

Sustainability Report

2019



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1. Introduction and Business Overview

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1.1 About This Report

2019 QNB Finansbank Sustainability Report provides an overview of our Bank's sustainability approach and performance covering the period from 1 January 2019 to 31 December 2019 by complementing the topics in QNB Finansbank 2019 Annual Report.

This report has been prepared in accordance with GRI Standards: "Core Option" and Financial Services Sector disclosures. Our Bank's contribution to the United Nations Sustainable Development Goals (UN SDG's) is presented by aligning our sustainability objectives by relevant

UN SDG's. In addition, a new section, United Nations Global Compact Communication on Progress (COP) Index, has been included to this year's report to publicly share our Bank's contribution and support to UNGC's ten principles.

In this report, the terms "QNB Finansbank A.Ş.", "QNB Finansbank", "Our Bank", "The Bank" and "We/Us" are used interchangeably. Like previous year, figures and disclosures in this report reflect only QNB Finansbank's domestic operations excluding subsidiaries, unless stated otherwise.

Feedback

You may contact our sustainability team at sustainability@qnbfinansbank.com and submit your opinions, suggestions and feedbacks about this report, and our sustainability practices.

This report's electronic version can be reached [here](#).



1.2 Message From The Chairman

Dr. Ömer A. Aras
Chairman



Esteemed Stakeholders,

We are going through unprecedented times as we struggle with the greatest global health crisis of our era and try to adapt to the new normal in every aspect of life.

Although the current COVID-19 pandemic emerged as a health crisis, the latest developments reveal that the pandemic will trigger, and has indeed triggered, dramatic changes and transformations in society, the economy and the environment.

A new period lies ahead of us. From now on, we will have more extensive discussions on the adoption of new business models, changes in how we do business, new consumer behaviors, more frequent use of technology and the Internet, and shift in stakeholder expectations and demands. Therefore, it is critical to take both financial and non-financial action, with a

particular focus on social and environmental sustainability.

At QNB Finansbank, we will dwell on the steps and measures we took during these trying times in the forthcoming 2020 Sustainability Report. In the meantime, I would like to emphasize that sustainability and sustainable development are global and shared goals in the face of a pandemic that brought irreversible change in our lives.

As for this reporting year, we witnessed turbulent changes in many areas in 2019. US-China trade wars, Brexit, substantial political and economic shifts, and the subsequent attempts to restore some balance were the highlights of 2019.

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.

This is why we believe that joining the United Nations Global Compact - the world's largest corporate sustainability initiative - was acutely pertinent. As a signatory, and in order to establish a sustainable and inclusive global economy, we are committed to aligning our strategy and operations with the UN Global Compact's Ten Principles in the areas of human rights, labor, environment and anti-corruption, and to carrying forward our ongoing efforts in these areas.

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. This is why we have launched a major project aimed at more comprehensively managing the direct and indirect impacts arising from QNB Finansbank. In the coming period, we will share the efforts undertaken and the results achieved under this project in detail.

Our Corporate Social Responsibility activities are invaluable. We worked without respite on our CSR projects in 2019, as in previous years. We traveled to all corners of Turkey, reaching out to children and youth, to support them with projects conducted as part of our social responsibility platform, Small Hands Big Dreams. Our Financiers have, without a doubt, worked tirelessly this year, helping us launch many projects. We will continue to accomplish together and undertake even better projects in the coming period.

While sharing our second Sustainability Report, which provides all the details of our sustainability efforts in 2019, I would like to thank all our stakeholders - first and foremost, my colleagues.

Kind regards,

Ömer A. Aras
Chairman

1.2 Message From The CEO

Temel Güzelöğlu
CEO



Esteemed Readers,

Globally, we are going through historic times, tackling the COVID-19 pandemic and rapidly adapting to the new normal as the old normal dissipates in our memories.

While the pandemic affects all aspects of life, it also urged us to quickly rethink and change our ways of doing business. Since the outset of this period, as one of the pioneering banks in the sector, we have adapted to the new normal promptly thanks to the support of our senior management and colleagues. We have taken a series of steps to make sure our employees and customers remain unaffected in the face of this outbreak. We have maintained our seamless and uninterrupted services with our new business models. While I give you merely an overview, we will provide further details on these steps and the impacts of the pandemic in our next report.

As for 2019, which is the theme of our report, it was marked by our significant achievements at QNB Finansbank.

We pursued our strategy and sustainability priorities and focused, first and foremost, on digital transformation projects, support for women entrepreneurs, investments in digital banking channels, and efforts in the area of corporate social responsibility.

