the Bank's credit policies by considering environmental and social factors, as well as economic factors in Sustainability and Environmental Policies, is scored. Not only investments but also the activities of companies applying for loans are evaluated in terms of sustainability. Environmental factors and sustainability assessment are divided into 3 different groups as low, medium and high risk. The headings included in the Sustainability Assessment are as follows: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment. Sustainability Committee evaluates and implements</p> |
|--|--------------------|--|--|--|----------------------|--|

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|--|--|--|--|--|--|--|
| | | | | | | <p>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. All commercial loan requests and the loan requests over 35M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 35M TRY is also subject to the project evaluation report besides the loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 73% of our lending portfolio in 2021.</p> |
|--|--|--|--|--|--|--|

C-FS2.2d

(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?

| | We consider climate-related information |
|----------------|---|
| Banking (Bank) | Yes |

C-FS2.2e

(C-FS2.2e) Indicate the climate-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision-making.

Portfolio

Banking (Bank)

Type of climate-related information considered

Emissions data
Energy usage data

Process through which information is obtained

Directly from the client/investee
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process

Energy

State how this climate-related information influences your decision-making

For the loan requests to some specific fund programs, the emission, energy and emission reduction data are requested from the project owners. This is done via the loan and project evaluation reports. We can see customers' inputs to the environment and its results related to climate in these reports. In these reports in line with our risk assessment procedures, we request our customer companies to disclose their business' environmental impact assessments, which include their water use and consumption and deforestation contributions. Their carbon emissions and any other related emission reduction plans are requested. 8160 companies were evaluated with evaluation reports and 7085 of these companies were evaluated within the scope of sustainability and environment between 30.05.2021 and 30.05.2022. All the information gathered related to environmental and climate change subjects in this process affects the lending process. In case of customers do not meet the requirements of specific fund programs the Bank may end the lending processes. In line with our NZBA and SBTI commitments to have net-zero portfolio by 2050, we are improving and establishing new systems for better data collection and due diligence processes.

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?

Banking portfolio

Risk type & Primary climate-related risk driver

Market

Uncertainty in market signals

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

As the world is transitioning to a low-carbon economy, current and new customers of the bank are in need of more sustainable and greener banking services. Failing to provide the best available options to customers for transitioning to 1.5 degrees world, may lead to a loss in market share and revenue. In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. In terms of failing to provide those financings, we can face revenue loss risk.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

65,351,700

Potential financial impact figure – maximum (currency)

130,703,400

Explanation of financial impact figure

In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. Failing to provide the best available options to customers for transitioning to 1.5 degrees world, may lead to a loss in market share and revenue. Thus, the potential financial impact figure of the risk is taken as the possible revenue related to financings provided to renewable energy financing in 2021. The estimated revenue due to the interest rate for these financings has been assumed to be 10% and 20% minimum and maximum respectively. The potential impact figure has been calculated as: $(654 \text{ M TRY} * 0,1) = 65,351,700.00 \text{ TRY}$ and $(654 \text{ M TRY} * 0,2) = 130,703,400.00 \text{ TRY}$. These amounts are estimated to be the potential financial impact of such risks if new renewable energy financings in line with the transition to 1.5 degrees world would not have been provided to customers in 2021.

Cost of response to risk

1,000,000

Description of response and explanation of cost calculation

To increase its capacity to finance energy projects, Halkbank formed an evaluation team of 30 review engineers, including 20 energy managers. Halkbank is responding to loan requests timely by developing new services and products for renewable energy projects. These actions are led by the Sustainability Committee of Halkbank, which has a member of BoD as its chairman. Necessary trainings are provided to employees to meet the possible customer requirements about the regulations and renewable energy sector lendings. The trainings, advertisements of the services & products and new purchases in relation with these products and services financial cost was about 1.000.000 TRY in 2021. This figure is estimated with the assumptions of the expense of spendings above.

Comment

N/A

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?

Banking portfolio

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

With the rising renewable energy needs and requirements for transitioning to a low-carbon economy, new markets for energy are growing. Our customers from sectors affected by the transition to a low-carbon economy are also looking for new ways to improve themselves in order not to conflict with the constantly emerging regulations such as GreenDeal and also not contribute to climate change. Therefore, the importance of investments such as renewable energy systems, solar panels, and wind turbines is increasing. New investments in these areas are already taken place in the sector. As Halkbank, we follow closely the innovation and investment opportunities we can achieve in this increasing market. We provide our customer's options within the new market, such as lower lending rates and longer investment time horizons. Thus, our activities in new markets accelerate and we can increase our income accordingly. In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. The revenue that will be gathered through the years is a potential opportunity for us.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

65,351,700

Potential financial impact figure – maximum (currency)

130,703,400

Explanation of financial impact figure

Accessing new markets provides Halkbank to enlarge its credit portfolio and customer base. The targets of the new regulations in the field of renewable energy will increase the income of Halkbank together with the loans to be provided. The financial impact figure is calculated with the assumption of 10 & 20 percent of the profit from these financings as a minimum and maximum: the financial impact figures have been calculated as total financing to renewable projects in 2021 * minimum and maximum estimated profit percentages. Which makes 65,3 M and 130,7 M TRY respectively.

Cost to realize opportunity

1,000,000

Strategy to realize opportunity and explanation of cost calculation

To increase its capacity to finance energy projects, Halkbank formed an evaluation team of 30 review engineers, including 20 energy managers. Halkbank is responding to loan requests timely by developing new services and products for renewable energy projects. These actions are led by the Sustainability Committee of Halkbank, which has a member of BoD as its chairman. Necessary trainings are provided to employees to meet the possible customer requirements about the regulations and renewable energy sector lendings. The trainings, advertisements of the services & products and new purchases in relation with these products and services financial cost was about 1.000.000 TRY in 2021. This figure is estimated with the assumptions of the expense of spendings above.

Comment

N/A

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

Row 1

Transition plan

Yes, we have a transition plan which aligns with a 1.5°C world

Publicly available transition plan

No

Mechanism by which feedback is collected from shareholders on your transition plan

Our transition plan is voted on at Annual General Meetings (AGMs)

Attach any relevant documents which detail your transition plan (optional)

C3.2

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

| | Use of climate-related scenario analysis to inform strategy |
|-------|---|
| Row 1 | Yes, qualitative and quantitative |

C3.2a

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

| Climate-related scenario | Scenario analysis coverage | Temperature alignment of scenario | Parameters, assumptions, analytical choices |
|---|----------------------------|-----------------------------------|---|
| Transition scenarios NGFS scenarios Framework | Portfolio | | <p>As Halkbank we use climate scenarios to foresee the possible outcomes for our lending activities and our own operations in the future due to climate change. We focus and work with the Network for Greening the Financial System (NGFS) climate scenarios. NGFS is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role in climate change. Its purpose is to define, promote and contribute to the development of best practices to be implemented and to conduct or commission analytical work on green finance. NGFS scenarios provide insight into how changes in climate will affect future financial and economic risks and how they can be evaluated. They provide consistency and comparable results in scenario analysis of organizations around the world. NGFS considers climate scenarios as orderly, disorderly and hot house world dimensions. Disorderly scenarios assume that policies and actions to be taken are delayed and transitional risks would get higher. Hothouse scenarios assume that actions to be taken are late and the impact of climate change is irreversibly realized. Whereas orderly scenarios assume that climate-related policies are implemented quickly and become more stringent over time. In this scenario, both physical and transitional risks related to climate change are minimized. Under each of these dimensions, a total of 6 more detailed scenarios are provided by NGFS. As Halkbank we use the Net-Zero 2050 option under the orderly scenario. Net-Zero 2050 assumes that global warming is limited to 1.5 Degrees, strict climate policies are implemented, and reaching net-zero GHG in 2050 is possible. in NGFS scenarios, higher carbon prices mean a more strict policy. The scenario suggests that \$160 per tonne of carbon is necessary to incentivize the climate transition towards 2050 Net-Zero. The scenario suggests that energy investments must shift to greener options immediately and by 2050 green electricity should double other electricity investments. In line with this, we became one of the early signatories of NZBA in mid-2022 in Turkey and we are committed to reaching a net-zero portfolio by 2050.</p> |

C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

When planning with the NGFS Net-Zero 2050 scenario, we considered below focal questions:

How the global warming will be affecting our operations and our portfolio distribution?

What possible future developments need to be achieved to face little to no risk related to climate change?

What variables are needed to be included in decision-making?

Results of the climate-related scenario analysis with respect to the focal questions

How the global warming will be affecting our operations and our portfolio distribution? According to NGFS Net-Zero 2050 scenario, GDP losses will be around 10% for Turkey. Change in populations exposed to extreme weather events is expected to increase between 0.5 and 2 times. Decreasing energy use might be expected due to an increase in energy costs and carbon prices. These are currently leading our portfolio to shift to more energy-saving and low-carbon sectors.

What possible future developments need to be achieved to face little to no risk related to climate change? To provide our customers the best services in a transitioning to a 1.5 degrees world and reduce risks to be faced, Halkbank has started using climate scenarios and providing more climate-safe services. As of mid-2022, we have joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last.

What variables are needed to be included in decision-making? We are focusing on the sectoral breakdown of our portfolio in light of the NGFS scenario. In this way, we are able to foresee which customers will be having a higher climate-related risk depending on their sectors, geographies and climate-related regulations. This then provides the perspective to have a climate-related decision-making process.

C3.3

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

| | Have climate-related risks and opportunities influenced your strategy in this area? | Description of influence |
|---------------------------------|---|---|
| Products and services | Yes | <p>With worldwide increased awareness of climate change, issues related to that and its effects are being more visible. Following that, emerging policies and reputation risks due to climate change are changing customer needs and preferences for low-carbon products and services. These shifts in consumer preferences have influenced our approach to strategy to products and services.</p> <p>Climate-sensitive products such as loans and financial services incentivizing and supporting renewable energy are developed. The new financial services are offered to current and potential customers, which are exposed to climate-related risks. Climate-related risks of conventional investments and projects are commenced to be involved in the evaluation processes of loan requests. The margins of these products and services reached a certain and significant level, and are considered a profitable area. In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. Also in mid-2022, Halkbank joined Net Zero Banking Alliance & committed to SBTi to have a net-zero portfolio by 2050 at last. Therefore, we are adjusting our products and services specifically for low-carbon sectors.</p> |
| Supply chain and/or value chain | Yes | <p>Low energy-consuming vehicles and IT hardware and products are preferred in acquisitions for Bank's operations. In addition, the suppliers are encouraged to produce such low energy consuming and efficient products. Supplier and value chain engagement related to climate change is important for Halkbank. In terms of corporate purchases, data is gathered from suppliers and scored based on their environmental and climate impacts. This provides an option to see and choose suppliers with less impact on climate.</p> <p>In our annual executive meetings, we make sure that no extra carbon emissions occur. In order to achieve this, we cooperate with business owners and ask for low-carbon services and products. In addition, the total carbon emissions emitted in these meetings are offset in accordance with PAS 2060 standard since 2014.</p> |
| Investment in R&D | Yes | <p>The software İKLİM is developed by Halkbank R&D department in order to have an efficient monitoring system of energy and environmental management of the branches. This will help the Bank to monitor</p> |

| | | |
|------------|-----|--|
| | | <p>branches' situations in emission levels and environmental aspects. This project is still in progress. When the project is finalized in a few years, we also consider introducing this software to our suppliers and our customers, so that we can monitor emissions that affect us indirectly. This project will also support our target to have net-zero portfolio by 2050 as it improves data collecting systems and due diligence processes.</p> <p>Another climate-related R&D project that will allow customers to choose from is in progress. We will provide our customers with low-carbon alternatives to our products in the coming years.</p> |
| Operations | Yes | <p>As the financial risks posed by carbon taxes started to have a high share in risk analysis, initiatives to reduce carbon emissions started to increase. As a start to the reduction of scope 2 emissions in 2018, solar energy panels were installed in our headquarters in Ataşehir. In this way, 10,164.00 kWh electricity consumption was realized from renewable energy sources in 2021.</p> <p>In line with our targets to be achieved in coming years, efforts to reduce carbon emissions that we cause are increasing. We plan to reduce our scope 2 emissions by increasing the use of renewable energy in our headquarters and other branches. In line with our NZBA and SBTI commitments, we started to work on establishing Solar Power Panels in Konya and Bitlis to meet our operational energy needs. With this project, which will be completed in 2022, we will be meeting approximately 4% of our total energy needs for all our locations. Additionally, we are planning to increase the renewable energy rate in our total energy use in the coming years.</p> |

