

QNB FİNANSBANK A.Ş. - Climate Change 2021

C0. Introduction

C0.1

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

Founded on October 26, 1987 as Finansbank A.Ş., QNB Finansbank continues to serve Turkish economy as one of Turkey's largest private banks. Along with a workforce of 11,111 people and 475 branches in 68 cities, including 1 branch in Bahrain, QNB Finansbank offers a broad collection of products and services across a multichannel network. Furthermore, through its subsidiaries and affiliates, the Bank also provides services in factoring, financial leasing, consumer finance, private pension and life insurance, portfolio management, and offers e-transformation products.

QNB Finansbank distinguishes itself with its strong shareholder structure, experienced and professional staff, innovative and distinctive products and services, customer-oriented strategies and value creating social responsibility projects.

In June 2016, 99.88% share of QNB Finansbank was acquired by Qatar National Bank (Q.P.S.C.) (QNB Group), and since, the Bank continues to take steps to further bolster the success story that made it one of Turkey's largest private banks. Bank's shares are publicly traded on Borsa Istanbul, with the ticker code "QNBFB".

Vision

Being the architect of every individual and commercial financial plan that will catalyze Turkey's success

Mission

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

Values

- Respect and Commitment
- Being “Us”
- Leadership
- Innovation

QNB Group and QNB Finansbank recognise the significant contribution the Group can make to society by adopting business practices to address ESG topics directly (through their business operations), indirectly (through their financing and community activities), as well as by embedding a culture of sustainability in their DNA. Furthermore, the Group believes that a proactive approach to sustainability strengthens QNB Group’s business resilience and supports sustainable financial performance in times of uncertainty. The Group is committed to creating long-term value for its stakeholders while remaining committed at the same time to the protection of the environment, and its contribution to the societies in which it operates.

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	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	Yes	3 years

C0.3

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

Turkey

C0.4

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

TRY

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

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

Bank lending (Bank)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual(s)	Please explain
Board-level committee	Sustainability Committee (SC) was established to provide adequate, effective and strategic oversight for the Bank's overall sustainability initiatives. SC is responsible for general oversight of sustainability strategy and performance, including informing and updating Board of Directors and Corporate Governance Committee on sustainability related matters. The CEO of the Bank will acts as the Chairperson of the Sustainability Committee and a member of the Board of Directors.

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 – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	QNB Finansbank's environmental activities are supervised under the Sustainability Committee. The Sustainability Committee, created in 2019, The Committee shall consist of the Executive-Vice Presidents (EVP's), and/or Directors who will be appointed by the Chairperson considering their core responsibility and at least two members of the Strategy Office. Head of Risk Management also attends the meetings as an observer. The SC is the decision-making body for all matters relating to the Bank's sustainability programme. Responsibilities include reviewing the strategic framework and ambition, deciding on priority initiatives for implementation with accountable working groups, monitoring performance and assessing ESG-related risks and opportunities. When required, the SC reports key risks and opportunities to the Board of Directors via Corporate Governance Committee. As a minimum, the Board of Directors and Corporate Governance Committee receives an annual update on the overall execution of the Bank's sustainability strategy and performance.

C1.2

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

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Annually
Please select	Please select	<Not Applicable>	Please select	<Not Applicable>
Other, please specify (Corporate Governance Committee)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Quarterly
Other, please specify (Credit Committee)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	As important matters arise
Chief Executive Officer (CEO)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly

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
Chief Financial Officer (CFO)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Other C-Suite Officer, please specify (EVP, Credits Monitoring and Financial Institutions Credits Management)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	More frequently than quarterly
Other, please specify (Sustainability Representatives)	Corporate Sustainability/CSR reporting line	Managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise

C1.2a

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

- Sustainability Committee (SC) was established to provide adequate, effective and strategic oversight for the Bank's overall sustainability initiatives, including the climate-related initiatives. SC is responsible for general oversight of climate change and overall sustainability strategy and performance, including informing and updating Board of Directors and Corporate Governance Committee on sustainability related matters. The CEO of the Bank acts as the Chairperson of the Sustainability Committee and a member of Board of Directors.

- Strategy Office, along with a designated sustainability team, manages overall sustainability exercises of our Bank, collects data, ensures that the decisions taken by the SC are put into practices and monitors/supervises the processes. Strategy Office is also responsible for all sustainability related reportings. Head of Strategy Office reports to Chief Financial Officer, acts as the Secretary of the Sustainability Committee, is responsible for setting the agenda of the SC, as well as coordination and management of sustainability-related issues within the Bank.
- Sustainability Working Groups are the teams proposing and executing projects and action plans.

The responsibilities of the committee include, but are not limited to the following:

- Act as the main sustainability oversight and decision-making body,
- Set the sustainability vision, mission and strategy of the Bank in alignment with QNB Group's sustainability strategy and framework, as well as international standards and industry best practices
- Establish Sustainability Working Group(s), that are responsible for working and developing projects on specific topics based on the Bank's sustainability strategy, as well as in order to ensure timely compliance to national & international standards and industry best practices
- Review and comment on the results of the sustainability projects undertaken by Sustainability Working Groups and support implementation,
- Develop sustainability policies when necessary with the aim to govern the process in a holistic manner, and integrate
- Review and approve all sustainability related report(s) and if deemed necessary, any sustainability-related material disclosures/statements of the Bank.

Committee Members:

- Information Technologies, Operations, Channels and Business Development
- Retail and SME Banking
- Enpara.com
- Treasury / International Banking
- Communications and Customer Experience Office
- Human Resources
- Corporate and Commercial Banking

- Corporate and Commercial Credits Allocation
- Financial Control and Planning / Procurement
- Retail and SME Credits
- Strategy Office
- Risk Management (observer)

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	The Bank provides the climate change-related incentives starting from the upper management level to all employees.

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
Other, please specify (Institutional Commitment)	Non-monetary reward	Emissions reduction target Efficiency target Supply chain engagement	As part of the QNB's Group Performance Management framework, key performance indicators (KPIs) including sustainability are part of the performance for divisional, departmental and individual levels. The KPIs are reported in quarterly dashboards, including for members of the executive management. Performance management, of which KPIs are a component, feed into subsequent remuneration considerations.