We launched the trailblazing “Digital Bridge”, which is a digital transformation project aimed at digitalization and supporting SMEs. We are diversifying the benefits of our products and services for SMEs as part of this project. Furthermore, we cooperate with solution partners in various areas to help our customers embark on a digital transformation journey and keep abreast of the era.

We partnered with Türk Eximbank to offer the “Women Entrepreneur Loan”, and thus adopted a pioneering role in the industry. This product will support women entrepreneurs by helping them tap into opportunities abroad.

We continued non-branch channel investments in 2019, as well. We added new functionalities to our internet and mobile banking channels, and completed the enhancements for digital transformation and paperless banking practices at our branches. This is how we contributed to our goal of boosting operational efficiency and customer satisfaction, and started to take firmer steps towards a sustainable shared future.

Innovation, one of our fundamental values, was once again a source of inspiration for us in 2019. Founded to develop the future banking technologies, Fincube will continue its operations with the title QNBeyond. This name change has transformed QNBeyond into a special project that will extend to wider geographies. Hence, in 2019, we contributed to the implementation of numerous projects under the umbrella of QNBeyond. You can find a detailed summary of these activities in our Report.

Our Bank also maintained its distinct position through human resources practices. Our training and development activities, including “Financier 360” and “Branch Manager Development Programs”, won 11 awards at the Stevie Awards for Great Employers and the Brandon Hall Group Excellence Awards, two of the most prominent business awards around the globe.

We place great emphasis on Small Hands Big Dreams, our social responsibility platform. We worked at full speed on the CSR projects under the umbrella of this platform with the support of our volunteering Financiers. We have reached out to thousands of children all across Turkey with many projects, including “QNB Finansbank Tales Math Museum Mobile Truck”, “By the Power of Imagination” (in partnership with the Community Volunteers Foundation), and “Tiny Fingers Coding Future”. We will continue with corporate social responsibility projects focused on children and youth in the coming period.

As a pioneering bank, we will pursue our mission and responsibility of creating not only financial but also social and environmental value. Taking this opportunity, I would like to reiterate our commitment to maintaining our sustainability efforts, and to thank you sincerely for your attention to and support for this matter.

Kind regards,

Temel Güzelöğlu
CEO

1.3 QNB Finansbank at a Glance

Founded on October 26, 1987 as Finansbank A.Ş., QNB Finansbank continues to serve our economy as one of Turkey's largest private banks. Along with a workforce of 12,087 people and 524 branches in 71 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.



Vision, Mission and Values



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



RESPECT AND COMMITMENT



LEADERSHIP



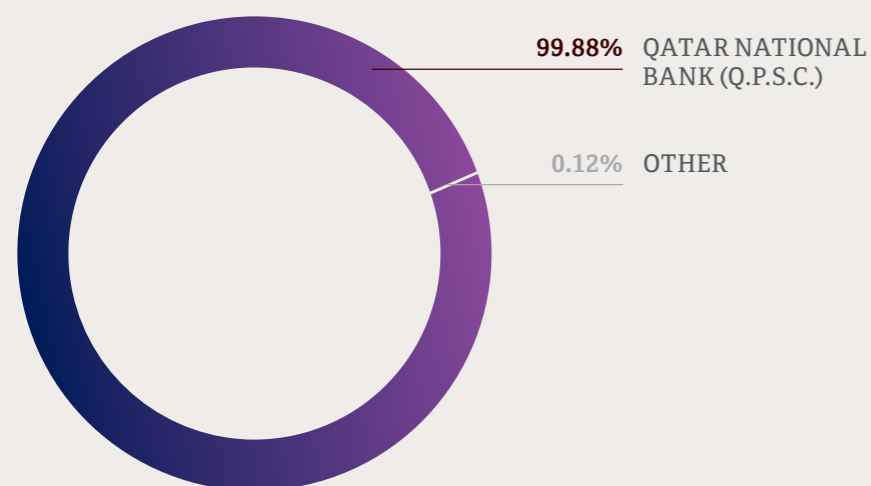
BEING "US"



INNOVATION

VALUES

Shareholder Structure



About QNB Group

Established in 1964, QNB is the leading financial institution in the Middle East and Africa (MEA). QNB Group today is present in more than 31 countries spanning across three continents, with more than 29,000 employees serving 25 million customers.

Primary Brands, Products and Services

QNB Finansbank offers a broad collection of products and services in various segments and businesses (such as corporate and commercial banking, SME and agricultural banking, consumer, affluent and private banking, Enpara.com, payment systems) with the mindset of offering more than traditional banking services to its customers, focused on, innovative and customer-oriented strategies.