C3.4

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

| | Financial planning elements that have been influenced | Description of influence |
|-------|---|--|
| Row 1 | <p>Revenues</p> <p>Direct costs</p> <p>Capital expenditures</p> | <p>New service commitments, increased marketability and increased profitability due to lower-cost credit products. The high turnover rates due to long-term follow-ups by international organizations have also affected the income and profitability of these loans positively. Regarding the operational cost, there are positive impacts on operational costs due to low electric</p> |



| | |
|--|--|
| <p>Capital allocation Access to capital Assets</p> | <p>consumption, heating costs and costs related to fuel consumption of vehicles. Low emission materials are used in retrofitting branch offices. Low fuel-consuming vehicles are acquired, and energy management, virtual server and IT system investments are made.</p> <p>For access to capital, climate change is taken into account in company management and product development processes and there is effective sustainability management and performance reporting system, access to new financial instruments such as renewable energy funds and climate-sensitive investment funds are facilitated.</p> <p>Operating costs have been reduced with energy efficiency investments made in branches and operation buildings. Asset values have improved. Awareness-raising efforts were also made in the reporting year in respect of all energy management systems within the Bank, with the objective being to reduce the power consumption resulting from the increase in total operations, and to make improvements in Scope 2 emissions stemming from the consumption of electricity in the years to come by switching to sustainable carbon management. Our Bank plans to make use of new solar panels for its power supply. The solar panels on our office building, situated in Ataşehir, generated 10,164.00 kWh of electrical energy in 2021.</p> <p>With increasing renewable energy needs and the need to transition to a low-carbon economy, new markets for renewable energy are growing rapidly. Our customers from carbon-intense industries affected by the transition to a low-carbon economy are also looking for new ways to integrate their businesses with renewable energy so as not to conflict with ever-evolving regulations and contribute to climate change, like GreenDeal. For this reason, the importance of investments such as renewable energy systems, solar panels, and wind turbines is increasing. New investments in these areas have started to take place in the sector.</p> <p>As Halkbank, we closely follow innovation and investment opportunities in the market. We offer our clients new market options such as lower loan rates and longer investment times. Thus, our activities in new markets accelerate and we can increase our revenue accordingly. In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. Also in mid-2022, Halkbank joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last in line with SBTI's net-zero standard.</p> |
|--|--|

C3.5

(C3.5) In your organization's financial accounting, do you identify spending/revenue that is aligned with your organization's transition to a 1.5°C world?

Yes

C3.5a

(C3.5a) Quantify the percentage share of your spending/revenue that is aligned with your organization's transition to a 1.5°C world.

Financial Metric

Revenue

Percentage share of selected financial metric aligned with a 1.5°C world in the reporting year (%)

0.11

Percentage share of selected financial metric planned to align with a 1.5°C world in 2025 (%)

Percentage share of selected financial metric planned to align with a 1.5°C world in 2030 (%)

Describe the methodology used to identify spending/revenue that is aligned with a 1.5°C world

We have assumed the net revenue generated from lending to renewable energy as aligned with a 1.5°C world. According to our estimations, the revenue from renewable energy will increase in near term due to regulatory requirements and shifting consumer preferences to low-carbon options. The value has been calculated as the approximate profit from renewable energy lendings in 2021 to total net revenue.

C-FS3.6

(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?

Yes, our framework includes both policies with client/investee requirements and exclusion policies

C-FS3.6a

(C-FS3.6a) Provide details of the policies which include climate-related requirements that clients/investees need to meet.

Portfolio

Banking (Bank)

Type of policy

Credit/lending policy

Portfolio coverage of policy

73

Policy availability

Not publicly available

Attach documents relevant to your policy

 2021-Integrated-Report_Halkbank.pdf

Criteria required of clients/investees

Other, please specify

Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Clients/investees must be compliant within the next year

Industry sectors covered by the policy

Energy

Materials

Automobiles & Components

Exceptions to policy based on

Transaction size

Explain how criteria coverage and/or exceptions have been determined

The bank credit policy covers not only financial factors but also sustainability and environmental factors, which include climate-related issues. The sustainability criteria have been integrated into the credit policy in 2016, in line with our sustainability committee's establishment. The project evaluation reports and loan requests are examined in accordance with the credit policy. During the assessment, documentation related to sustainability and environmental responsibility are requested from customers. The topics included in the credit policy's Sustainability Assessment are: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment, and Evaluation of Sensitivity to Consumer Rights. With an update in 2021, all commercial loan requests, the loan requests over 35M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 35M TRY is also subject to the project evaluation report besides loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 73% of our lending portfolio in 2021.

C-FS3.6b

(C-FS3.6b) Provide details of your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Portfolio

Banking (Bank)

Type of exclusion policy

Other, please specify

Activities in Prohibited Areas

Year of exclusion implementation

2,016

Timeframe for complete phase-out

Already phased out

Application

New business/investment for new projects

New business/investment for existing projects

Existing business/investment for existing projects

Country/Region the exclusion policy applies to

Turkey

Description

The bank credit policy covers not only financial factors but also sustainability and environmental factors, which include climate-related issues. The sustainability criteria have been integrated into the credit policy in 2016, in line with our sustainability committee's establishment. The project evaluation reports and loan requests are examined in accordance with the credit policy. That also includes the exclusion of activities



such as commercial transactions related to wildlife and its products that are prohibited under the CITES convention and the release of genetically modified organisms into the wild.

C-FS3.8

(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?

| Climate-related covenants in financing agreements | |
|---|-----|
| Row 1 | Yes |

C-FS3.8a

(C-FS3.8a) Provide details of the covenants included in your organization’s financing agreements to reflect and enforce your climate-related policies.

| Types of covenants used | Asset class/product types | Please explain |
|---|------------------------------------|---|
| Purpose or use of proceeds clause refers to sustainable project Minimum level of green assets mandated Covenants related to compliance with your policies | Corporate loans Project finance | Agreements with customers for Renewable Energy Corporate loans and Project finance include covenants to make sure that the financing given will be used for the purpose it was stated and information about sustainability-related inputs and outputs of the projects. These may include the level of green assets mandated for the project time frame and expected production levels. Also, capacity information, feasibility reports and Environmental Assessment Reports are required for information collection prerequisite to lending activities. |

C4. Targets and performance

C4.1

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

Absolute target

Portfolio target

C4.1a

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

Target reference number

Abs 1

Year target was set

2021

Target coverage

Company-wide

Scope(s)

Scope 1

Scope 2

Scope 2 accounting method

Location-based

Scope 3 category(ies)

Base year

2019

Base year Scope 1 emissions covered by target (metric tons CO₂e)

13,579

Base year Scope 2 emissions covered by target (metric tons CO₂e)

31,147

Base year Scope 3 emissions covered by target (metric tons CO₂e)

Total base year emissions covered by target in all selected Scopes (metric tons CO₂e)

44,726

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

Target year

2032

Targeted reduction from base year (%)

55

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

20,126.7

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

15,796

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

31,406

Scope 3 emissions in reporting year covered by target (metric tons CO2e)

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

72,962

% of target achieved relative to base year [auto-calculated]

-114.7837540093

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

Target ambition

1.5°C aligned

Please explain target coverage and identify any exclusions

As Halkbank we are monitoring our GHG emissions since 2012. In 2020, we set a target to decrease our company-wide scope 1 and 2 emissions by 20% by 2040 from a base year of 2019. In 2021, we have taken action to establish a Climate Action Plan. In line with that and the

most recent climate science of Science-Based Targets V5 criteria that have been published in 2021, we have reviewed and set our new absolute emission target for scopes 1 & 2. We re-established our target as reducing 55% of company-wide scope 1 and 2 GHG emissions from the 2019 base year until 2032. This target is in-line with 1.5Degrees world as stated in Paris Agreement and SBTi Criteria, as it corresponds to 4.2% annual linear reduction. The GHG emission scopes don't exclude any emissions or locations. The target doesn't include biogenic emissions due to biogenic emissions are not relevant for Halkbank.

Plan for achieving target, and progress made to the end of the reporting year

As a start to the reduction of GHG emissions of scope 2 in 2018, solar energy panels were installed in our headquarters in Ataşehir. In this way, 10,164.00 kWh of electricity consumption was sourced from renewable energy in 2021. In line with our targets to be achieved in coming years, efforts to reduce carbon emissions that we cause are increasing. We plan to reduce our scope 2 emissions by increasing the use of renewable energy in our headquarters and other branches. In line with our NZBA and SBTi commitments, we started to work on establishing Solar Power Panels in Konya and Bitlis to meet our operational energy needs. With this project, which will be completed in 2022, we will be meeting approximately 4% of our total energy needs for all our locations. We also plan to increase the use of renewable electricity in our operations.

List the emissions reduction initiatives which contributed most to achieving this target

C-FS4.1d

(C-FS4.1d) Provide details of the climate-related targets for your portfolio.

Target reference number

Por1

Year target was set

2,021

Portfolio

Banking (Bank)

Product type/Asset class/Line of business

Project finance

Sectors covered by the target

Energy

Portfolio coverage of target

100

Target type

Green finance

Target type: Absolute or intensity

Intensity

Scopes included in temperature alignment

Metric (or target numerator if intensity)

Other, please specify

Renewable Energy Projects Financed

Target denominator

Other, please specify

Total Energy Projects Financed

Base year

2,021

Figure in base year

43

Percentage of portfolio emissions covered by the target

43

Interim target year

2,035

Figure in interim target year

50

Target year

2,050

Figure in target year

100

Figure in reporting year

43

% of target achieved relative to base year [auto-calculated]

0

Aggregation weighting used

Proportion of portfolio emissions calculated in the reporting year based on asset level data

Proportion of the temperature score calculated in the reporting year based on company targets

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science-based target initiative in the next two years

Target ambition

1.5°C aligned

Please explain target coverage and identify any exclusions

The target covers renewable energy project finance. The percentage of Renewable Energy in the Energy Portfolio is 43% in 2021. In 2022 Halkbank has joined the NZBA to have net-zero portfolio by 2050 at the latest and committed to SBTi to set targets to achieve net-zero emissions by 2050.

C4.2

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

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

Net-zero target(s)

Other climate-related target(s)

C4.2a

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

Target reference number

Low 1

Year target was set

2021

Target coverage

Company-wide

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Base year

2019

Consumption or production of selected energy carrier in base year (MWh)

11.6

% share of low-carbon or renewable energy in base year

0.02

Target year

2032

% share of low-carbon or renewable energy in target year

100

% share of low-carbon or renewable energy in reporting year

0.02

% of target achieved relative to base year [auto-calculated]

0

Target status in reporting year

Underway

Is this target part of an emissions target?

ABS 1

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain target coverage and identify any exclusions

As Halkbank we are monitoring our GHG emissions since 2012. In 2020, we set a target to decrease our company-wide scope 1 and 2 emissions by 20% by 2040 from a base year of 2019. In 2021, we have taken action to establish a Climate Action Plan. In line with that and the most recent climate science of Science-Based Targets V5 criteria that have been published in 2021, we have reviewed and set our new absolute emission target for scopes 1 & 2. We re-established our target as reducing 55% of company-wide scope 1 and 2 GHG emissions from the 2019 base year until 2032. To support this ABS 1 target given above, we also set a target to consume 100% renewable electricity in our operations.

Plan for achieving target, and progress made to the end of the reporting year

As a start to the reduction of GHG emissions of scope 2 in 2018, solar energy panels were installed in our headquarters in Ataşehir. In this way, 10,164.00 kWh of electricity consumption was sourced from renewable energy in 2021. In line with our targets to be achieved in coming years, efforts to reduce carbon emissions that we cause are increasing. We plan to reduce our scope 2 emissions by increasing the use of renewable energy in our headquarters and other branches. In line with our NZBA and SBTI commitments, we started to work on establishing Solar Power Panels in Konya and Bitlis to meet our operational energy needs. With this project, which will be completed in 2022, we will be meeting approximately 4% of our total energy needs for all our locations.

List the actions which contributed most to achieving this target

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2021

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Engagement with customers

Percentage of customers (by emissions) disclosing their GHG emissions

Target denominator (intensity targets only)

Base year

2021

Figure or percentage in base year

1

Target year

2050

Figure or percentage in target year

100

Figure or percentage in reporting year

1

% of target achieved relative to base year [auto-calculated]

0

Target status in reporting year

New

Is this target part of an emissions target?

NZ1

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain target coverage and identify any exclusions

This target covers our commercial and corporate portfolio of carbon-intensive sectors mainly. Personal loans and SME lending are not included in this target scope. This target is part of our 2050 Net-Zero emission target.

Plan for achieving target, and progress made to the end of the reporting year

To achieve our goals of a Net-Zero Portfolio in 2050, we aim to increase customer engagement activities. We are planning to establish new systems and mechanisms to increase high-quality data collection improve due diligence processes.

List the actions which contributed most to achieving this target

C4.2c

(C4.2c) Provide details of your net-zero target(s).

Target reference number

NZ1

Target coverage

Banking (Bank)

Absolute/intensity emission target(s) linked to this net-zero target

Abs1

Por1

Target year for achieving net zero

2050

Is this a science-based target?