C-FS1.4

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

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

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

	From (years)	To (years)	Comment
Short-term	0	2	Main short term climate-related risks and opportunities are directly linked to the regulations, international agreements and compliance to legal framework (GHG Monitoring and Reporting, Emission Trading Scheme (ETS), carbon and fuel/energy taxes). Our efforts on Climate Change (CC) will be focusing mainly on issuing a Green Bond &/or Sustainable Bond, managing our Carbon Footprint including Scope 3 emissions, resource management beneath our branches, obtaining funds on low carbon economy & finance, delivering our low carbon products, raising awareness on environment via trainings and CSR activities and our products.
Medium-term	2	5	Main medium term climate-related risks and opportunities are preparing our Science Based Targets (SBT) and performing accordingly, obtaining and delivering low carbon funds, being a mediating bank in cap and trade schemes, raising awareness on environment and setting sector-specific targets with a well-below 2 degrees and striving for 1.5 degrees trajectory, based on scientific climate scenarios by 2023. We're currently planning to assess our portfolio's exposure to climate-related risks and opportunities. The first step in this effort will be determining our financial exposure of various energy-intensive sectors in our portfolio. For the calculation of our portfolio's exposure to climate related risks & opportunities, we began to consider and collect data related to different parameters such as, sectoral GHG emission breakdowns of our portfolio, sources of these emissions (weighting of the company considering its asset size & revenues). This estimation will form a baseline for our methodological approach on our portfolio's exposure to climate-related risks & opportunities.
Long-term	5	20	In our main long term climate-related risks and opportunities, QNB Finansbank has an awareness to create and/or involve in Climate Change (CC) mitigation and adaptation is a necessity. Our ESG efforts are grouped under the umbrella of 'sustainable finance, sustainable operations and beyond banking' which is a strategy based on principles that govern all bank policies and behavior.

C2.1b

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

QNB Finansbank identifies its climate related risks stemming from its operational activities based on Internal Environmental Impact Assessment method that uses L-Type Matrix method. L-Type Matrix method grades environmental risks by calculating weight ratios with a scoring system. As a result of this assessment any situation that falls under the Bank's substantive financial or strategic impact definition would be considered climate related substantive financial or strategic impact resulting from the Bank's operational activities.

QNB Finansbank's climate related risks stemming from its financing activities are determined by credit risk assessment process including its Environmental and Social Risk Assessment (ESRA) System that is based on IFC Environmental and Social Performance Standards and local legislation. As part of ESRA System, projects/investments are classified into their risk categories; high, (A), medium-high (B+), medium-low (B-) and low risk (C). After this assessment any project/investment that falls under the substantive financial or strategic impact definition (defined above) are considered climate related substantive financial or strategic impact.

Considering the TCFD recommendations, we aim to develop a portfolio heat map in order to monitor the climate risk vulnerability of the sectors in our portfolio. It aims to enable an initial assessment of the pressures on costs and incomes of sectors affected by climate change. The sub-sectoral breakdowns in the loan portfolio and their climate change vulnerability will be analyzed in terms of both physical and transition risks and opportunities.

C2.2

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

Value chain stage(s) covered

Direct operations
Upstream
Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term

Long-term

Description of process

Our ESG efforts are grouped under the umbrella of 'sustainable finance, sustainable operations and beyond banking' which is a strategy based on principles that govern all bank policies and behavior. Within this scope; Sustainable Finance Sustainable finance, is the integration of ESG criteria into QNB Finansbank's financing activities to deliver value with purpose. Our ambition is to support customers to manage their environmental and social risks, lend to businesses that contribute towards sustainable development, improve access to finance for SMEs and underserved groups, and provide a responsible customer service. Delivering 'sustainable finance' is the most significant way in which QNB Finansbank can support national and global sustainable development initiatives. Moreover, it enables us to reduce reputational risks in our portfolio and maximize business opportunities emerging from the transition to a greener, more inclusive economy. QNB Finansbank's material topics identified within sustainable finance are: - Sustainable Investment, Lending, Products and Services - Supporting Small and Medium Sized Enterprises (SME's) and Entrepreneurship - Financial Inclusion - Responsible Customer Communication and Marketing - Digital Transformation and Innovation Sustainable Operations Sustainable operations, is the integration of ESG criteria into our business operations and across our supply chain to ensure we operate ethically and efficiently. Our ambition is to further strengthen corporate governance and risk management practices, promote equality throughout our workforce and reduce carbon emissions generated by our operations. This approach keeps us compliant with increasing ESG related demands while helping QNB Finansbank to be an "employer of choice". QNB Finansbank's material topics identified within sustainable operations are: - Environmental Impacts of Operations - Responsible Procurement and Supply Chain - Talent Attraction, Development and Retention Beyond Banking Beyond banking refers to QNB Finansbank's corporate social responsibility (CSR) activities in the community where it operates. Our ambition is to make a positive contribution towards wider society through our CSR activities. QNB Finansbank's material topic identified within beyond banking is: - Social and Community Investment Within the scope of our sustainability approach, five topics out of fourteen are deemed as "fundamentals of sustainability". These topics cannot be prioritized since they are equally important and should be achieved under any circumstances in terms of reaching sustainability goals and identifying climate-related risks and opportunities. Additionally, in August 2019, QNB Finansbank commenced a "Sustainability Management System" project with the intention to fully align QNB Finansbank's sustainability framework, policies and practices with QNB Group's long-term strategies as well as local and international best practices. QNB Finansbank's Environmental and Social Risk Management (ESRM) System, established in alignment with international standards, was reviewed in 2020, in order to revamp its scope and practices. In this context, ESRM is included in our Corporate Credit Policy in order to evaluate the environmental & social impacts of the projects that we finance.

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	QNB Finansbank takes into account national and international current regulations as well as latest recommendations by reputable sources such as Financial Stability Board (ie:TCFD recommendations), not only to ensure full compliance to existing regulations and policies but also to swiftly adapt to emerging regulations and policy changes and to manage its direct and indirect risks. Existing regulations directly affect the Bank itself and its customers, as requirements lead to additional costs and non-compliance with regulations may impact banks' and/or its customers' cash flows and repayment capacity. For instance, the monitoring, reporting, and verification regulation for energy intensive industries, and the filtration requirements for energy generation companies are assessed. The Bank expects its customers to comply with minimum requirements and risks are closely followed in the periodic reviews and taken into account in the provision calculations.
Emerging regulation	Relevant, always included	Both national and international emerging regulations are considered in the risk assessment, as the Bank closely monitors regulations under consideration for both bank-related and customer-related regulations.. The main emerging regulatory risk associated to climate change is a possible future carbon tax scheme, or an Emission Trading System (ETS). Considering all the policies and enablers of the Green Deal including circular economy to just adjustment mechanism, sustainable finance action plan to Carbon Border Adjustment Mechanism, one can easily predict that Turkish economy and trade with EU will be affected in a great deal. And also, the existing GHG emission monitoring, reporting and verification regulation of the Ministry of Environment and Urbanization towards an Emission Trading Scheme is considered under emerging regulation. The bank is also working towards advancing its climate risk management capabilities with the aim to conduct climate related stress testing of its portfolio.
Technology	Relevant, always included	At QNB Finansbank, we are eager to catch up with new technological trends to improve our products, services and processes by an innovative and customer-oriented point of view to ensure we adapt to developing technologies. QNB Finansbank aim to offer user friendly, accessible and environmentally friendly products and services to our customers in line with customer expectations and technological trends. For instance, Enpara.com launched in 2012 as the first direct banking model in Turkey continued to offer retail and SME banking services through digital channels only. We consider innovation, not only from ourselves, but also from our customers, a necessity to drive sustainable business. Where applicable we encourage the use of new technology and have rolled out products and services to encourage our customers to shift to more climate-friendly technologies, incentivize resource efficiency and mitigate indirect climate related risks.
Legal	Relevant, always included	The regulatory environment for Climate Change (CC) related matters is dynamic and rapidly evolving. Potential regulation changes directly affect bank itself and customers and non-compliance with laws & regulatory requirements (fines, jurisdictions etc) may have adverse impacts on bank' and/or customers' cash-flows and loan repayment capacities. Lawsuits or compensation requests that İsbank customers may face may cause deterioration of financial performance and an increase in clients' probability of default. Accordingly, QNB Finansbank is closely monitoring developments on potential litigations and suspension of activity cases in energy and cement sectors, and takes firm-level business decisions considering potential implications of such developments. In order to mitigate the non-compliance risk in the projects financed, projects are assessed for E&S risk as per ESRM policy. Our requirement on compliance to international best standards also makes the Bank's clients to get prepared for stricter legal framework and eliminates the future non-compliance risks. Similarly, the Bank's own operations are exposed to legal risks due to climate change. For example, failure to perform fiduciary duties or non-compliance to contractual commitments may lead to lawsuits filed against the Bank.