Subsidiaries and Affiliates

- > QNB Finansinvest
- > QNB Finansleasing
- > QNB Finans Asset Management
- > QNB Finansfactoring
- > Cigna Finans Pension and Life
- > Bantaş
- > Hemenal Finansman A.Ş.
- > IBTech
- > QNB eFinans

Note: For further information regarding primary brands, products and services, and subsidiaries and affiliates, please refer to the [QNB Finansbank 2019 Annual Report](#).

1.4 Sustainable Financial Performance



In line with our mindset and our commitment to delivering value not only for our shareholders but also for society, at QNB Finansbank, we believe that a consistent financial performance comes from sustainable business practices. Hence, we ensure our long-term sustainable growth through our broad client base, robust capital adequacy ratio and consistently growing business volume.

In 2019, QNB Finansbank continued its contribution and support to the Turkish economy and attained significant achievements in terms of loan growth, deposit volume and return on equity. As of December 31, 2019, the total assets of our Bank reached TRY 181 billion 681 million, while net loans reached TRY 110 billion 683 million and customer deposits reached TRY 100 billion

219 million. Total equity of our bank increased by 15%, compared to the 2018 year-end, reaching TRY 16 billion 685 million, as the capital adequacy ratio realized at 15.73%. In 2019, profit before taxes of the Bank amounted to TRY 3 billion 180 million, while net profit reached TRY 2 billion 622 million. This year, through the syndication agreement signed in December 2019, we became the first and only Turkish bank granted a three-year loan since 2016. The syndicated loan facility, through which USD 457 million international funding were raised in two maturity periods comprised of 1-year and 3-year options with participation from 34 banks across 19 countries, demonstrated the confidence of international financial institutions in Turkish banking sector and QNB Finansbank.

Sustainable Financial Performance-I (TRY Thousand)	2017	2018	2019
Key Financials			
Revenues ⁽¹⁾	6,249,616	8,533,771	8,945,708
Operating Costs ⁽²⁾	1,713,865	1,924,379	2,155,795
Employee Wages and Benefits ⁽³⁾	1,253,346	1,425,103	1,716,360
Dividends Paid to Shareholders ⁽⁴⁾	0	100,000	0
Interest Payments Made to Providers of Loans ⁽⁵⁾	596,917	1,053,658	1,212,384
Payments to Government (Taxes) ⁽⁶⁾	445,524	648,912	557,603
Pre-Tax Profit	2,048,965	3,058,741	3,179,760

Sustainable Financial Performance-II (TRY Million)	2017	2018	2019
Total Assets	125,857	157,416	181,681
Net Loans	82,683	94,018	110,683
Customer Deposits	65,297	83,413	100,219
Equity	12,155	14,572	16,685

Key Ratios	2017	2018	2019
Capital Adequacy Ratio	14.99%	15.41%	15.73%
Avg. Return on Equity	14.34%	18.06%	17.12%
Avg. Return on Asset	1.40%	1.61%	1.53%

Notes:

1- Revenues in the Bank's income statement is taken into consideration (Net Interest Income/Expense, Net Fees and Commissions Income/Expense, Dividend Income, Net Trading Profit Loss and Other Operating Income) 2- Covers all operating costs of the Bank, excluding employee expenses and provision for loans and other receivables losses 3- Covers employee wages, bonuses, and all payments made to the government on behalf of employees 4-Covers all dividends distributed 5- Covers interest paid on funds borrowed 6- Covers current tax provision and deferred tax provision.

For detailed information please refer to the [QNB Finansbank 2019 Annual Report](#).

1.5 2019 Performance Summary and Sustainability Highlights



525

Number of Branches



12,087

Number of Employees



6,721

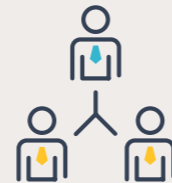
Number of Female Employees



2,941

Number of ATMs*

* Reaches to 7,720 through existing ATM sharing program.