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next 2 years

Please explain target coverage and identify any exclusions

Halkbank aims to achieve a net-zero portfolio by at least 2050 with the near-term emission targets it will set in the light of climate science with science-based targets in the coming years. The bank has also joined the Net-Zero Banking Alliance and committed to SBTi in early 2022. Personal loans and SME lending are not included in the target scope.

Do you intend to neutralize any unabated emissions with permanent carbon removals at the target year?

No

Planned milestones and/or near-term investments for neutralization at target year

Planned actions to mitigate emissions beyond your value chain (optional)

N/A

C4.3

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

Yes

C4.3a

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

| | Number of initiatives | Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *) |
|---------------------------|-----------------------|--|
| Under investigation | 0 | 0 |
| To be implemented* | 0 | 0 |
| Implementation commenced* | 0 | 0 |
| Implemented* | 1 | 526 |
| Not to be implemented | 0 | 0 |

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

526

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

897,070

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

4,495,151

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

N/A

C4.3c

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

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

C-FS4.5

(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?

Yes

C-FS4.5a

(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to classify the products(s).

Product type/Asset class/Line of business

Banking
Project finance

Taxonomy or methodology used to classify product

Low-carbon Investment (LCI) Taxonomy

Description of product

Halkbank sees the financing of renewable energy projects as an important opportunity for Turkey to reduce its greenhouse gas emissions. Products are developed to support efforts to reduce carbon emissions through renewable energy and energy efficiency projects in order to direct investments to more sustainable technologies and businesses. Halkbank continued to provide free technical consultancy services to investors, as well as providing financial support to projects for energy generation from renewable sources. In 2021, 654 million TL was provided for 25 renewable power plant projects with a total installed capacity of 301.49 MW. Thanks to these power plants, which were evaluated by Halkbank, approximately 295,754 tons of CO₂e emissions were avoided. The Portfolio value is estimated to be 13,8 B TRY for energy saving and renewable financings portfolio. This makes 2.6% of total portfolio value.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

13,814,972,739

% of total portfolio value

2.6

Type of activity financed/insured or provided

Renewable energy

C5. Emissions methodology

C5.1

(C5.1) Is this your first year of reporting emissions data to CDP?

No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?

No

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

| | Change(s) in methodology, boundary, and/or reporting year definition? |
|-------|---|
| Row 1 | No |

C5.2

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

Scope 1

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO₂e)

13,579

Comment

Scope 2 (location-based)

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO₂e)

31,147

Comment

Scope 2 (market-based)

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO2e)

31,147

Comment

Scope 3 category 1: Purchased goods and services

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO2e)

1,884

Comment

Scope 3 category 2: Capital goods

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

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

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO₂e)

16,228

Comment

Scope 3 category 4: Upstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 5: Waste generated in operations

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO2e)

542

Comment

Scope 3 category 6: Business travel

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 7: Employee commuting

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO2e)

784

Comment

Scope 3 category 8: Upstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 9: Downstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 10: Processing of sold products

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 11: Use of sold products

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 12: End of life treatment of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 13: Downstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 14: Franchises

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 15: Investments

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (upstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (downstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

ISO 14064-1

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

The Greenhouse Gas Protocol: Scope 2 Guidance

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)

15,796

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 are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

31,406

Scope 2, market-based (if applicable)

31,406

Comment

Location-based scope 2 emissions have been calculated with 2021 grid electricity emission factors for Turkey. The market-based scope 2 emissions have been estimated with 2021 grid electricity emission factors for Turkey. There are no other emission sources to be included in scope 2.

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

Emissions in reporting year (metric tons CO2e)

2,680

Emissions calculation methodology

Average data method

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

100

Please explain

Paper purchased, accommodation and water supply and treatment are included in this category. Data is provided by our suppliers. Consumption figures for each activity are multiplied by DEFRA 2021 emission factors. IPCC 5th AR GWP values are used for GHG emission calculations.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

After the materiality analyses conducted, capital goods are not significant for Halkbank's total GHG emissions. Therefore this category is not relevant.

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

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO₂e)

17,084

Emissions calculation methodology

Average data method

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

100

Please explain

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. IPCC 5th AR GWP values are used for GHG emission calculations.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

After the materiality analyses were conducted, upstream transportation and distribution are not significant for Halkbank's total GHG emissions. Therefore this category is not relevant.

Waste generated in operations

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

359

Emissions calculation methodology

Average data method

Waste-type-specific method

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

0

Please explain

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. IPCC 5th AR GWP values are used for GHG emission calculations.

Business travel

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1,099

Emissions calculation methodology

Supplier-specific method

Average data method

Distance-based method

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

100

Please explain

Transportation data of full-time personnel (bus, taxi, public transportation, ship, train, private vehicle, plane) are reported under this category. Km.passeenger data for each transport mode is gathered and DEFRA emission factors are used for each different transportation mode. Flight data were provided by the travel agency. IPCC 5th AR GWP values are used for GHG emission calculations.

Employee commuting

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

3,764

Emissions calculation methodology

Fuel-based method

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

100

Please explain

The average route length for all staff vehicles operationally controlled by Halkbank (arrival / return) is calculated by dividing the sum of all route distances recorded in the offroad system services by the number of routes. The total annual distance is converted into fuel consumption according to the average unit fuel consumption of relevant vehicle types. DEFRA emission factors are used for the emission calculations. The average route length for each route is provided by the suppliers. Emissions due to employees working from home are also included in this category. IPCC 5th AR GWP values are used for GHG emission calculations.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Halkbank does not own leased assets or lease any assets. Therefore, upstream leased assets are not relevant.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO₂e)

775

Emissions calculation methodology

Average data method

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

50

Please explain

Downstream transportation and distribution emissions are calculated with monthly numbers gathered from regional coordinators and branches. Postage expenses are followed by the invoices taken from the postage company. "The Environmental Impact of Mail: A Baseline,

Pitney Bowes Inc., 2008, pg 12" and "ASOS GREENHOUSE GAS REPORT 2016/17, CarbonSmart" reports are used for the unit GHG emission per postage. IPCC 5th AR GWP values are used for GHG emission calculations.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Halkbank does not produce any products to be processed later. Therefore, processing of sold products are not relevant.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Halkbank does not produce any products that have significant direct emissions in-use phase. Therefore, use of sold products are not relevant.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Halkbank does not produce any products that have significant emissions end of life phase. Therefore, end-of-life treatment of sold products are not relevant.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Halkbank does not own leased assets or lease any assets. Therefore, downstream leased assets are not relevant.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Halkbank does not own franchises. Therefore, franchises are not relevant in our GHG Inventory.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

There is no other relevant upstream GHG emissions.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

There is no other relevant downstream GHG emissions.

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

0.0000545

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

47,202

Metric denominator

unit total revenue

Metric denominator: Unit total

86,606,887,000

Scope 2 figure used

Location-based

% change from previous year

35

Direction of change

Decreased

Reason for change

The decrease is related to both decreases in GHG emissions due to emissions reduction initiatives and an increase in revenue. The main reason for the 35% decrease in the intensity figure is due to the increase of revenue.

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 | 0.22 | Decreased | 0.0005 | There has been a slight increase in renewable energy consumption in 2021 due to the renewable electricity production in Ataşehir Headquarter Buildings. The percentage has been calculated as: Scope 1&2 in 2020: 44,749 tCO2e Scope 1&2 in 2021: 47,202 tCO2e Change in renewable energy :-0.22 tCO2e percentage: $(-0.22 / 44,749) * 100 = \%0.0005$ |
| Other emissions reduction activities | 526 | Decreased | 1.18 | The emission reduction in scope 1&2 is 526 tCO2e due to emission reduction initiatives. The percentage has been calculated as: Scope 1&2 in 2020: 44,749 tCO2e Scope 1&2 in 2021: 47,202 tCO2e Emissions reduction activities:526 tCO2e percentage: $(-526/44,749) * 100 = \% -1.18$ |
| Divestment | | | | |
| Acquisitions | | | | |
| Mergers | | | | |

| | | | | |
|---|----------|-----------|------|--|
| Change in output | 2,978.95 | Increased | 6.66 | Total of Scope 1 & 2 emissions has increased due to Covid 19. The normalization after the pandemic has caused scope 1 & 2 GHG emissions increase in line with the increased use of electricity and fuels compared to the previous year. The percentage has been calculated as: Scope 1&2 in 2020: 44,749 tCO2e Scope 1&2 in 2021: 47,202 tCO2e Change in output: 2,978.95 tCO2e percentage: $(2,978.95/44,749)*100=\%6.66$ |
| Change in methodology | | | | |
| Change in boundary | | | | |
| Change in physical operating conditions | | | | |
| Unidentified | | | | |
| Other | | | 0 | |

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 | Yes |
| Consumption of purchased or acquired steam | No |
| Consumption of purchased or acquired cooling | No |
| Generation of electricity, heat, steam, or cooling | Yes |

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 | 59,649 | 59,649 |

| | | | | |
|---|--|----|---------|---------|
| Consumption of purchased or acquired electricity | | 0 | 67,395 | 67,395 |
| Consumption of purchased or acquired heat | | 60 | 0 | 60 |
| Consumption of self-generated non-fuel renewable energy | | 10 | | 10 |
| Total energy consumption | | 70 | 127,045 | 127,115 |

C8.2g

(C8.2g) Provide a breakdown of your non-fuel energy consumption by country.

Country/area

Turkey

Consumption of electricity (MWh)

67,405

Consumption of heat, steam, and cooling (MWh)

60

Total non-fuel energy consumption (MWh) [Auto-calculated]

67,465

C9. Additional metrics

C9.1

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

Description

Waste

Metric value

1,444,333

Metric numerator

kg

Metric denominator (intensity metric only)

N/A

% change from previous year

28

Direction of change

Decreased

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

127,115

Metric numerator

MWh

Metric denominator (intensity metric only)

N/A

% change from previous year

11

Direction of change

Increased

Please explain

This metric covers all of the energy consumption(fuels and electricity) of Halkbank. The fuel consumption for heating is slightly increased. The increase in electricity use and diesel consumption due to post-pandemic activities increased the total figure. This metric represents the figure in Question C8.2a

C10. Verification

C10.1

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

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

Scope 3

Third-party verification or assurance process in place

C10.1a

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

Verification or assurance cycle in place

Annual process

Status in the current reporting year


Complete

Type of verification or assurance

Limited assurance

Attach the statement

 2021-Integrated-Report_Halkbank.pdf

 Halkbank CDP CC Assurance Report_2207.pdf

Page/ section reference

Integrated Report page 465: Emissions values (Scope 1, Scope 2 Location-based & Scope 3)

Integrated Report page 479:- Verification details

Integrated Report page 481: Limited Assurance Conclusion

Assurance Report Page 1: Opinion

Assurance Report Page 3: Limited Assurance Conclusion

Assurance Report Page 4:Scope of Reporting

Assurance Report Page 7: Emissions values (Scope 1, Scope 2 Location-based & Scope 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

 2021-Integrated-Report_Halkbank.pdf

 Halkbank CDP CC Assurance Report_2207.pdf

Page/ section reference

Integrated Report page 465: Emissions values (Scope 1, Scope 2 Location-based & Scope 3)

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Assurance Report Page 4:Scope of Reporting

Assurance Report Page 7: Emissions values (Scope 1, Scope 2 Location-based & Scope 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

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

Scope 3: Waste generated in operations

Scope 3: Business travel

Scope 3: Employee commuting

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

 2021-Integrated-Report_Halkbank.pdf

 Halkbank CDP CC Assurance Report_2207.pdf

Page/section reference

Integrated Report page 465: Emissions values (Scope 1, Scope 2 Location-based & Scope 3)

Integrated Report page 479:- Verification details

Integrated Report page 481: Limited Assurance Conclusion

Assurance Report Page 1: Opinion

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Assurance Report Page 4:Scope of Reporting

Assurance Report Page 7: Emissions values (Scope 1, Scope 2 Location-based & Scope 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?

 2021-Integrated-Report_Halkbank.pdf

| Disclosure module verification relates to | Data verified | Verification standard | Please explain |
|---|--------------------|-----------------------|--|
| C8. Energy | Energy consumption | ISAE3000 | Energy consumptions of 2021 has been verified in line with ISAE3000. The verified data can be found in the 2021 Integrated Report on page 465. |

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

Landfill gas

Project identification

At the annual managers' meeting, which is organized every year by Halkbank, 812 tonnes of CO₂e emission was generated in 2021.

The 812 tons of CO₂e emissions caused by the event were offset and made carbon neutral in accordance with the PAS 2060 standard. For offsetting, the carbon credit obtained from the Gold Certified waste-to-energy facilities at both the Odayeri and Komurcuoda landfill sites was used.