	Relevance & inclusion	Please explain
Market	Relevant, always included	Climate impacts increasingly confront companies with unplanned and abrupt changes or disruptions to businesses or assets. In addition, companies face transition risk to a low-carbon economy. All these factors are changing the competition landscape and turn out to be a survival issue for the private sector. Such market conditions force companies to be flexible and proactive enough to gain the ability to transform their businesses according to emerging trends. Market risks may arise from changes in supply and demand dynamics of products and services, and may be triggered abrupt and unexpected shifts in input (ie: higher oil prices or electricity costs) or changes in consumer behaviours (ie: favouring greener products). Such changes may adversely impact heavy industries or the transportation sector in the bank's credit portfolio. Similarly, the Bank's own operations are exposed to market risks due to an increase in input prices, leading to higher operational expenses. QNB Finansbank's Environmental and Social Risk Management (ESRM) system and policy assesses the market risks of the bank's credit portfolio. QNB Finansbank's capacity building efforts enabled the bank to secure favored lending from international financial institutions for supporting low-carbon investments. In 2021, the Bank issued its first green bond under its GMTN Programme to finance energy efficiency and renewable energy projects.
Reputation	Relevant, always included	Climate change related reputation risks may lead to loss of investor appetite and loss of access to green facilities. These risks may arise from inability to meet customer expectations related to climate change or non-compliance to the Bank's commitments (ie: commitments to Development Finance Institutions when sourcing green/sustainable funds). Similarly, the Bank's customers may be exposed to reputation risk due to their carbon-intensive or unsustainable activities. Examples include misconduct in terms of reporting emissions or damages to environment due to their operations & activities. Aligned with its ambition to manage these risks, the Bank does not finance certain sectors to mitigate potential risks. QNB Finansbank's ESRM system and policy takes into account any climate-change related reputational risk such as an environmental damage that might occur from bank's lending activities.
Acute physical	Relevant, always included	QNB Finansbank assesses acute physical risks such as risks due to extreme weather/climate conditions, flood, drought, cyclone etc, and takes necessary actions to manage/mitigate these risks. QNB Finansbank's business continuity management processes, contingency plans, crisis management and business recovery plans aim to mitigate operational risks, ensuring business continuity.
Chronic physical	Relevant, always included	Chronic physical risks stemming from climate change such as rising temperatures may impact the Bank's long-term business strategy. The chronic physical risks of all new investment projects credit amount worth more than USD 10 MM are evaluated by the Environmental and Social Risk Assessment Tool (ESRA). Environmental and Social Risk Management Team evaluates investments against different criteria such as use of natural resources, biodiversity, waste management, air, soil and water quality, water stress, noise, dust, occupational health and safety, social health and safety, resettlement and stakeholder engagement. Assessment results are used to classify investment projects into risk levels in 4 categories: high (Category A), medium high (Category B+), medium (Category B-), and low (Category C). Assessments are performed considering national legislation and international best practices.

C-FS2.2b

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	QNB Finansbank's regularly conducts a literature review, as well as an external trend analysis (UNEP-FI, SBTi, SDG) to define a long list of themes including climate change risk and opportunities. The majority of the impact is expected to originate from the Bank's downstream lending activities. QNB Finansbank is currently planning to assess its portfolio's exposure to climate-related risks and opportunities. For this purpose, we will determine our financial exposure of various energy-intensive sectors in our portfolio. For the calculation of our portfolio's exposure to climate-related risks & opportunities, we began to consider and collect data related to different parameters such as, sectoral GHG emission breakdowns of our portfolio, sources of these emissions (weighting of the company considering its asset size and revenues). This estimation will form a baseline for our methodological approach on our portfolio's exposure to climate-related risks and opportunities. On the other hand, as part of the integration our Environmental and Social Risk Management (ESRM) framework, we have established a cross-functional ESRM working group, which reports its activity to the Executive Management Team. Our ESRM enables the bank to proactively identify and manage exposure to E&S risks in our financing activities. Our ESRM clearly articulates exclusions, sectors deemed high risk, prohibited activities and risk categorization. In accordance with the risk category of the projects financed, certain risk management measures are requested, actions plans are set out and regular reviews are conducted. QNB Finansbank sees the largest opportunities related to products and services. We prioritize climate related opportunities based on strategic fit, international principles and customer needs. Based on our prioritization, we have already developed and introduced various green and/or sustainable financing opportunities.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	Not Applicable

C-FS2.2d

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	QNB Finansbank expects all customers to comply with regulations related to their business operations. These include water-related regulations. Furthermore, QNB Finansbank assesses the potential environmental and social (E&S) impacts arising from the investment projects that are financed. Projects are evaluated within the context of national law and regulations such as Water Pollution Control Regulation, Urban Wastewater Treatment Regulation, Surface Water Quality Regulation and Water Pollution Control Regulation. All new investment projects credit amount worth more than USD 10 MM are evaluated by the Environmental and Social Risk Assessment Tool (ESRA) regarding water-related risks.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	Not applicable

C-FS2.2e

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	QNB Finansbank expects all customers to comply with regulations related to their business operations. In all projects financed by QNB Finansbank, customers are required to comply with forest-related national laws and regulations. And also, trade in wild fauna or flora; the manufacture of or trade in any product covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) are other investment types that we do not finance. Besides, projects located in any protected area, critical habitat area, or natural/cultural heritage area is not financed unless adequate compensatory/mitigatory measures are taken. All new investment projects credit amount worth more than USD 10 MM are evaluated by the Environmental and Social Risk Assessment Tool (ESRA) regarding forests-related risks.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	Not applicable

C-FS2.2f

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

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	As part of Environmental and Social Risk Assessment ESRA evaluation process requires climate related information from its customers, depending on the nature of the investment/project financed. These are National EIA Application Report, Air Quality Modelling, Waste Heat Modelling, Hydrogeological Report, Sea Discharge Thermal Modelling, all legal approvals, licenses and permits for construction/operation phase, EIA Affirmative Decision, Environmental Permits, Electricity Production License, Forest Permits, Water Consumption Permit, Well Drilling Permits, Waste Storage License, Industrial Waste Storage License, Environmental and Social Impact Assessment (ESIA), Environmental and Social Due Diligence (ESDD), Stakeholder Engagement Plan (SEP) or Non-Technical Summary (NTS) conducted by an Environmental Consultant.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	Not applicable