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

The reports can be reached at: <https://www.halkbank.com.tr/tr/bankamiz/surdurulebilirlik/surdurulebilirlik/raporlar-ve-etkinlikler.html>

The project involves the development and construction of two waste-to-energy facilities at both the Odayeri and Komurcuoda landfill sites. The project objective is to build, operate, and maintain two landfill waste-to-energy systems consisting of landfill gas (LFG) collection systems, flaring stations, and gas engines coupled with generators to produce electricity. The gas engines will combust the LFG to produce electricity, and any excess LFG will be flared.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO₂e)

812

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

812

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

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

Yes

C11.3a

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

Objective for implementing an internal carbon price

- Change internal behavior
- Drive energy efficiency
- Drive low-carbon investment

GHG Scope

- Scope 1
- Scope 2

Application

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

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

50

Variance of price(s) used

The values are predicted to vary between 50-200 TRY for Halkbank, in line with the estimated emission values and investments costs.

Type of internal carbon price

- Shadow price
- Offsets
- Other, please specify
Service Contract

Impact & implication

Currently there isn't a carbon or emission tax implementation in Turkish taxation system. Thereby, emission levels are not a substantial burden for project cash flow. But in case of financing international projects, local regulations and legislations of the relevant countries related to carbon and emission taxation are taken into account. In such situations, current emission-per-tonnes market price is considered. As there isn't a carbon tax or emission tax, carbon prices are not used in the financial accounts. But in our carbon-neutralized events, average carbon prices valid in projects in Turkey are used, which is about 50-200 TRY per tonne of CO₂e.

C12. Engagement

C12.1

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

Yes, our suppliers

Yes, our customers/clients

Yes, other partners in the value chain

C12.1a

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

Type of engagement

Innovation & collaboration (changing markets)

Details of engagement

Run a campaign to encourage innovation to reduce climate impacts on products and services

% of suppliers by number

40

% total procurement spend (direct and indirect)

80

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

0

Rationale for the coverage of your engagement

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

The main objective of this training are to provide sources for our suppliers about the environmental, social and economic sides of the sustainability concept and lead them in the field. By achieving this, outcomes can help Halkbank in two ways; firstly, by helping to create a better-managed sustainability in behalf of humanity in terms of climate change, secondly, Indirectly reducing Halkbank's environmental effects to climate change. We aim to continue our activities within the scope of sustainability, environment and energy policies in a way that includes our suppliers.

Impact of engagement, including measures of success

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

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

Comment

C-FS12.1b

(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.

Type of clients

Customers/clients of Banks

Type of engagement

Information collection (understanding client behavior)

Details of engagement

Engage with clients on measuring exposure to climate-related risk

% client-related Scope 3 emissions as reported in C-FS14.1a

0

Portfolio coverage (total or outstanding)

73

Rationale for the coverage of your engagement

Engagement targeted at clients with increased climate-related risks

Impact of engagement, including measures of success

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 a corporate social responsibility assessment, were updated at the beginning of 2016 to include developments in sustainability. Firms and projects requesting loans with the Credit Evaluation Report (CER) scoring methodology are within the scope of the "Sustainability Evaluation" in accordance with the article "To take care to evaluate the credit demands within the framework of the Bank's credit policies by considering environmental and social factors, as well as economic factors in Sustainability and Environmental Policies, is scored. Not only investments but also the activities of companies applying for loans are evaluated in terms of sustainability. Environmental factors and sustainability assessment are divided into 3 different groups as low,

medium and high risk. The headings included in the Sustainability Assessment are as follows: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment. Sustainability Committee evaluates and implements suggestions for improvement and functioning of the mechanism in the environmental and social assessments in lending processes. The information collection process takes place before the financing activities. Halkbank negatively evaluates projects in sectors that are accepted and banned in a very high-risk group in the international literature. All commercial loan requests, the loan requests over 35M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 35M TRY is also subject to the project evaluation report besides the loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 73% of our lending portfolio in 2021. This ratio was 26% in 2020. The measure of success is increasing the engagement ratio.

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 2021. Thus, the other partners in the value chain constitutes of employees. 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) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

Direct or indirect engagement that could influence policy, law, or regulation that may impact the climate

Yes, we engage directly with policy makers

Yes, we engage indirectly through trade associations

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?

Yes

Attach commitment or position statement(s)

 2021-Integrated-Report_Halkbank.pdf

Describe the process(es) your organization has in place to ensure that your engagement activities are consistent with your overall climate change strategy

Since 2013, Halkbank has been conscious of the goals and priorities of our country and economy in the context of sustainability and has always been creating value in effective cooperation with all its stakeholders. The key stakeholder groups that will provide input to the report have been prepared with the opinions adopted in the Sustainability Committee, the Coordination Group and other working group meetings, and the recommendations of the consultants. Halkbank's Sustainability Priorities were first discussed at the workshop held in the previous year with the participation of officials from the departments that were in one-on-one contact with key stakeholder groups under the leadership of the Coordination Group. Subsequently, a survey was conducted with the members of the Sustainability Committee, which represents the Bank's senior management perspective. In the reporting year, the priorities of the initiatives that guide the business world and finance sector were examined. Material issues were reviewed in line with global trends, industry reports, reports of global banks and recommendations of other international professional organizations, United Nations Sustainable Development Goals (UN SDG), and United Nations Responsible Investment Principles.

C12.3a

(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?

Focus of policy, law, or regulation that may impact the climate

Emissions trading schemes

Specify the policy, law, or regulation on which your organization is engaging with policy makers

Sustainability Guide for the Banking Sector

Policy, law, or regulation geographic coverage

National

Country/region the policy, law, or regulation applies to

Turkey

Your organization's position on the policy, law, or regulation

Support with no exceptions

Description of engagement with policy makers

As Halkbank, we are member of the board of directors of the Banks Association of Turkey. We are actively participating in the Role of the Financial Sector in the Sustainable Growth Working Group of the association. This working group was established in order to contribute to the studies to be carried out on the creation of a general approach regarding the protection of the environment in lending and other services of banks and on the issue of handling the issue as a social project. The group has worked on raising general stakeholder awareness and disseminating the use of best practices, especially for the transition to a low carbon economy. The Banks Association of Turkey also provides distance education training for banks on environmental and social risk assessment.

As an active member of this group, Halkbank took part in the preparation and revision of the "Sustainability Guide for the Banking Sector" republished by the Banks Association in March 2021.

This guide defines 10 key principles for the banking and financial sector sustainability approach. Prepared by BAT Sustainability Working Group in collaboration with the Participation Banks Association of Turkey, the guide aims to enable the banks to more systematically manage environmental and social predictability, transparency and accountability approaches in the activities of the banks. The updated guide identifies 10 essential principles for sustainability approach in banking and finance sector such as, Evaluation and Management of Environmental and Social Risks Arising

from Banking Activities, Contribution to Sustainable Development Targets, Struggle against and Adaptation to Climate Change, Financial Health

and Comprehensiveness, Human Rights and Workers' Rights, Comprehensiveness and Equality in Opportunity, Shareholder Participation and Communication, Corporate Management, Corporate Capacity Building, Monitoring and Reporting. Halkbank provided reviews and comments.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation

Have you evaluated whether your organization's engagement is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

C12.3b

(C12.3b) Provide details of the trade associations your organization engages with which are likely to take a position on any policy, law or regulation that may impact the climate.

Trade association

Other, please specify

The Banks Association of Turkey (TBB)

Is your organization's position on climate change consistent with theirs?

Consistent

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

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, to strengthen 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 to lead the 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 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 the environment in the crediting and other services of the banks, and to provide efforts handling the topic as a social Project. As Halkbank, we are member of board of directors of the Banks Association of Turkey. We are actively participating in the Role of the Financial Sector in the Sustainable Growth Working Group of the association.

This working group was established in order to contribute to the studies to be carried out on the creation of a general approach regarding the protection of the environment in lending and other services of banks and on the issue of handling the issue as a social project. The group has works on raising general stakeholder awareness and disseminating the use of best practices, especially for the transition to a low carbon economy. The Banks Association of Turkey also provides distance education training for banks on environmental and social risk assessment. As an active member of this group, Halkbank took part in the preparation and revision of the "Sustainability Guide for the Banking Sector" republished by the Banks Association in March 2021.

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

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

Describe the aim of your organization’s funding

Have you evaluated whether your organization’s engagement with this trade association is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

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

 2021-Integrated-Report_Halkbank.pdf

Page/Section reference

Governance: pg 28-32

Strategy: pg 46-54

Risks & opportunities: pg 147-150

Emissions figures: pg 465

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Comment

C-FS12.5

(C-FS12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.

| | Environmental collaborative framework, initiative and/or commitment | Describe your organization's role within each framework, initiative and/or commitment |
|-------|--|--|
| Row 1 | Net Zero Banking Alliance Science-Based Targets Initiative for Financial Institutions (SBTi-FI) | In 2021, Halkbank has committed to Science Based Targets Initiative to set near term targets and 2050 net-zero target. With this, Halkbank has been the first bank from Turkey to commit to SBTi's Net-Zero Standard. In line with that, We have become a signatory to UNEP-FI Net-Zero Banking Alliance and committed to have net-zero portfolio emissions by 2050 at the latest consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. |

C14. Portfolio Impact

C-FS14.0

(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.

Lending to all carbon-related assets

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

30,563,381,993

New loans advanced in reporting year (unit currency – as specified in C0.4)

8,711,343,512

Percentage of portfolio value comprised of carbon-related assets in reporting year

5.66

Lending to coal

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

520,473,782

New loans advanced in reporting year (unit currency – as specified in C0.4)

136,333,049

Percentage of portfolio value comprised of carbon-related assets in reporting year

0.1

Lending to oil and gas

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

5,001,892,130

New loans advanced in reporting year (unit currency – as specified in C0.4)

276,132,267

Percentage of portfolio value comprised of carbon-related assets in reporting year

0.93

C-FS14.1

(C-FS14.1) Does your organization measure its portfolio impact on the climate?

| | We conduct analysis on our portfolio's impact on the climate | Disclosure metric |
|----------------|--|--|
| Banking (Bank) | Yes | Other carbon footprinting and/or exposure metrics (as defined by TCFD) |

C-FS14.1b

(C-FS14.1b) Provide details of the other carbon footprinting and/or exposure metrics used to track the impact of your portfolio on the climate.

Portfolio

Banking (Bank)

Portfolio metric

Avoided emissions financed (tCO₂e)

Metric value in the reporting year

295,754

Portfolio coverage

11.98

Percentage calculated using data obtained from clients/investees

100

Calculation methodology

We are aware of the portfolio emissions for financial institutions. We have committed to set GHG emission reduction targets and achieve net zero emissions across our operations and portfolio by 2050 at the latest, in line with SBT and NZBA criteria. As the data quality varies greatly for

the portfolio emission calculations, we have calculated our avoided emissions due to renewable energy projects financed as a start of evaluating our portfolio. We are establishing systems to help with portfolio emission calculations which will be used to achieve our net-zero targets. As of 31.12.2021, the share of renewable energy and energy efficiency investment risk in Halkbank's cash investment loans is 11.98%. The value is calculated with the capacity data of the project is gathered from clients prior to lending. Then the avoided emissions are calculated with related emissions factors.

C-FS14.2

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

| | Portfolio breakdown |
|-------|---|
| Row 1 | Yes, by asset class Yes, by industry Yes, by country/region |

C-FS14.2a

(C-FS14.2a) Break down your organization's portfolio impact by asset class.

| Asset class | Portfolio metric | Portfolio emissions or alternative metric |
|---|------------------------------------|---|
| Banking | Avoided emissions financed (tCO2e) | 295,754 |
| Other, please specify Renewable Energy Project Finance | | |

C-FS14.2b

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

| Portfolio | Industry | Portfolio metric | Portfolio emissions or alternative metric |
|----------------|----------|------------------------------------|---|
| Banking (Bank) | Energy | Avoided emissions financed (tCO2e) | 295,754 |

C-FS14.2c

(C-FS14.2c) Break down your organization's portfolio impact by country/region.

| Portfolio | Country/region | Portfolio metric | Portfolio emissions or alternative metric |
|----------------|----------------|------------------------------------|---|
| Banking (Bank) | Turkey | Avoided emissions financed (tCO2e) | 295,754 |

C-FS14.3

(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?

| | Actions taken to align our portfolio with a 1.5°C world |
|----------------|---|
| Banking (Bank) | Yes |

C-FS14.3a

(C-FS14.3a) Does your organization assess if your clients/investees' business strategies are aligned with a 1.5°C world?

| | Assessment of alignment of clients/investees' strategies with a 1.5°C world |
|----------------|---|
| Banking (Bank) | Yes, for all |

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

| Board-level oversight and/or executive management-level | Description of oversight and objectives relating to biodiversity | Scope of board-level oversight |
|---|--|--------------------------------|
|---|--|--------------------------------|

| | responsibility for biodiversity-related issues | | |
|-------|---|---|---|
| Row 1 | Yes, both board-level oversight and executive management-level responsibility | The Sustainability Committee convened 5 times in 2021, one of which was the Integrated Management System Management Review Meeting. This year, Halkbank focused on the following topics in order to manage risks and opportunities related to climate change, emission reduction studies and the development of environmentally sensitive projects such as: Increasing the products, services and activities that contribute to the fight against climate change, Increasing support for the transition to a low carbon economy, Supporting renewable energy investments that reduce foreign dependency on energy, Saving 3,842 trees with digitalization and paperless office projects, Ensuring transparent communication of efforts to combat climate change with stakeholders. | Risks and opportunities to our bank lending activities The impact of our bank lending activities on biodiversity |

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

| | Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity | Biodiversity-related public commitments | Initiatives endorsed |
|-------|---|--|----------------------|
| Row 1 | Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity | Commitment to no trade of CITES listed species | SDG |

C15.3

(C15.3) Does your organization assess the impact of its value chain on biodiversity?

| | Does your organization assess the impact of its value chain on biodiversity? | Portfolio |
|-------|--|-------------------------------|
| Row 1 | Yes, we assess impacts on biodiversity in our downstream value chain only | Bank lending portfolio (Bank) |

C15.4

(C15.4) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

| | Have you taken any actions in the reporting period to progress your biodiversity-related commitments? | Type of action taken to progress biodiversity-related commitments |
|-------|---|--|
| Row 1 | Yes, we are taking actions to progress our biodiversity-related commitments | Land/water management Species management Livelihood, economic & other incentives |

C15.5

(C15.5) Does your organization use biodiversity indicators to monitor performance across its activities?

| | Does your organization use indicators to monitor biodiversity performance? | Indicators used to monitor biodiversity performance |
|-------|--|---|
| Row 1 | No, we do not use indicators, but plan to within the next two years | State and benefit indicators |

C15.6

(C15.6) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

| Report type | Content elements | Attach the document and indicate where in the document the relevant biodiversity information is located |
|-----------------|------------------|---|
| No publications | | |

C16. Signoff

C-FI

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

You may find additional information regarding our sustainability approach on our web site at <https://www.halkbank.com.tr/en/investor-relations/corporate-governance/sustainability.html>

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.

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

FW-FS Forests and Water Security (FS only)

FW-FS1.1

(FW-FS1.1) Is there board-level oversight of forests- and/or water-related issues within your organization?

| | Board-level oversight of this issue area |
|---------|--|
| Forests | Yes |
| Water | Yes |

FW-FS1.1a

(FW-FS1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for forests- and/or water-related issues.

| Issue area(s) | Position of individual(s) | Please explain |
|------------------|---------------------------|--|
| Forests Water | Board-level committee | <p>The Board Level Sustainability Committee reports to the Bank's Board of Directors to coordinate the Bank's sustainability activities including forest and water-related issues. The committee is responsible of the Coordination of the bank's sustainability efforts, and running an assessment of the economic, environmental, and social effects of its activities, evaluating and manage the sustainability-related risks and making decisions to take necessary actions and overseeing the climate-related risks that the bank would face.</p> <p>Also risks and other matters subject to board's authorization level are escalated to board. The committee consists of 20 members at the level of board members (2), deputy general managers (4), group heads (2), department heads (12). The Chairman of the sustainability committee serves as Banks independent board member, and Vice Chairman of the sustainability committee serves as member of the Banks board. Since the Head of Risk Management Department, the Head of Credit Management, Firm and Project Analysis and Head of Internal Systems Group is also a member of the sustainability committee, there is a strong oversight on the climate issues.</p> <p>Decision made by the committee: In 2021, the Committee decided to improve business processes in order to adapt to national and international developments within the scope of combating the climate crisis. In this direction, the Committee has decided to establish a Climate Action Plan, which includes science-based targets, analyses of direct and indirect risks and opportunities of climate change, and comprehensive studies on sustainable finance products and has started working in this direction. In addition, Halkbank aims to achieve a net-zero portfolio by at least 2050 with the near-term emission targets it will set in the light of climate science with science-based targets in the coming years. The bank has also joined the Net-Zero Banking Alliance and committed to setting GHG emission reduction targets across its operations and its portfolio in line with SBTi criteria in 2022.</p> |

FW-FS1.1b

(FW-FS1.1b) Provide further details on the board's oversight of forests- and/or water-related issues.

Issue area(s)

Forests

Frequency with which the issue area(s) is a scheduled agenda item

Scheduled - all meetings

Governance mechanisms into which this issue area(s) is integrated

Reviewing and guiding strategy

Reviewing and guiding major plans of action

Reviewing and guiding risk management policies

Reviewing and guiding annual budgets

Reviewing and guiding business plans

Setting performance objectives

Monitoring implementation and performance of objectives

Overseeing major capital expenditures, acquisitions and divestitures

Monitoring and overseeing progress against goals and targets for addressing forests- and/or water-related issues

Scope of board-level oversight

Risks and opportunities to our banking activities

The impact of our banking activities on forests and/or water security

Please explain

The Board of Directors carries out the Sustainability Management by joining the Sustainability Committee with two members (at the level of the Chairman and the Vice Chairman). The sustainability committee meets at least 4 times a year for its regular scheduled meetings. In regular meetings, risks and opportunities related to climate change and other sustainability issues including forest and water issues are evaluated and targets are determined in our direct operations and bank loan and investment activities. Budget adjustments and performance targets are discussed and decided by a majority vote to achieve climate-related targets. All our banking activities are included in the integrated management system. Environmental performances are constantly monitored and evaluated, taking into account the expectations of internal and external stakeholders. Based on these evaluations, goals and targets are determined and necessary activities are carried out with continuous

improvement. In addition, the periodic performance of the targets is compared with the results of the determined period, and necessary revisions are decided. Decisions on rewarding performance on sustainability issues are also taken at regular meetings. At the meetings, climate-related issues are also discussed with a risk-opportunity-based approach, and policy updates and suggestions for measures are conveyed to the responsible units in line with the bank's lending policies.

In 2021, The BoD aimed to create value for stakeholders, manage the risks and opportunities related to climate change, reduce the emissions from the Bank's activities, and increase the Bank's sustainability performance by developing environmentally friendly projects.

Issue area(s)

Water

Frequency with which the issue area(s) is a scheduled agenda item

Scheduled - all meetings

Governance mechanisms into which this issue area(s) is integrated

Reviewing and guiding strategy

Reviewing and guiding major plans of action

Reviewing and guiding risk management policies

Reviewing and guiding annual budgets

Reviewing and guiding business plans

Setting performance objectives

Monitoring implementation and performance of objectives

Overseeing major capital expenditures, acquisitions and divestitures

Monitoring and overseeing progress against goals and targets for addressing forests- and/or water-related issues

Scope of board-level oversight

Risks and opportunities to our banking activities

The impact of our banking activities on forests and/or water security

Please explain

The Board of Directors carries out the Sustainability Management by joining the Sustainability Committee with two members (at the level of the Chairman and the Vice Chairman). The sustainability committee meets at least 4 times a year for its regular scheduled meetings. In regular meetings, risks and opportunities related to climate change and other sustainability issues including forest and water issues are evaluated and targets are determined in our direct operations and bank loan and investment activities. Budget adjustments and performance targets are discussed and decided by a majority vote to achieve climate-related targets. All our banking activities are included in the integrated management system. Environmental performances are constantly monitored and evaluated, taking into account the expectations of internal and external stakeholders. Based on these evaluations, goals and targets are determined and necessary activities are carried out with continuous improvement. In addition, the periodic performance of the targets is compared with the results of the determined period, and necessary revisions are decided. Decisions on rewarding performance on sustainability issues are also taken at regular meetings. At the meetings, climate-related issues are also discussed with a risk-opportunity-based approach, and policy updates and suggestions for measures are conveyed to the responsible units in line with the bank's lending policies.

In 2021, The BoD aimed to create value for stakeholders, manage the risks and opportunities related to climate change, reduce the emissions from the Bank's activities, and increase the Bank's sustainability performance by developing environmentally friendly projects.

FW-FS1.1c

(FW-FS1.1c) Does your organization have at least one board member with competence on forests- and/or water-related issues?

Forests

Board member(s) have competence on this issue area

Yes

Criteria used to assess competence of board member(s) on this issue area

As Halkbank, we are subject to Turkish Banking Law and Capital Markets Board (CMB) regulations in the elections of the Board of Directors. The education level of the board about sustainability is important as a climate change competency. The chairman of the Sustainability Committee, who is also a member of BoD, is competent in sustainable development and economics due to their training and expertise. These criteria meet the board members' competence on climate-related issues.

In addition, all Sustainability Committee members have KPIs on environmental and sustainability issues. In order to evaluate their competence

in climate and water-related issues, the fact that they have achieved these targets in the past is used as a criterion and proves their competence.

Water

Board member(s) have competence on this issue area

Yes

Criteria used to assess competence of board member(s) on this issue area

As Halkbank, we are subject to Turkish Banking and Capital Markets Board (CMB) regulations in the elections of the Board of Directors. The education level of the board about sustainability is important as a climate change competency. The chairman of the Sustainability Committee, who is also a member of BoD, is competent in sustainable development and economics due to their training and expertise. These criteria meet the board members' competence on climate-related issues.

In addition, all Sustainability Committee members have KPIs on environmental and sustainability issues. In order to evaluate their competence in climate and water-related issues, the fact that they have achieved these targets in the past is used as a criterion and proves their competence.

FW-FS1.2

(FW-FS1.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests- and/or water-related issues.

Name of the position(s) and/or committee(s)

Other C-Suite Officer, please specify

Chairman of Sustainability Committee

Reporting line

Reports to the Board directly



Issue area(s)

Forests
Water

Responsibility

Both assessing and managing risks and opportunities

Coverage of responsibility

Risks and opportunities related to our banking portfolio

Frequency of reporting to the board on forests- and/or water-related issues

Quarterly

FW-FS2.1

(FW-FS2.1) Do you assess your portfolio's exposure to forests- and/or water-related risks and opportunities?

| | We assess our portfolio's exposure to this issue area |
|----------------------------|---|
| Banking - Forests exposure | Yes |
| Banking – Water exposure | Yes |

FW-FS2.1a

(FW-FS2.1a) Describe how you assess your portfolio's exposure to forests- and/or water-related risks and opportunities.

Portfolio

Banking (Bank)

Exposure to

Forests-related risks and opportunities

Type of risk management process

Integrated into multi-disciplinary company-wide risk management process

Proportion of portfolio covered by risk management process

100

Type of assessment

Qualitative and quantitative

Time horizon(s) covered

Short-term

Medium-term

Long-term

Tools and methods used

External consultants

Internal tools/methods

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

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

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

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. Research is performed

and reported based on industry and sector. The risks are evaluated at least four times in a year, in the regular meetings of Sustainability Committee, and at least once by the Board, in the Management Review.

In order to mitigate, transfer and control the identified climate-related and other sustainability risks and to capitalize on opportunities, the Board of Directors delegate its powers to make loans within limits set forth in the provisions of the Banking Law, as well as other powers, to management organs and managers, as defined in the internal directive, and in accordance with the guidelines and procedures laid down by the Banking Regulation and Supervisory Board, and monitors developments pertaining to the powers that it has delegated, ensuring that they are supervised by the units assigned with the responsibility within the Bank's internal risk assessment processes.

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

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

Risk management processes include the following:

- Works regarding the risk level of the balance sheet are undertaken in the process of budget preparation.
- Forward-looking assumptions are made based on stress tests and scenario analyses evaluating the potential impact of unforeseen market conditions on the core areas of operation; the amount of capital that is required to be set aside for each type of risk is calculated; and the outcome of analyses is shared by the senior management.
- As part of the Corporate Risk Management process, area managers identify and assess potential risks in the Bank's operating areas and the necessary controls are established in order to prevent such risks.
- If such risks are determined to have an impact up to 55 M TRY on an annual basis or in a single event, the risk then classified as high impact.

Portfolio

Banking (Bank)

Exposure to

Water-related risks and opportunities

Type of risk management process

Integrated into multi-disciplinary company-wide risk management process

Proportion of portfolio covered by risk management process

100

Type of assessment

Qualitative and quantitative

Time horizon(s) covered

Short-term

Medium-term

Long-term

Tools and methods used

External consultants

Internal tools/methods

WRI Aqueduct

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

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

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

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- If such risks are determined to have an impact up to 55 M TRY on an annual basis or in a single event, the risk then classified as high impact.

FW-FS2.2

(FW-FS2.2) Does your organization consider forests- and/or water-related information about clients/investees as part of its due diligence and/or risk assessment process?

| | We consider forests- and/or water-related information |
|---------------------------------------|--|
| Banking – Forests-related information | Yes |
| Banking – Water-related information | Yes |

FW-FS2.2a

(FW-FS2.2a) Indicate the forests- and/or water-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision making.