C2.3

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

Yes

C2.3a

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

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market	Increased cost of raw materials
--------	---------------------------------

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016 but it is not yet ratified by the parliament. Emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. While after European Green Deal, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Turkey. After the introduction of a cap and trade system and also The EU Green Deal proposes a carbon border adjustment mechanism as an option, which may bring along the practice of imposing carbon tax on products exported from Turkey to the EU region. Such a tax may increase the cost of Turkish export products and reduce their competitiveness. The launch of the emissions trading mechanism in Turkey as an alternative/complementary element for the carbon border tax has led to discussions in the country. The mechanism will establish a trading system to include emission-intensive sectors. QNB Finansbank may be faced with additional cost which may result in contracting margins and hence difficulties in loan repayments in the future, increasing 's credit risk.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure**Cost of response to risk**

271400

Description of response and explanation of cost calculation**Comment**

Since there are no cap and trade schemes in Turkey at the moment, the management cost is the cost of Sustainability Management System (SMS) service for QNB Finansbank. These external consultancy services result in additional costs to the QNB Finansbank. In 2020, the total cost attributed to all those activities is estimated as 231,400 TRY.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
------------------	---

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Turkey is expected to face a mean temperature rise, which may result in water stress and drought. Water stress, drought and change in precipitation level affect the water-dependent sectors in our portfolio. Efficiency of projects may cause deterioration of the Bank's clients' payment capacity and consequently may increase credit provisions allocated for these clients.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Cost of response to risk

Description of response and explanation of cost calculation

Comment

Our Environmental and Social Risk Management (ESRM) tool enables the bank to proactively identify and manage exposure to E&S risks in our financing activities. Our ESRM clearly articulates exclusions, sectors deemed high risk, prohibited activities and risk categorization.

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?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased diversification of financial assets

Company-specific description

The global growth of green bonds (from \$2Bn in 2012, to estimated \$250Bn in 2018) presents a good opportunity for QNB Finansbank to facilitate the financing of renewable energy, green buildings and low emission transport, and to make a meaningful contribution to the transition to a low-carbon economy. In 2020, the QNB Group obtained a Second Party Opinion (SPO) , also include in QNB Finansbank, on its GSSB framework from Sustainability, who also conducted a third party pre-issuance review of our eligible green and social lending portfolio.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure**Cost to realize opportunity****Strategy to realize opportunity and explanation of cost calculation****Comment**

The proceeds from any future green bond issuance will be used to finance and/ or refinance assets in eligible green projects, such as Green Buildings, Energy Efficiency, and Sustainable Water and Waste Water Management categories.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Markets

Primary climate-related opportunity driver

Use of public-sector incentives

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

QNB Finansbank closely monitors the new opportunities to direct financing in renewable energy investments including solar power plants. Turkish government will put in place a new support/incentive mechanism for financing renewable energy projects such as Renewable Energy Resource Area ("RERAs" or "YEKA" in Turkish) investments. In the near future pipeline, it is expected that there would be 1,000 MW solar power projects that would be tendered under the YEKA scheme that would increase the appetite of the real sector for further investing in renewable energy.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

The cost of realizing this opportunity is 0 because QNB Finansbank already has a Project Finance team that monitors all opportunities related to financing renewable energy projects. Financing renewable energy projects is a fundamental part of QNB Finansbank business development strategy. This is undertaken by the full-time staff of the Bank that does not require any additional costs of management.

Comment

“Renewable Energy Resources Areas” (“RERAs” or “YEKA” in Turkish) model added value to Turkey in both meeting the energy demand and competitive pricing and the localization of the technology. In this process, not only in Turkey’s own borders, but also can respond well to regional demands, which may increase the export capacity in the region.

C3. Business Strategy

C3.1

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

Yes

C3.1b

(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	No, we do not intend to publish a low-carbon transition plan in the next two years	<Not Applicable>	Publishing a low-carbon transition plan is mid-term management target.

C3.2

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

Yes, qualitative, but we plan to add quantitative in the next two years

C3.2a

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

Climate-related scenarios and models applied	Details
Nationally determined contributions (NDCs)	QNB Finansbank consider on Turkey's Intended Nationally Determined Contribution (INDC) submitted on 30 September 2019 for its scenario analysis. Turkey's INDC puts into perspective Turkey's current situation with regard to its climate change performance including its energy consumption. Up to 21 percent reduction in GHG emissions from the BAU level by 2030 scenario will enable Turkey to step on low-carbon development pathways compatible with the long-term objective of limiting the increase in global temperature below 2 degrees scenario.

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	Sustainable finance is one of the three key pillars of QNB Group's Sustainability framework. It is the integration of ESG criteria into QNB's financing activities to deliver profit with purpose. Our ambition is to help customers manage their environmental and social risks, lend to businesses that contribute towards sustainable development goals, improve access to finance for SMEs and underserved groups, and provide responsible customer service. Delivering sustainable finance is the most significant way in which QNB Group can support sustainable development goals. Moreover, it enables the Group to reduce reputational risks in its portfolio and maximise business opportunities emerging from the transition to a greener, more inclusive economy. Sustainability requirements and ESG due diligence are incorporated within our credit policy and existing credit risk management framework through the integration of our ESRM Framework. Our ESRM enables the bank to proactively identify and manage exposure to E&S risks in our financing activities. Our ESRM clearly articulates exclusions, sectors deemed high risk, prohibited activities and risk categorisation As QNB Finansbank, we are committed to work with our clients to identify, assess and manage environmental and social risks with the awareness that finance sector, especially the Banks, can help reduce such by adopting and promoting responsible investment and lending processes. We continued to support renewable energy investments to show our commitment to Turkey's sustainable economic growth and development. We will provide customers with products and services that address an environmental and/or social challenge such as the promotion of financial inclusion or mitigation of climate change. We will catch up with ever-changing technological trends to improve our products and services by an innovative and customer-oriented point of view.
Supply chain and/or value chain	Yes	We will assess sustainability risks in our supply chain as part of our third party risk management framework and collaborate with our third parties to ensure compliance. Third parties are required to adhere to relevant laws and regulations as a minimum requirement.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Investment in R&D	Yes	QNB Finansbank launched digital transformation project "The Digital Bridge" in September 2019 to aid our clients in both banking and non-banking needs. The Digital Bridge Project further enriched the scope our products and services offered for SMEs. Through the newly established digital transformation department, we established alliances with FinTechs and other third party solution providers to help our clients reach the digital age via our "Digital Bridge". Digitalization process contributed immensely to cut on paper consumption and therefore indirectly contributed to reduce Scope 3 emissions of the Bank.
Operations	Yes	Aiming to make a strategic progress on its operations' impact on climate QNB Finansbank decided to consume renewable energy and energy efficiency in its buildings.: In 2020, QNB Finansbank procured its Head Office and all branches's 20% electricity from renewable sources. QNB Finansbank seeks to increase operational efficiency and reduce environmental impacts of its operations by taking different measures. While it recognizes its greatest environmental impacts are 'indirect' through its financing activities, the Bank also needs to responsibly manage the 'direct' environmental footprint associated with its own operations. Hence, the Banks aims to reduce our environmental impact through various measures such as selecting environmentally friendly devices for electrical and mechanical projects, controlling its premises through automation systems and taking specific actions to reduce energy and paper consumption. The Bank, which takes necessary actions to operate an environmental management system up to international standards, aims to obtain ISO 14001 Environmental Management System certification.