Portfolio

Banking (Bank)

Information related to

Forests

Type of information considered

Other, please specify

Deforestation Contributions

Process through which information is obtained

Directly from the client/investee

Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process

Energy

State how these forests- and/or water-related information influences your decision making

For the loan requests to some specific fund programs, the emission, energy and emission reduction data are requested from the project owners. This is done via the loan and project evaluation reports. We can see customers' inputs to the environment and its results related to climate in these reports. In these reports in line with our risk assessment procedures, we request our customer companies to disclose their business' environmental impact assessments, which include their water use and consumption and deforestation contributions. Their carbon emissions and any other related emission reduction plans are requested. All the information gathered related to environmental and climate change subjects in this process affects the lending process. In case of customers do not meet the requirements of specific fund programs the Bank may end the

lending processes. In line with our NZBA and SBTI commitments to have net-zero portfolio by 2050, we are improving and establishing new systems for better data collection and due diligence processes

Portfolio

Banking (Bank)

Information related to

Water

Type of information considered

Water withdrawal and/or consumption volumes

Process through which information is obtained

Directly from the client/investee

Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process

Energy

State how these forests- and/or water-related information influences your decision making

For the loan requests to some specific fund programs, the emission, energy and emission reduction data are requested from the project owners. This is done via the loan and project evaluation reports. We can see customers' inputs to the environment and its results related to climate in these reports. In these reports in line with our risk assessment procedures, we request our customer companies to disclose their business' environmental impact assessments, which include their water use and consumption and deforestation contributions. Their carbon emissions and any other related emission reduction plans are requested. All the information gathered related to environmental and climate change subjects in this process affects the lending process. In case of customers do not meet the requirements of specific fund programs the Bank may end the lending processes. In line with our NZBA and SBTI commitments to have net-zero portfolio by 2050, we are improving and establishing new systems for better data collection and due diligence processes

FW-FS2.3

(FW-FS2.3) Have you identified any inherent forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business?

| | Risks identified for this issue area | Primary reason why your organization has not identified any substantive risks for this issue area | Explain why your organization has not identified any substantive risks for this issue area |
|---------|--------------------------------------|--|--|
| Forests | No | Risks exist, but none with the potential to have a substantive financial or strategic impact on business | While achieving the targets and strategies of the Bank collectively and for each type of risk, there is a limit of risk we want to carry. The threshold level is determined to ensure that the Bank remains within the limits of its risk capacity. The trigger level refers to the level of early warning of the risk level. The purpose of the risk level framework is not to prevent taking risks, but to ensure that bank strategies and plans are applied in a consistent manner with the risk level determined by the Board of Directors and that the Bank has an appropriate risk profile. Risk and performance indicators are created by taking into account the scope of the risk in order to provide an analysis of risk factors that are considered to have an impact. While creating these indicators, it should be taken into consideration that operational losses/errors may affect risks. Therefore, the same metrics can be taken into account both in determining operational risk and in assessing reputation risks. Apart from this, metrics that do not indicate operational risk but point to reputation risk can be created. The numerical quantities in the indicators and the changes these sizes show over time are used in the process of determining and evaluating the risks. For example, reconciliation errors, staff turnover rate, number of system outages, transaction volumes and error numbers, audit scores, number/rate of non-audit activity areas. Risk indicators (for example, the number of system outages in a given period) are used to monitor possible factors related to key risks. Performance indicators (for example, customer satisfaction index, indicators such as a high degree of change in stock prices compared to banks of similar scale) provide meaningful information about the current state of business processes with operational weaknesses, errors and losses. Both risk and |

| | | | |
|-------|-----|--|--|
| | | | performance indicators act as a trigger mechanism at trigger levels where risk levels approach or exceed threshold/limits and require immediate risk reduction. A rise event due to climate change exceeding TRY 55,000,000 to be experienced on an annual basis or in a single event can be considered to have a substantive financial impact for Halkbank. So far, there are no forest-related risks that meet this threshold. |
| Water | Yes | | |

FW-FS2.3a

(FW-FS2.3a) Provide details of forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk1

Portfolio where risk driver occurs

Banking (Bank) portfolio

Issue area risk relates to

Water

Risk type & Primary risk driver

Acute physical
Drought

Primary potential financial impact

Reduced profitability of investment portfolios

Risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

As part of its sustainable financing efforts, Halkbank contributes to facilitating Turkey's transition to a low-carbon economy by reducing foreign dependency on energy. In this direction, the share of HPP, WPP, BPP, and SPP renewable energy and energy-saving projects in the energy investments portfolio it supports is constantly increasing. In 2021, 654 million TL was provided for 25 renewable power plant projects with a total installed capacity of 301.49 MW. Thanks to these power plants, which were evaluated by Halkbank, approximately 295,754 tons of CO₂e emissions were reduced. The Bank provided the most financing to HPP facilities in renewable energy projects until 2021. However, the fact that Turkey is a region with high water stress and the fact that these power plants are located in regions with high water stress risk is considered a water-based credit risk. Three of these HEPP facilities are located in the Tigris-Euphrates basin, which was found to be at high water stress risk using the WRI Aqueduct Tool. Therefore, taking this risk assessment into account, the renewable energy loan distribution in 2021 has been balanced within the portfolio as WPP, SPP, BPP, and HPP, respectively.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,000,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact figure

Halkbank evaluated that the 3 power plants located in the Euphrates-Tigris basin, which has a higher risk of water stress compared to other HEPP projects it finances, have a strategic impact on revenue. In the event of a possible drought, the maximum cost of repayment and credit risk was calculated based on the scenario that these facilities would not be able to produce any energy. Considering, this cost is calculated by the sum of the income obtained from the difference between the interest applied to the loan given and funds transfer pricing, and it has been observed that the risk cost of the loans given is approximately 1,000,000,000 TL.

Cost of response to risk

512,334,200

Description of response and explanation of cost calculation

Turkey, which has a wide range of renewable energy resources, is among the countries that are suitable for the use of wind energy in the world. Wind and solar energy are among the renewable energy sources. By the end of 2021, Turkey's total installed wind power has reached 10,750 megawatts. In addition, in 2021, 9.4% of Turkey's electricity production was obtained from wind and 4% from solar. In response to the potential drought-related risks by hydroelectric power plants in the future, Halkbank balanced its renewable energy loan distribution in the portfolio as WPP, SPP, BPP, and HEPP, respectively, in 2021. Halkbank provided 257.120.00 TL for WPP projects and 188.388,000 TL for SPP projects in 2021. Halkbank, which provides the portfolio distribution at this rate against the risks of HEPP projects, provided a total of 445,508,000 TL in financing. The portfolio risk in HEPP has decreased to %15 from %45 in 2021. In contrast to that, the ratio of WPP financings in total renewable project portfolio has increased to 39%; and SPP has increased to 29% from 21% in 2021. The interest income of these loans is estimated as 15% of the amounts given, corresponding to approximately 66,8 M TRY. The cost of response has been calculated as 512,334,200TL with the sum of these two values.

Comment

N/A

FW-FS2.4

(FW-FS2.4) Have you identified any inherent forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business?

| | Opportunities identified for this issue area | Primary reason why your organization has not identified any substantive opportunities for this issue area | Explain why your organization has not identified any substantive opportunities for this issue area |
|---------|--|--|--|
| Forests | No | Opportunities exist, but none with the potential to have a substantive financial or strategic impact on business | While achieving the targets and strategies of the Bank collectively and for each type of risk, there is a limit of risk we want to carry. The threshold level is determined to ensure that the Bank remains within the limits of its risk capacity. The trigger level refers to the level of early warning of the risk level. The purpose of the risk level framework is not to prevent taking risks, but to ensure that bank strategies and plans are applied in a consistent manner with the risk level determined by the Board of Directors and that the Bank has an appropriate risk profile. Risk and performance indicators are created by taking into account the scope of the risk in order to provide an analysis of risk factors that are considered to have an impact. While creating these indicators, it should be taken into consideration that operational losses/errors may affect risks. Therefore, the same metrics can be taken into account both in determining operational risk and in assessing reputation risks. Apart from this, metrics that do not indicate operational risk but point to reputation risk can be created. The numerical quantities in the indicators and the changes these sizes show over time are used in the process of determining and evaluating the risks. For example, reconciliation errors, staff turnover rate, number of system outages, transaction volumes and error numbers, audit scores, number/rate of non-audit activity areas. Risk indicators (for example, the number of system outages in a given period) are used to monitor possible factors related to key risks. Performance indicators (for example, customer satisfaction index, indicators such as a high degree of change in stock prices compared to banks of similar scale) provide meaningful information about the current state of business processes with operational weaknesses, errors and losses. Both risk and performance indicators act as a trigger mechanism at trigger levels where risk levels approach or exceed threshold/limits and require immediate risk reduction. A rise event due to climate change exceeding TRY 55,000,000 to be experienced on an annual basis or in a single event can be considered to have a |

| | | | |
|-------|-----|--|--|
| | | | substantive financial impact for Halkbank. So far, there are no forest-related opportunities that meet this threshold. |
| Water | Yes | | |

FW-FS2.4a

(FW-FS2.4a) Provide details of forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Portfolio where opportunity occurs

Banking (Bank) portfolio

Issue area opportunity relates to

Water

Opportunity type & Primary opportunity driver

Products and services

Development and/or expansion of financing products and solutions supporting water security

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company- specific description

i) An explanation of why this opportunity is considered strategic for the company: As part of its sustainable financing efforts, Halkbank contributes to facilitating Turkey's transition to a low-carbon economy by reducing foreign dependency on energy. In this direction, the share of HPP, WPP, BPP, and SPP renewable energy and energy-saving projects in the energy investments portfolio it supports is constantly

increasing. The increased risk of water stress with the climate crisis reduces the demand for HPP. In addition, Turkey's electricity production was 9.4% from wind and 4% from solar in 2021. Since solar energy is expected to be the trend energy in the world in 2022, Halkbank evaluated the financing distribution of its 2021 portfolio according to this opportunity.

ii) An explanation of the action being taken to realize the opportunity: Halkbank annually evaluates the water stress risk of both the regions where it directly operates and the regions it finances with the WRI Aqueduct Tool and determines its strategy accordingly. Having provided the highest share in renewable energy financing to HPPs until 2021, the Bank re-established the balance in its portfolio in 2021, considering that these power plants are located in regions with high water stress risk and carry a repayment risk.

iii) An example of the action taken to realize the opportunity, with reference to their outcome and timescale of implementation: The renewable energy loan distribution in 2021 has been balanced within the portfolio as WPP, SPP, BPP, and HPP, respectively.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

66,800,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact figure

Turkey, which has a wide range of renewable energy resources, is among the countries that are suitable for the use of wind energy in the world. Wind and solar energy are among the renewable energy sources. By the end of 2021, Turkey's total installed wind power has reached 10,750 megawatts. In addition, in 2021, 9.4% of Turkey's electricity production was obtained from wind and 4% from solar. In response to the potential drought-related risks by hydroelectric power plants in the future, Halkbank balanced its renewable energy loan distribution in the portfolio as WPP, SPP, BPP, and HEPP, respectively, in 2021. Halkbank provided 257.120.00 TL for WPP projects and 188.388,000 TL for SPP projects in 2021. Halkbank, which provides the portfolio distribution at this rate against the risks of HEPP projects, provided a total of 445,508,000 TL in financing. The portfolio risk in HEPP has decreased to %15 from %45 in 2021. In contrast to that, the ratio of WPP financings in total renewable project portfolio has increased to 39%; and SPP has increased to 29% from 21% in 2021. The interest income of these loans is estimated as 15% of the amounts given, corresponding to approximately 66,8 M TRY.

Cost to realize opportunity

1,000,000

Strategy to realize opportunity and explanation of cost calculation

To increase its capacity to finance energy projects, Halkbank formed an evaluation team of 30 review engineers, including 20 energy managers. Halkbank is responding to loan requests timely by developing new services and products for renewable energy projects. These actions are led by the Sustainability Committee of Halkbank, which has a member of BoD as its chairman. Necessary trainings are provided to employees to meet the possible customer requirements about the regulations and renewable energy sector lendings. The trainings, advertisements of the services & products and new purchases in relation with these products and services financial cost was about 1.000.000 TRY in 2021. This figure is estimated with the assumptions of the expense of spendings above.

Comment

N/A

FW-FS3.1

(FW-FS3.1) Do you take forests- and/or water-related risks and opportunities into consideration in your organization's strategy and/or financial planning?

Forests

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

Yes, we take these risks and opportunities into consideration in the organization's strategy and financial planning

Description of influence on organization's strategy including own commitments

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 branch offices. Low fuel-consuming vehicles are acquired, and energy management, virtual server and IT system investments are made.