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

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Access to capital Assets	Climate-related risks and opportunities influence QNB Finansbank's business strategy and financial planning as we take current and potential impacts of climate-related risks and opportunities on our revenue streams, direct and indirect costs, ability to access capital and assets. From a risk and opportunity perspective, revenues component of our financial planning is influenced when we seize the climate-related opportunity, resulting as a revenue increase due to demand for products and services. In contrast, when we can't swiftly adapt to today's changing climate reality as our revenue streams may suffer badly because of inability to meet the demand, loss of market position & competitiveness. Apart from revenues, direct & indirect costs arising from climate related risks and opportunities influence QNB Finansbank's financial planning, varying from costs of response to climate risks, costs to realize climate-related opportunities to possible costs of climate-related risks on our assets. QNB Finansbank decides the share of the budget that will be reserved for green procurement and energy efficiency. In that respect energy efficient office supplies, lightings, green electricity procurements are considered as direct operational costs in the financial planning. QNB Finansbank accessed international funds with the help its focus on climate related activities. In 2020, QNB Finansbank concluded a EUR 25 million facility with the Proparco, a subsidiary of the French Development Bank, with a maturity of 6 years. Funds are being allocated to agricultural needs of the Bank's SME customers with a commitment to energy efficiency.

C3.4a

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

Global warming and climate change also remained to the fore as the greatest risks threatening our planet. Hence, we witnessed growing demand from all walks of life for immediate action to tackle climate change. Despite the tangible steps taken so far, studies show that commitments to lower emissions were not enough to keep the global temperature rise to 1.5°C. This means that the fight against climate change will remain a hot debate for a long time. All these developments demonstrate that non-financial performance and sustainability are as important as financial performance. And we are equally encouraged to intensify our efforts towards a common sustainable future at QNB Finansbank, one of the largest banks in Turkey. The fight against climate change has vastly changed our industry's approach to measuring, evaluating, and taking action for, the direct and indirect impacts of our operations.

C-FS3.6

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

Yes, both of the above

C-FS3.6a

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

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Other, please specify (Environmental and Social Risk Management Policy)	Minority of the portfolio	QNB Finansbank will not engage in any financing where there is clear evidence of illegal activities or severe damage to the environment and/or society. The Exclusion Lists the prohibited activities/ sectors that the Bank will not knowingly finance, directly or indirectly. All loan applications received by the Bank are checked against QNB Finansbank Exclusion List. QNB Finansbank Environmental and Social Risk Assessment Model is applied to all loan applications that are not listed in the "QNB Finansbank Exclusion List" which have a credit amount of 10 million USD, and a tenor of 24 months and above. 10 million USD limit covers minority of corporate and commercial banking investments but majority of project finance loan requests.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>

	Type of policy	Portfolio coverage of policy	Description
Other products and services, please specify	Other, please specify (Sustainability Policy)	All of the portfolio	<p>1. Sustainable Finance 'Sustainable Finance' is the integration of ESG criteria into QNB Finansbank's financing activities to deliver value with purpose. Our ambition is to support customers manage their environmental and social risks, lend to businesses that contribute towards sustainable development, improve access to finance for SME's and under-served groups, and provide a responsible customer service. Sustainable finance is the most significant way in which QNB Finansbank can support national and global sustainable development initiatives. Moreover, it enables us to reduce reputational risks in our portfolio and maximize business opportunities emerging from the transition to a greener, more inclusive economy. QNB Finansbank's 'Sustainable Finance' commitments are; *Sustainable Lending Portfolio: We standardise the methodology and criteria for our 'green and social lending portfolio', to track QNB Finansbank's contribution towards sustainable development goals in accordance with international principles. *Sustainable Products and Services: We provide customers with products and services that address an environmental or social challenge such as the promotion of financial inclusion or mitigation of climate change. We will catch up with ever-changing technological trends to improve our products and services by an innovative and customer-oriented point of view.</p> <p>2. Sustainable Operations 'Sustainable Operations' is the integration of ESG criteria into our business operations and across the supply chain to ensure we operate ethically and efficiently. Our ambition is to further strengthen corporate governance practices, promote equality throughout our workforce, and reduce carbon emissions generated by our operations. This approach keeps us compliant with ESG related demands while helping QNB Finansbank to be an 'employer of choice'. QNB Finansbank's "Sustainable Operations" commitments are; *Corporate Governance, Compliance and Risk Management: Our corporate governance framework is fundamental to the success of our business. QNB Finansbank stands committed to maintaining the highest levels of fairness, integrity and responsibility. QNB Finansbank operates a world-class corporate governance framework that ensures it is fully compliant at every level and is able to effectively manage all risks. Our robust approach to risk is a critical component of QNB Finansbank's operations, safeguarding our clients, profits and reputation. Our centralised approach to risk management is complemented by expertise and a risk culture in which every employee is responsible for potential risks in the course of their work. We will maintain robust corporate governance measures across the Bank that combine all aspects of internal control, risk and compliance, to meet the ever-changing regulatory landscape. *Environmental Impact of Operations: We will comply with all relevant environmental laws and regulations. We will manage QNB Finansbank's direct environmental impact through monitoring and continual improvement of its internal environmental management system. We will set targets to minimize the carbon emissions associated with our operations and improve resource efficiency (e.g., energy, water, paper, waste).</p>

C-FS3.6b

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

Type of exclusion policy	Portfolio	Application	Description
Other, please specify (Environmental and Social Risk Management Policy)	Bank lending	New business/investment for new projects	Our Environmental and Social Risk Management Policy released in 2017 and it was reviewed in 2020, in order to revamp its scope and practices. This policy is also public and can be found on the website: https://www.qnbfinansbank.com/en/about-qnb-finans-bank/policies QNB Finansbank supports the protection and management of natural biodiversity. It takes in consideration the measures which will protect biodiversity and the natural habitat in the financing of projects. Some examples to the exclusion criteria are as follows: • Activities conducted in wetlands as defined in "The List of Wetlands of International Importance" (The Ramsar List) , • Production or trade in unbounded asbestos (This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%)., • Drift net fishing in the marine environment using nets in excess of 2.5 km in length by using explosives and toxic substances, • Activities falling within the scope of prohibited activities in CITES , • Production or trade in any product or activity containing/related to PCB's (Polychlorinated biphenyls) regardless of the sector , • Transboundary commerce of wastes or disposals not in compliance with Basel convention and related regulations, • Production or trade in Ozone Depleting Substances not permitted by the national regulations, • Production or trade in any pharmaceuticals, pesticides / herbicides subject to international bans and local legislation • Transportation of oil and other hazardous substances via tankers that do not comply with the requirements of International Maritime Organization (IMO)

C4. Targets and performance

C4.1

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

Intensity target

C4.1b

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

Target reference number

Int 1

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Metric tons CO2e per unit FTE employee

Base year

2017

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

4.2

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

100

Target year

2022

Targeted reduction from base year (%)

20

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

3.36

% change anticipated in absolute Scope 1+2 emissions**% change anticipated in absolute Scope 3 emissions****Intensity figure in reporting year (metric tons CO2e per unit of activity)**

3.8

% of target achieved [auto-calculated]

47.6190476190477

Target status in reporting year

Underway

Is this a science-based target?

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

Target ambition

<Not Applicable>

Please explain (including target coverage)

2017 was decided as the base year as this is the year the scope of reporting across the QNB Group significantly expanded. Our targets are Energy efficiency in our HQ and branches (LED Lighting transformation, HVAC transformation), procurement of renewable electricity, digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand. We will follow the appropriate pathway for this target by SBTi.

C4.2

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

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

C4.2a

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

Target reference number

Low 1

Year target was set

2019

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

<Not Applicable>

Base year

2019

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

20

Figure or percentage in reporting year

22

% of target achieved [auto-calculated]

110

Target status in reporting year

Achieved

Is this target part of an emissions target?

Yes, QNB Finansbank uses green-electricity in order to achieve zero-emission in Scope 2.

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

QNB Finansbank sourcing 22% electricity from the renewable energy company of Eltek En-ergy. The I-REC Certificate document taken from Eltek Energy, from certificate ID: 0000-0000-8298-0048 to certificate ID: 0000-0000-8299-3047 . Going forward, the Bank targets to increase the share of renewable energy to at least 50%.

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*	2	7323
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

Low-carbon energy consumption	Hydropower
-------------------------------	------------

Estimated annual CO2e savings (metric tonnes CO2e)

7311

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

0

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

Payback period

<1 year

Estimated lifetime of the initiative

<1 year

Comment

QNB Finansbank has no annual monetary saving from green electricity usage.

Initiative category & Initiative type

Other, please specify	Other, please specify (Changes in operations)
-----------------------	---

Estimated annual CO2e savings (metric tonnes CO2e)

12

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

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

Payback period

<1 year

Estimated lifetime of the initiative

<1 year

Comment

In 2020, QNB Finansbank continued to provide services at 475 branches. With the intention of saving time spent on operations at its branches and preserve the environment, the Bank has executed its “digital transformation” and “paperless banking” principles for a

sustainable future. In 2020, more than %90 of the branch transactions was operated with the digital approval system, without the need of any documents.

C4.3c

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

Method	Comment
Dedicated budget for energy efficiency	We put great importance on our Sustainability Management System, a team of Maintenance Operations and Engineering Services, has a focused effort to decrease QNB Finansbank's environmental footprint with the help of emission reduction activities. To modernize and/or move our branches our constructional works unit puts effort continuously. We also modernize our ATM inventory. These new ATMs consume less electricity than old ones. In 2020 regarding digital approval, initiated in previous years with integration of customer product sales, new products and orders were added to the range, resulting in digital approval for 96% of all retail banking products offered at branches and 80% of banking services became available. Among retail customers, the rate of digital approval at applicable documents was close to 93%. In the corporate section, 80% of all products and services became subject to digital approval with the addition of Overdraft Account, Deposit Account and Insurance Cancellation, and rate of digital approval at these products and services reached 82%. Additionally, in order to improve the customer experience, digital approval processes were re-designed and simplified. In 2021, projects regarding digital approval of banking services provided at the branches will continue. As a part of the digital transformation projects, e-letter of guarantee project allowed letters of guarantee addressed to private sector parties as well as Customs Offices continue to be issued electronically. Efforts are ongoing to investigation and verification of the letter of attorney and the letter of dismissal information electronically via TNB. It is aimed to be deployed in the first quarter of 2021. Work on the e-mortgage project was completed and mortgage facility process started to be carried out electronically. Within the scope of Disaster Recovery Center Energy Saving, hot/cold aisle containment work was completed.
Employee engagement	Within QNB Finansbank Sustainability Management System project, awareness raising activities for employees are conducted to serve for behavioural change including communications.
Dedicated budget for other emissions reduction activities	In order to lower emissions, a budget has been dedicated to lowering emissions with investments to renewable energy procurement. In 2020, QNB Finansbank sourced 22% electricity from the renewable energy, and targets to increase this ratio above 50% going forward.

C4.5

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

Yes

C4.5a

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

Level of aggregation

Group of products

Description of product/Group of products

Renewable Projects support Turkey's move to a more environmentally sustainable and diverse electricity sector by exploiting the country's vast renewable energy potential. It is expected to improve the environmental characteristics of Turkey's power sector by reducing emissions of local pollutants and CO₂, as well as to increase private ownership of generation capacity. Wind and solar power plant projects also support Turkey in increasing the share of renewable energy in the country's energy mix, decreasing reliance on imported gas and they will contribute to the realisation of the Turkish government's targets. Project financing provided by QNB Finansbank for electricity generation investment have been transformed to renewable energy projects.

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

Avoided emissions

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

Green Bond Principles (ICMA)

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

% of total portfolio value

Asset classes/ product types

Bank lending	Project Finance
--------------	-----------------

Comment

QNB Finansbank support for renewable energy projects and diversifies its products in this area every passing year.

C5. Emissions methodology

C5.1

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

Scope 1

Base year start

January 1 2016

Base year end

December 31 2016

Base year emissions (metric tons CO2e)

11109

Comment

Our Scope 1 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

Scope 2 (location-based)

Base year start

January 1 2016

Base year end

December 31 2016

Base year emissions (metric tons CO2e)

39653

Comment

QNB Finansbank purchases electricity from the main grid. Our market-based Scope 2 emissions are same as our location-based Scope 2 emissions.

Scope 2 (market-based)

Base year start

January 1 2016

Base year end

December 31 2016

Base year emissions (metric tons CO2e)

39653

Comment

QNB Finansbank purchases electricity from the main grid. Our market-based Scope 2 emissions are same as our location-based Scope 2 emissions.

C5.2

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

ISO 14064-1

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

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

9128

Start date

January 1 2020

End date

December 31 2020

Comment

Our Scope 1 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)

11019

Start date

January 1 2019

End date

December 31 2019

Comment

Our Scope 1 Emissions were covering emissions from our headquarter buildings, ATMs and branches in Turkey as of 2019 reporting year.

Past year 2

Gross global Scope 1 emissions (metric tons CO2e)

10555

Start date

January 1 2018

End date

December 31 2018

Comment

Our Scope 1 Emissions were covering emissions from our headquarter buildings, ATMs and branches in Turkey as of 2018 reporting year.

Past year 3**Gross global Scope 1 emissions (metric tons CO2e)**

10779

Start date

January 1 2017

End date

December 31 2017

Comment

Our Scope 1 Emissions were covering emissions from our headquarter buildings, ATMs and branches in Turkey as of 2017 reporting year.