With increasing renewable energy needs and the need to transition to a low-carbon economy, new markets for renewable energy are growing rapidly. Our customers from carbon-intense industries affected by the transition to a low-carbon economy are also looking for new ways to integrate their businesses with renewable energy so as not to conflict with ever-evolving regulations and contribute to climate change, like GreenDeal. For this reason, the importance of investments such as renewable energy systems, solar panels, and wind turbines is increasing. New investments in these areas have started to take place in the sector.

As Halkbank, we closely follow innovation and investment opportunities in the market. We offer our clients new market options such as lower loan rates and longer investment times. Thus, our activities in new markets accelerate and we can increase our revenue accordingly. In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. Also in mid-2022, Halkbank joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last in line with SBTI's net-zero standard.

Financial planning elements that have been influenced

Revenues

Capital allocation

Access to capital

Assets

Description of influence on financial planning

For access to capital, climate change is taken into account in company management and product development processes and there is effective sustainability management and performance reporting system, access to new financial instruments such as renewable energy funds and climate-sensitive investment funds are facilitated.

Operating costs have been reduced with energy efficiency investments made in branches and operation buildings. Asset values have improved. Awareness-raising efforts were also made in the reporting year in respect of all energy management systems within the Bank, with the objective being to reduce the power consumption resulting from the increase in total operations, and to make improvements in Scope 2 emissions stemming from the consumption of electricity in the years to come by switching to sustainable carbon management. Our Bank plans to make use of new solar panels for its power supply. The solar panels on our office building, situated in Ataşehir, generated 10,164.00 kWh of electrical energy in 2021. As Halkbank, we closely follow innovation and investment opportunities in the market. We offer our clients new market options such as lower loan rates and longer investment times. Thus, our activities in new markets accelerate and we can increase our revenue accordingly. In 2021, Halkbank has provided 654 M TRY to renewable energy financing. This value has almost doubled the 2020 data (333 M TRY) with a 96% increase in renewable energy project financing. Also in mid-2022, Halkbank joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last in line with SBTi's net-zero standard.

Water

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

Yes, we take these risks and opportunities into consideration in the organization's strategy and financial planning

Description of influence on organization's strategy including own commitments

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 branch offices. Low fuel-consuming vehicles are acquired, and energy management, virtual server and IT system investments are made.

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increase in renewable energy project financing. Also in mid-2022, Halkbank joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last in line with SBTI's net-zero standard.

Financial planning elements that have been influenced

Revenues
Capital allocation
Access to capital
Assets

Description of influence on financial planning

For access to capital, climate change is taken into account in company management and product development processes and there is effective sustainability management and performance reporting system, access to new financial instruments such as renewable energy funds and climate-sensitive investment funds are facilitated.

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FW-FS3.2

(FW-FS3.2) Has your organization conducted any scenario analysis to identify forests- and/or water-related outcomes?

Forests

Scenario analysis conducted to identify outcomes for this issue area

Yes, we have conducted scenario analysis and we have identified outcomes for this issue area

Type of scenario analysis used

Climate-related

Parameters, assumptions, analytical choices

As Halkbank we use climate scenarios to foresee the possible outcomes for our lending activities and our own operations in the future due to climate change. We focus and work with the Network for Greening the Financial System (NGFS) climate scenarios. NGFS is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role in climate change. Its purpose is to define, promote and contribute to the development of best practices to be implemented and to conduct or commission analytical work on green finance. NGFS scenarios provide insight into how changes in climate will affect future financial and economic risks and how they can be evaluated. They provide consistency and comparable results in scenario analysis of organizations around the world. NGFS considers climate scenarios as orderly, disorderly and hot house world dimensions. Disorderly scenarios assume that policies and actions to be taken are delayed and transitional risks would get higher. Hothouse scenarios assume that actions to be taken are late and the impact of climate change is irreversibly realized. Whereas orderly scenarios assume that climate-related policies are implemented quickly and become more stringent over time. In this scenario, both physical and transitional risks related to climate change are minimized. Under each of these dimensions, a total of 6 more detailed scenarios are provided by NGFS.

Description of outcomes for this issue area

As Halkbank we use the Net-Zero 2050 option under the orderly scenario. Net-Zero 2050 assumes that global warming is limited to 1.5 Degrees, strict climate policies are implemented, and reaching net-zero GHG in 2050 is possible. in NGFS scenarios, higher carbon prices mean a more strict policy. The scenario suggests that \$160 per tonne of carbon is necessary to incentivize the climate transition towards 2050 Net-Zero. The scenario suggests that energy investments must shift to greener options immediately and by 2050 green electricity should double other electricity investments. In line with this, we became one of the early signatories of NZBA in mid-2022 in Turkey and we are committed to reaching a net-zero portfolio by 2050.

Explain how the outcomes identified using scenario analysis have influenced your strategy

According to NGFS Net-Zero 2050 scenario, GDP losses will be around 10% for Turkey. Change in populations exposed to extreme weather events is expected to increase between 0.5 and 2 times. Decreasing energy use might be expected due to an increase in energy costs and carbon prices. These are currently leading our portfolio to shift to more energy-saving and low-carbon sectors. To provide our customers the best services in a transitioning to a 1.5 degrees world and reduce risks to be faced, Halkbank has started using climate scenarios and providing

more climate-safe services. As of mid-2022, we have joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last. We are focusing on the sectoral breakdown of our portfolio in light of the NGFS scenario. In this way, we are able to foresee which customers will be having a higher climate-related risk depending on their sectors, geographies and climate-related regulations. This then provides the perspective to have a climate-related decision-making process.

Water

Scenario analysis conducted to identify outcomes for this issue area

Yes, we have conducted scenario analysis and we have identified outcomes for this issue area

Type of scenario analysis used

Climate-related

Parameters, assumptions, analytical choices

As Halkbank we use climate scenarios to foresee the possible outcomes for our lending activities and our own operations in the future due to climate change. We focus and work with the Network for Greening the Financial System (NGFS) climate scenarios. NGFS is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role in climate change. Its purpose is to define, promote and contribute to the development of best practices to be implemented and to conduct or commission analytical work on green finance. NGFS scenarios provide insight into how changes in climate will affect future financial and economic risks and how they can be evaluated. They provide consistency and comparable results in scenario analysis of organizations around the world. NGFS considers climate scenarios as orderly, disorderly and hot house world dimensions. Disorderly scenarios assume that policies and actions to be taken are delayed and transitional risks would get higher. Hothouse scenarios assume that actions to be taken are late and the impact of climate change is irreversibly realized. Whereas orderly scenarios assume that climate-related policies are implemented quickly and become more stringent over time. In this scenario, both physical and transitional risks related to climate change are minimized. Under each of these dimensions, a total of 6 more detailed scenarios are provided by NGFS.

Description of outcomes for this issue area

As Halkbank we use the Net-Zero 2050 option under the orderly scenario. Net-Zero 2050 assumes that global warming is limited to 1.5 Degrees, strict climate policies are implemented, and reaching net-zero GHG in 2050 is possible. in NGFS scenarios, higher carbon prices mean a more strict policy. The scenario suggests that \$160 per tonne of carbon is necessary to incentivize the climate transition towards 2050 Net-Zero. The scenario suggests that energy investments must shift to greener options immediately and by 2050 green electricity should double



other electricity investments. In line with this, we became one of the early signatories of NZBA in mid-2022 in Turkey and we are committed to reaching a net-zero portfolio by 2050.

Explain how the outcomes identified using scenario analysis have influenced your strategy

According to NGFS Net-Zero 2050 scenario, GDP losses will be around 10% for Turkey. Change in populations exposed to extreme weather events is expected to increase between 0.5 and 2 times. Decreasing energy use might be expected due to an increase in energy costs and carbon prices. These are currently leading our portfolio to shift to more energy-saving and low-carbon sectors. To provide our customers the best services in a transitioning to a 1.5 degrees world and reduce risks to be faced, Halkbank has started using climate scenarios and providing more climate-safe services. As of mid-2022, we have joined Net Zero Banking Alliance and committed to having a net-zero portfolio by 2050 at last. We are focusing on the sectoral breakdown of our portfolio in light of the NGFS scenario. In this way, we are able to foresee which customers will be having a higher climate-related risk depending on their sectors, geographies and climate-related regulations. This then provides the perspective to have a climate-related decision-making process.

FW-FS3.3

(FW-FS3.3) Do any of your existing products and services enable clients to mitigate deforestation and/or water insecurity?

| | Existing products and services that enable clients to mitigate deforestation and/or water insecurity | Explain why your organization does not offer products and services which enable clients to mitigate deforestation and/or water insecurity and any plans to address this in the future |
|---------|--|--|
| Forests | No, but we plan to address this within the next two years | We offer products and services that enable clients to mitigate climate change in line with Paris Agreement's 1.5 Degrees world goals. We are planning to improve the scope of the products that enable clients to mitigate their forest and water-related risks. |
| Water | No, but we plan to address this within the next two years | We offer products and services that enable clients to mitigate climate change in line with Paris Agreement's 1.5 Degrees world goals. We are planning to improve the scope of the products that enable clients to mitigate their forest and water-related risks. |

FW-FS3.4

(FW-FS3.4) Does the policy framework for the portfolio activities of your organization include forests- and/or water-related requirements that clients/investees need to meet?

| | Policy framework includes this issue area |
|---------|---|
| Forests | Yes |
| Water | Yes |

FW-FS3.4a

(FW-FS3.4a) Provide details of the policies which include forests- and/or water-related requirements that clients/investees need to meet.

Portfolio

Banking (Bank)

Issue area(s) the policy covers

Forests

Type of policy

Credit/lending policy

Portfolio coverage of policy

73

Policy availability

Not publicly available

Attach documents relevant to your policy

Criteria required of clients/investees

Comply with all applicable local, national and international laws and regulations

Value chain stages of client/investee covered by criteria

Direct operations and supply chain

Timeframe for compliance with policy criteria

Clients/investees must be compliant within the next year

Industry sectors covered by the policy

Energy
Materials
Automobiles & Components

Forest risk commodities covered by the policy

All agricultural commodities

Forest risk commodity supply chain stage covered by the policy

Production
Processing
Trading
Manufacturing
Retailing

Exceptions to policy based on

Transaction size

Explain how criteria coverage and/or exceptions have been determined

The bank credit policy covers not only financial factors but also sustainability and environmental factors, which include climate-related issues. The sustainability criteria have been integrated into the credit policy in 2016, in line with our sustainability committee's establishment. The

project evaluation reports and loan requests are examined in accordance with the credit policy. During the assessment, documentation related to sustainability and environmental responsibility are requested from customers. The topics included in the credit policy's Sustainability Assessment are: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment, and Evaluation of Sensitivity to Consumer Rights. For the loan requests to some specific fund programs, the emission, energy and emission reduction data are requested from the project owners. This is done via the loan and project evaluation reports. We can see customers' inputs to the environment and its results related to climate in these reports. In these reports in line with our risk assessment procedures, we request our customer companies to disclose their business' environmental impact assessments, which include their water use and consumption and deforestation contributions. Their carbon emissions and any other related emission reduction plans are requested. All the information gathered related to environmental and climate change subjects in this process affects the lending process. In case of customers do not meet the requirements of specific fund programs the Bank may end the lending processes. In line with our NZBA and SBTi commitments to have net-zero portfolio by 2050, we are improving and establishing new systems for better data collection and due diligence processes. With an update in 2021, all commercial loan requests, the loan requests over 35M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 35M TRY is also subject to the project evaluation report besides loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 73% of our lending portfolio in 2021.

Portfolio

Banking (Bank)

Issue area(s) the policy covers

Water

Type of policy

Credit/lending policy

Portfolio coverage of policy

73

Policy availability

Not publicly available

Attach documents relevant to your policy

Criteria required of clients/investees

Comply with all applicable local, national and international laws and water regulations
Monitor water withdrawals, discharges and water quality parameters

Value chain stages of client/investee covered by criteria

Direct operations and supply chain

Timeframe for compliance with policy criteria

Clients/investees must be compliant within the next year

Industry sectors covered by the policy

Energy
Materials
Automobiles & Components

Forest risk commodities covered by the policy

Forest risk commodity supply chain stage covered by the policy

Exceptions to policy based on

Transaction size

Explain how criteria coverage and/or exceptions have been determined

The bank credit policy covers not only financial factors but also sustainability and environmental factors, which include climate-related issues. The sustainability criteria have been integrated into the credit policy in 2016, in line with our sustainability committee's establishment. The project evaluation reports and loan requests are examined in accordance with the credit policy. During the assessment, documentation related

to sustainability and environmental responsibility are requested from customers. The topics included in the credit policy's Sustainability Assessment are: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment, and Evaluation of Sensitivity to Consumer Rights. For the loan requests to some specific fund programs, the emission, energy and emission reduction data are requested from the project owners. This is done via the loan and project evaluation reports. We can see customers' inputs to the environment and its results related to climate in these reports. In these reports in line with our risk assessment procedures, we request our customer companies to disclose their business' environmental impact assessments, which include their water use and consumption and deforestation contributions. Their carbon emissions and any other related emission reduction plans are requested. All the information gathered related to environmental and climate change subjects in this process affects the lending process. In case of customers do not meet the requirements of specific fund programs the Bank may end the lending processes. In line with our NZBA and SBTi commitments to have net-zero portfolio by 2050, we are improving and establishing new systems for better data collection and due diligence processes. With an update in 2021, all commercial loan requests, the loan requests over 35M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 35M TRY is also subject to the project evaluation report besides loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 73% of our lending portfolio in 2021.

FW-FS3.5

(FW-FS3.5) Does your organization include covenants in financing agreements to reflect and enforce your forests- and/or water-related policies?

| | Covenants included in financing agreements to reflect and enforce policies for this issue area | Explain how the covenants included in financing agreements relate to your policies for this issue area |
|---------|--|--|
| Forests | Yes | Agreements with customers for Project finance include covenants to make sure that the financing given will be used for the purpose it was stated and information about sustainability-related inputs and outputs of the projects. These may include the level of green assets mandated for the project time frame and expected production levels. Also, capacity information, feasibility reports and Environmental Assessment Reports are required for information collection prerequisite to lending activities. |
| Water | Yes | Agreements with customers for Project finance include covenants to make sure that the financing given will be used for the purpose it was stated and information about sustainability-related inputs and outputs of the |

| | | |
|--|--|--|
| | | projects. These may include the level of green assets mandated for the project time frame and expected production levels. Also, capacity information, feasibility reports and Environmental Assessment Reports are required for information collection prerequisite to lending activities. |
|--|--|--|

FW-FS4.1

(FW-FS4.1) Do you engage with your clients/investees on forests- and/or water-related issues?

| | We engage with clients/investees on this issue area |
|-------------------|---|
| Clients – Forests | Yes |
| Clients – Water | Yes |

FW-FS4.1a

(FW-FS4.1a) Give details of your forests- and/or water-related engagement strategy with your clients.

Type of clients

Clients of Banks

Issue area this engagement relates to

Forests

Type of engagement

Engagement & incentivization (changing client behavior)

Details of engagement

Offer financial incentives for clients managing forests-related issues

Portfolio coverage of engagement

73

Rationale for the coverage of your engagement

Engagement targeted at clients with increased forest-related risks

Impact of engagement, including measures of success

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 a corporate social responsibility assessment, were updated at the beginning of 2016 to include developments in sustainability. Firms and projects requesting loans with the Credit Evaluation Report (CER) scoring methodology are within the scope of the "Sustainability Evaluation" in accordance with the article "To take care to evaluate the credit demands within the framework of the Bank's credit policies by considering environmental and social factors, as well as economic factors in Sustainability and Environmental Policies, is scored. Not only investments but also the activities of companies applying for loans are evaluated in terms of sustainability. Environmental factors and sustainability assessment are divided into 3 different groups as low, medium and high risk. The headings included in the Sustainability Assessment are as follows: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment. Sustainability Committee evaluates and implements suggestions for improvement and functioning of the mechanism in the environmental and social assessments in lending processes. The information collection process takes place before the financing activities.

Halkbank negatively evaluates projects in sectors that are accepted and banned in a very high-risk group in the international literature. All commercial loan requests, the loan requests over 35M TRY from SME's are subject to the loan evaluation report. All greenfield investment loan request from SME's below 35M TRY is also subject to the project evaluation report besides the loan evaluation report. We estimate the coverage of our portfolio against these thresholds as 73% of our lending portfolio in 2021. This ratio was 26% in 2020. The measure of success is increasing the engagement ratio. The outputs of the risk assessment affects the credit lending process, which then affects the financial incentives offered to clients.

Type of clients

Clients of Banks

Issue area this engagement relates to

Water

Type of engagement

Engagement & incentivization (changing client behavior)

Details of engagement

Offer financial incentives for clients managing water-related issues

Portfolio coverage of engagement

73

Rationale for the coverage of your engagement

Engagement targeted at clients with increased water-related risks

Impact of engagement, including measures of success

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 a corporate social responsibility assessment, were updated at the beginning of 2016 to include developments in sustainability. Firms and projects requesting loans with the Credit Evaluation Report (CER) scoring methodology are within the scope of the "Sustainability Evaluation" in accordance with the article "To take care to evaluate the credit demands within the framework of the Bank's credit policies by considering environmental and social factors, as well as economic factors in Sustainability and Environmental Policies, is scored. Not only investments but also the activities of companies applying for loans are evaluated in terms of sustainability. Environmental factors and sustainability assessment are divided into 3 different groups as low, medium and high risk. The headings included in the Sustainability Assessment are as follows: Environmental Impact Assessment Report, Green Building Certificate, ISO Environmental Management Certificate, Carbon Emission Assessment, Occupational Health and Safety Assessment. Sustainability Committee evaluates and implements suggestions for improvement and functioning of the mechanism in the environmental and social assessments in lending processes. The information collection process takes place before the financing activities.

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FW-FS4.3

(FW-FS4.3) Does your organization provide financing and/or insurance to smallholders in the agricultural commodity supply chain?

| | Provide financing and/or insurance to smallholders in the agricultural commodity supply chain | Agricultural commodity |
|-------|---|------------------------|
| Row 1 | Yes | Timber products |

FW-FS4.3a

(FW-FS4.3a) Describe how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity.

Timber products

Financial service provided

Banking

Smallholder financing/insurance approach

Financial incentives for sustainable practices

Other smallholder engagement approaches

Other than financing/insuring, we do not engage in other support for smallholders

Number of smallholders supported

0

Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity

Products are developed to support efforts to reduce carbon emissions through renewable energy and energy efficiency projects in order to direct investments to more sustainable technologies and businesses. The Bank carries out environmental impact assessment studies in order to evaluate the financed investment projects and companies from an environmental and social perspective.

Loans and investment projects financed by Halkbank are scored within the scope of the "Sustainability Evaluation" with the Firm Evaluation

Report (FDR) scoring methodology, and the result of the scoring affects the company's rating. Not only investments, but also the activities of companies applying for loans are also evaluated in terms of sustainability. The value of smallholders supported is not disclosed due to confidentiality. In addition, in a way to benefit from the knowledge and experience of engineers with energy manager certificates; Going beyond just providing financial resources to companies in the use of resources, we also offer free technical consultancy services for the efficient realization of energy project investments.

FW-FS4.4

(FW-FS4.4) Does your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may impact forests and/or water security?

| | Direct or indirect engagement that could influence policy, law, or regulation that may impact this issue area |
|---------|---|
| Forests | Yes, we engage directly with policy makers |
| Water | Yes, we engage directly with policy makers |

FW-FS4.4a

(FW-FS4.4a) On what policy, law, or regulation that may impact forests and/or water security have you been engaging directly with policy makers in the reporting year?

Issue area(s)

Forests

Focus of policy, law or regulation that may impact this issue area

Sustainable finance

Specify the policy, law or regulation on which your organization is engaging with policymaker

Sustainability Guide for the Banking Sector

Policy, law or regulation coverage

National

Country/region the policy, law or regulation applies to

Turkey

Your organization's position on the policy, law or regulation

Support with no exceptions

Description of engagement with policymakers

As Halkbank, we are member of the board of directors of the Banks Association of Turkey. We are actively participating in the Role of the Financial Sector in the Sustainable Growth Working Group of the association. This working group was established in order to contribute to the studies to be carried out on the creation of a general approach regarding the protection of the environment in lending and other services of banks and on the issue of handling the issue as a social project. The group has worked on raising general stakeholder awareness and disseminating the use of best practices, especially for the transition to a low carbon economy. The Banks Association of Turkey also provides distance education training for banks on environmental and social risk assessment.

As an active member of this group, Halkbank took part in the preparation and revision of the "Sustainability Guide for the Banking Sector" republished by the Banks Association in March 2021.

This guide defines 10 key principles for the banking and financial sector sustainability approach. Prepared by BAT Sustainability Working Group in collaboration with the Participation Banks Association of Turkey, the guide aims to enable the banks to more systematically manage environmental and social predictability, transparency and accountability approaches in the activities of the banks. The updated guide identifies 10 essential principles for sustainability approach in banking and finance sector such as, Evaluation and Management of Environmental and Social Risks Arising

from Banking Activities, Contribution to Sustainable Development Targets, Struggle against and Adaptation to Climate Change, Financial Health and Comprehensiveness, Human Rights and Workers' Rights, Comprehensiveness and Equality in Opportunity, Shareholder Participation and Communication, Corporate Management, Corporate Capacity Building, Monitoring and Reporting. Halkbank provided reviews and comments.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation

Have you evaluated whether your organization's engagement is aligned with the Sustainable Development Goals?

Yes, we have evaluated, and it is aligned

Issue area(s)

Water

Focus of policy, law or regulation that may impact this issue area

Sustainable finance

Specify the policy, law or regulation on which your organization is engaging with policymaker

Sustainability Guide for the Banking Sector

Policy, law or regulation coverage

National

Country/region the policy, law or regulation applies to

Turkey

Your organization's position on the policy, law or regulation

Support with no exceptions

Description of engagement with policymakers

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Details of exceptions (if applicable) and your organization’s proposed alternative approach to the policy, law or regulation

Have you evaluated whether your organization’s engagement is aligned with the Sustainable Development Goals?

Yes, we have evaluated, and it is aligned

FW-FS5.1

(FW-FS5.1) Does your organization measure its portfolio impact on forests and/or water security?

| | We measure our portfolio impact on this issue area | Primary reason for not measuring portfolio impact on this issue area | Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future |
|-----------------------------|---|---|--|
| Banking – Impact on Forests | No, but we plan to in the next two years | Important but not an immediate priority | We have committed to set science-based targets in line with the SBT criteria. We have become the first bank that commits to set targets in line with SBT's Net-zero standard. Additionally, we joined the Net Zero Banking Alliance and committed to have a net-zero emissions portfolio by 2050. Within the scope of our climate change strategy, we are improving our data collection systems and due diligence processes. These will help Halkbank to measure the portfolio impact in terms of sustainability metrics other than GHG emissions. |

| | | | |
|---------------------------|--|---|--|
| Banking – Impact on Water | No, but we plan to in the next two years | Important but not an immediate priority | We have committed to set science-based targets in line with the SBT criteria. We have become the first bank that commits to set targets in line with SBT's Net-zero standard. Additionally, we joined the Net Zero Banking Alliance and committed to have a net-zero emissions portfolio by 2050. Within the scope of our climate change strategy, we are improving our data collection systems and due diligence processes. These will help Halkbank to measure the portfolio impact in terms of sustainability metrics other than GHG emissions. |
|---------------------------|--|---|--|

FW-FS5.2

(FW-FS5.2) Does your organization provide finance or insurance to companies operating in any stages of the following forest risk commodity supply chains, and are you able to report on the amount of finance/insurance provided?

| | Finance or insurance provided to companies operating in the supply chain for this commodity | Amount of finance/insurance provided will be reported | Explain why your organization is unable to report on the amount of finance/insurance provided for this commodity |
|--|---|--|--|
| Lending to companies operating in the timber products supply chain | Yes | No, but we plan to assess our portfolio's exposure to this commodity in the next two years | As of 2021, the portfolio exposure on different parts of the supply chain in this forest risk commodity can't be disclosed due to confidentiality. As we improve our data collection systems and due diligence processes in line with our net-zero targets, we will be assessing and disclosing related metrics in the next years. |
| Lending to companies operating in the palm oil products supply chain | No | | |
| Lending to companies operating | Yes | No, but we plan to assess our portfolio's exposure to this | As of 2021, the portfolio exposure on different parts of the supply chain in this forest risk commodity can't be disclosed due to confidentiality. As we improve our data collection systems and due diligence processes in |

| | | | |
|---|----|---------------------------------|--|
| in the cattle products supply chain | | commodity in the next two years | line with our net-zero targets, we will be assessing and disclosing related metrics in the next years. |
| Lending to companies operating in the soy supply chain | No | | |
| Lending to companies operating in the rubber supply chain | No | | |
| Lending to companies operating in the cocoa supply chain | No | | |
| Lending to companies operating in the coffee supply chain | No | | |

FW-FS6.1

(FW-FS6.1) Have you published information about your organization’s response to forests- and/or water-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

No publications

Status

Attach the document

Page/Section reference

Content elements

Comment

Submit your response

In which language are you submitting your response?

Please confirm how your response should be handled by CDP

| | I understand that my response will be shared with all requesting stakeholders | Response permission |
|---------------------------------------|---|---------------------|
| Please select your submission options | Yes | Public |

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