C6.2**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.****Row 1****Scope 2, location-based**

We are reporting a Scope 2, location-based figure

Scope 2, market-based

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

Comment

As mentioned in "Section C5.1", QNB Finansbank's electricity is purchased from the main grid.

C6.3**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?****Reporting year****Scope 2, location-based**

33326

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2020

End date

December 31 2020

Comment

Our Scope 2 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

Past year 1**Scope 2, location-based**

37042

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2019

End date

December 31 2019

Comment

Our Scope 2 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

Past year 2**Scope 2, location-based**

37736

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2018

End date

December 31 2018

Comment

Our Scope 2 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

Past year 3**Scope 2, location-based**

39238

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2017

End date

December 31 2017

Comment

Our Scope 2 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

C6.4

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

No

C6.5

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

Purchased goods and services**Evaluation status**

Relevant, calculated

Metric tonnes CO2e

46

Emissions calculation methodology

Paper and water consumption are calculated under this section. For water consumption both tap water and bottled water is considered and our carbon footprint arised from these sources was calculated according to ISO 14064-3 methodology. The emission factors for water and paper are gathered from Defra/DECC GHG reporting factors.

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

100

Please explain

Emissions related to purchased goods and services(paper and water consumption are calculated under this section) are relevant for us.

Capital goods**Evaluation status**

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

We're covering emissions from our capital goods (e.g. buildings) in our Scope 1 and 2 emissions in related sections of our CDP reporting.

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

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

The calculation covers the consumption of diesel and gasoline of personal cars used for business.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

All emissions associated to transportation and distribution (both upstream and downstream) are covered under "Downstream transportation and distribution" Section.

Waste generated in operations

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Calculating our Scope 3 emissions resulted from the waste generated in our operations are relevant for us, they are not yet calculated.

Business travel**Evaluation status**

Relevant, calculated

Metric tonnes CO2e

694

Emissions calculation methodology

The corresponding conversion factors published by US EPA are used in the calculation of related emissions. It is calculated with the appropriate emission factor based on the distance of the flight.

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

100

Please explain

Emissions related to business travel (Domestic, European and Continental business flights are calculated under this section) are relevant for us.

Employee commuting**Evaluation status**

Relevant, calculated

Metric tonnes CO2e

458

Emissions calculation methodology

To estimate the emissions from employee commuting, initially the total distance of each route is calculated. Then, the emission factor for appropriate vehicle is taken from Defra/DECC GHG reporting factors.

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

100

Please explain

Emissions related to employee commuting (emissions from personnel shuttles, buses and taxi travels of employees are calculated under this section) are relevant for us.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to upstream leased assets are not relevant for us.

Downstream transportation and distribution**Evaluation status**

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to downstream transportation and distribution are relevant for us, they are not yet calculated.

Processing of sold products**Evaluation status**

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

As we don't sell intermediate products that require processing into final products, we don't have any emissions in this category.

Use of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to use of sold products are not relevant for us.

End of life treatment of sold products**Evaluation status**

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to end of life treatment of sold products (disposal of credit and debit cards and client mailings are calculated under this section) are relevant for us, they are not yet calculated.

Downstream leased assets**Evaluation status**

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to downstream leased assets are not relevant for us.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to franchises are not relevant for us.

Investments**Evaluation status**

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions generated from lending and investing (through our loan books and investment portfolios) are relevant for us, they are not yet calculated.

Other (upstream)**Evaluation status**

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to other (upstream) are not relevant for us.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to other (downstream) are not relevant for us.

C6.7

(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?

No

C6.10

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

C7. Emissions breakdowns

C7.1

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

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO ₂ e)	GWP Reference
CO ₂	9020	IPCC Fourth Assessment Report (AR4 - 100 year)
CH ₄	9.7	IPCC Fourth Assessment Report (AR4 - 100 year)
N ₂ O	97.2	IPCC Fourth Assessment Report (AR4 - 100 year)

C7.2

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

Country/Region	Scope 1 emissions (metric tons CO ₂ e)
----------------	---

C7.3

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

C7.5

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

Country/Region	Scope 2, location-based (metric tons CO ₂ e)	Scope 2, market-based (metric tons CO ₂ e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
----------------	---	---	--	--

C7.6

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

C7.9

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

Decreased

C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	7311	Decreased	15.21	In 2020, QNB Finansbank procured its Head Office and all branches' 20% electricity from renewable sources.
Other emissions reduction activities	0	No change	0	There is no change.
Divestment	0	No change	0	There is no change.
Acquisitions	2520	Decreased	5.24	No acquisitions took place during reporting process. On the other hand, the number and the locations we serve are subject to change throughout the year, Number of branches are decreased in 2020. As a result, total surface area of our branches and HQ buildings are decreased from 412,859 m2 to 385,096 m2 from 2019 to 2020. It means a decrease of 27,763 m2 in the total surface area served. Emission intensity per square meter of surface area in QNB Finansbank for 2020 is 0.091 tCO2e/m2. Consequently, this decrease in surface area leads to an decrease of 2520 tCO2e in emissions and it can be considered in acquisitions.
Mergers	0	No change	0	There is no change.
Change in output	0	No change	0	There is no change.
Change in methodology	0	No change	0	There is no change.
Change in boundary	0	No change	0	There is no change.
Change in physical operating conditions	0	No change	0	There is no change.
Unidentified	0	No change	0	There is no change.
Other	0	No change	0	There is no change

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	No

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	16754	16754
Consumption of purchased or acquired electricity	<Not Applicable>	13000	43700	56700
Consumption of purchased or acquired heat	<Not Applicable>	0	517	517
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	13000	60971	73971

C8.2b

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

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Please select
Consumption of fuel for the generation of heat	Please select
Consumption of fuel for the generation of steam	Please select
Consumption of fuel for the generation of cooling	Please select
Consumption of fuel for co-generation or tri-generation	Please select

C8.2c

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

C9. Additional metrics

C9.1

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

Other, please specify (Water Consumption)

Metric value

121582

Metric numerator

Cubic meters

Metric denominator (intensity metric only)**% change from previous year**

31

Direction of change

Decreased

Please explain

Total water consumption QNB Finansbank in 2020 has decreased around 31% comparing to the previous year.

Description

Other, please specify (Paper Consumption)

Metric value

155

Metric numerator

Tons

Metric denominator (intensity metric only)**% change from previous year**

59

Direction of change

Decreased

Please explain

In addition to on-going efforts reported for previous years; in 2019, QNB Finansbank completed the digital transformation and “paperless banking” improvements in all branches (digital approval flow). Thus, 94% of the transactions at the branches were carried out without paper through the digital approval flow. Compared to 2015, paper consumption has been reduced by 83%.

C10. Verification

C10.1

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

	Verification/assurance status
Scope 1	No third-party verification or assurance
Scope 2 (location-based or market-based)	No third-party verification or assurance
Scope 3	No third-party verification or assurance

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?

No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.1

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

No, but we anticipate being regulated in the next three years

C11.1d

(C11.1d) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?

Turkey is taking steps to prepare its economy for closer ties with EU legislation. One important step towards this integration has been the preparation of new legislation to monitor and verify emissions across a range of sectors. The legislation, which was enacted in April 2012, implements key parts of the EU Monitoring Mechanism Decision 280/2004/EC and establishes an installation-level MRV system. Sectors covered under the regulation include the energy sector (combustion fuels >20MW) and industry sectors (cement, metals, coke production, paper and pulp, glass, ceramic products, insulation materials, and chemicals). All

regulated installations in these sectors were obliged to report their 2015 emissions before end of April 2016, and have been reporting their emissions since.

Further support work was undertaken through the World Bank's Partnership for Market Readiness (PMR), which supported Turkey with the development of domestic market-based instruments including the establishment of a national ETS. The results of this study was also published on Turkish Ministry of Environment and Urbanization website. We anticipate being regulated under the Turkish ETS system until 2023.

C11.2

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

No

C11.3

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

No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

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

Yes, our suppliers

Yes, our customers

Yes, other partners in the value chain

C12.1a

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

Type of engagement

Compliance & onboarding

Details of engagement

Other, please specify (Incorporate climate-change related KPIs in supplier selection & supplier chain management)

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

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

0

Rationale for the coverage of your engagement

At all times, we strive to procure goods and services that have a reduced impact on the environment and our operations. We assess sustainability (environmental, social and human rights) risks in our supply chain as part of our third party risk management framework, and collaborate with our third parties to ensure compliance. Third parties are required to adhere to local laws and regulations as a minimum requirement.

Impact of engagement, including measures of success

Our third-party risk management demands all our suppliers to respect human rights and establish a clean and safe working environment for their employees. This includes prohibiting forced labour, child labour or discrimination and paying appropriate wages. We also engage and collaborate with suppliers to ensure sound practices to minimise adverse external impacts. In our procurement processes, we give priority to the selection of suppliers, which are competitive, offer high quality services, have a high reputation in the market and the ability to assess and manage their own risks. We do show utmost effort to minimize the environmental and social effects of the products and services it purchases, and allocate extra budget for this purpose.

Comment

C12.1b

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

Type of engagement

Engagement & incentivization (changing customer behavior)

Details of engagement

Engage with customers on measuring exposure to climate-related risk

% of customers by number

1

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

0

Portfolio coverage (total or outstanding)

Minority of the portfolio

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

All new investment projects credit amount worth more than USD 10 MM are evaluated by the Environmental and Social Risk Assessment Tool (ESRA).

Impact of engagement, including measures of success

C12.1d

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

Within scope of our corporate social responsibility strategy and principles, we do engage and collaborate with NGOs in order to further advance our contributions to the UN SDGs.

We also engage with international financial institutions to secure favored lending in order to support low-carbon investments. In 2021, the Bank issued its first green bond under its GMTN Programme to finance energy efficiency and renewable energy projects. In 2020, QNB Finansbank also concluded a EUR 25 million facility with the Proparco, a subsidiary of the French Development Bank, with a maturity of 6 years. Funds were allocated to agricultural needs of the Bank's SME customers with a commitment to energy efficiency.

C12.3

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

Direct engagement with policy makers

Trade associations

C12.3a

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

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
----------------------	--------------------	-----------------------	-------------------------------

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Other, please specify (Environment and Climate Change Risk and Opportunities)	Support	We are active members in TUSIAD (Turkish Industry and Business Association)'s sustainability working groups including but not limited to Environment and Climate Change Working Group. Output documentations created by these working groups are proposed to policy makers.	This working group was created to deal with energy and environmental issues, which we consider to be of strategic importance for Turkey. Priority issues worked are as low carbon economy, resource efficiency, waste management and combating climate change.
Climate finance	Support	We are a member of Sustainability Working Group of the Banks Association of Turkey. Output documents generated by this working group are proposed to regulatory bodies, such as BRSA (Banking Regulation and Supervision Agency).	The working group closely monitors incentive practices in the European Union and other developed markets for environmentally friendly financing models. One of the recent focus areas of the WG is the green asset ratio. In 2020, the working group updated the Sustainability Guide for Banking Sector, in line with the recent regulations, industry best practices. The guide was, published in March 2021.

C12.3b

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

No

C12.3f

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

QNB Finansbank's sustainability management system is an integrated management system evaluating all of the Bank's operations in terms of sustainability impacts. This system allows us to ensure that all of our activities are consistent with our overall sustainability strategy, from multiple aspects from lending to human resources practices and from procurement decisions to the Bank's environmental footprint and operations. Our Bank's Sustainability Policy and other supplementary sustainability related policies create a basis for the operation of the sustainability management system.

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[QNBFB ANNUAL REPORT_2020.pdf](#)**Page/Section reference**

Refer to Page 32-49, 57-58, 83-90 in our Annual Report, for the information related to the sustainability governance structure and strategy of the Bank, as well as initiative taken by the Bank to mitigate climate related risks.

Content elements

Governance

Comment

In our annual report, information related to the sustainability governance structure of the Bank is presented. A separate sustainability report, which includes Bank's strategy, governance, risk & opportunities, emission figures, will be published in August 2021 on the sustainability website of the Bank (<https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability>).

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

	Industry collaboration	Comment
Reporting framework	Other, please specify (GRI Standards, Turkish Capital Markets Board – Sustainability Principles Compliance Statement)	Sustainability reports are prepared in accordance with GRI Standards: "Core Option" and Financial Services Sector disclosures. In addition, in 2020, the Bank included its compliance statement to Turkish Capital Markets Board's Sustainability Principles (pages 83-89 of 2020 Annual Report - https://www.qnbfinansbank.com/en/investor-relations/financial-information).
Industry initiative	Other, please specify (UN Global Compact Communication on Progress)	A signatory to the UN Global Compact, QNB Finansbank presents its contribution to the United Nations Sustainable Development Goals (UN SDG's) by aligning our sustainability objectives by relevant UN SDG's. In addition, United Nations Global Compact Communication on Progress (COP) Index, has been included in the sustainability reports and published on Bank's sustainability website to publicly share our Bank's contribution and support to UNGC's ten principles.
Commitment	Please select	

C14. Portfolio Impact

C-FS14.1

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

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016 but it is not yet ratified by the parliament. We are planning to take action to align our portfolio to a well below 2 degree with the development of related regulations which will be shaped in the next 2 years.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	Not applicable

C-FS14.1c

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

QNB Finansbank aims urgently identify the processes, methodologies, and tools they will need to manage climate risk effectively on loan portfolio. Scenario analyses and stress tests will be pillars of supervisory frameworks and should be considered essential capabilities. Outcomes will be hardwired into reporting and disclosure frameworks. We are aware of all this but banking, like most sectors, does not yet have the climate-risk resources it needs

sufficiently. It is noted that data availability is improving, but is not yet sufficient in all cases in terms of either coverage or quality.

C-FS14.3

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

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016 but it is not yet ratified by the parliament. We are planning to take action to align our portfolio to a well below 2 degree with the development of related regulations which will be shaped in the next 2 years.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	Not applicable

C15. Signoff

C-FI

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

No additional comment