5.7 million

Number of Active Customers



29 million TRY

Total Value Invested in Employee Learning and Development



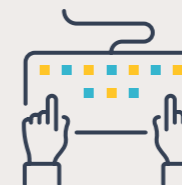
1,324

Number of "Volunteer Finansçı"s



821 million

Number of Digital Channel Transactions



3.5 million

Number of Mobile Banking Customers

2. QNB Finansbank's Approach to Sustainability

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- 2.1 QNB Finansbank Sustainability Framework and Strategy
- 2.2 Sustainability Governance
- 2.3 Stakeholder Engagement and Communication
- 2.4 Materiality Assessment
- 2.5 External Commitments



2.1 QNB Finansbank Sustainability Framework and Strategy

At QNB Finansbank, we define Sustainability as the delivery of long-term value in financial, environmental, social and ethical terms, for the benefit of our customers, shareholders, employees and community, in alignment with QNB Group's sustainability strategy. Our sustainability framework consists of three pillars: sustainable finance, sustainable operations and beyond banking. All three pillars support QNB Finansbank's goal of sustainable financial performance, through reducing risks, opening up new business opportunities and strengthening our brand. Under each pillar we have identified the sustainability topics most material to our business and a series of actions plans to improve our performance.

QNB Finansbank Sustainability Framework

Sustainable Financial Performance



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:

- Talent Attraction, Development and Retention
- Environmental Impacts of Operations
- Responsible Procurement and Supply Chain

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.

Other nine topics are classified as our “sustainability priorities/material topics” and are subject to prioritization as shown in our materiality matrix.

Fundamentals	Our Understanding
Corporate Governance, Compliance and Risk Management	To conduct our activities in accordance with regulations, ethical banking principles, internal policies and procedures in a transparent and an accountable manner, to proactively manage financial and macroeconomic risks by an effective risk management policy, to ensure that our liabilities are met and our activities continue even under unfavorable market conditions
Sustainable Financial Performance	To diversify our funding sources by attracting different investors and investments through our robust financial performance and to put these funds into disposal of our stakeholders to support the society and strengthen the economy
Customer Experience and Satisfaction	To make customer experience and satisfaction our priority, to provide products and services that best suit your customers’ needs
Customer Privacy and Data Security	To employ best measures to mitigate data security risks
Diversity and Inclusion	To promote the culture of respect, equality and mutual trust across our Bank

Pillar	Priorities	Objectives
Sustainable Finance	Sustainable Investments, Lending, Products and Services	To review our investment and lending processes within the scope of our sustainability goals and priorities
	Supporting SME’s and Entrepreneurship	To continue supporting SME’s and entrepreneurs by offering products, services and loan facilities that are catered for their needs
	Financial Inclusion	To offer products and services to individuals and firms which have limited access to financial services
	Responsible Customer Communication and Marketing	To be honest, transparent and fair at all times in our interactions with customers
	Digital Transformation and Innovation	To offer user-friendly, accessible and environmentally friendly products and services to our customers in line with customer expectations and technological trends
Sustainable Operations	Talent Attraction, Development and Retention	To continue discovering, employing and keeping best talents, to provide our employees with training opportunities to build different skills and capabilities
	Environmental Impacts of Operations	To set our Bank’s climate change strategy, to initiate necessary practices to detect direct and indirect impacts of our operations
	Responsible Procurement and Supply Chain	To review our procurement practices within the scope of our sustainability goals
Beyond Banking	Social and Community Investment	To continue supporting social responsibility projects

2.2 Sustainability Governance

QNB Finansbank sustainability governance framework is established with the intention to integrate sustainability practices in our decision-making processes.

Within this scope:

Sustainability Committee (SC)* is 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.

Strategy Office, along with a designated sustainability team, manages overall sustainability exercises of our Bank. Strategy Office is also responsible for all sustainability related reporting.

Sustainability Working Groups are the teams proposing and executing projects and action plans.

This framework is supported by related policies, procedures, guidelines and QNB Finansbank's participation to local and global sustainability-related initiatives.**



Notes:

*CEO of the Bank acts as the chairperson of the Sustainability Committee, and the committee consists of Executive Vice Presidents (EVP's), and/or Directors who are/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 Board of Directors and Corporate Governance Committee are annually informed regarding Committee's activities. In 2019, the Committee held one meeting.

**QNB Finansbank Sustainability Policy will be published in 2020.



2.3 Stakeholder Engagement and Communication

At QNB Finansbank, an individual or an organization/a group that has an effect on or affected by our Bank's operations is deemed as a "stakeholder". As stakeholders have certain expectations, we employ multiple methods and communication channels to ensure open, honest and transparent dialogue with all our stakeholders, enabling us to evaluate opinions and feedbacks to determine what we can do better. In terms of sustainability, in 2019 we established a separate sustainability section under our corporate web-site to publicly disclose our sustainability journey with our stakeholders, and as previous year, we have received feedbacks and questions of our stakeholders through our designated e-mail address sustainability@qnbfinansbank.com

Key Stakeholder Groups

Customers

Employees

**Shareholders
and Investors**

**Public
Institutions**

NGO's

**International
Financial
Institutions**

Media

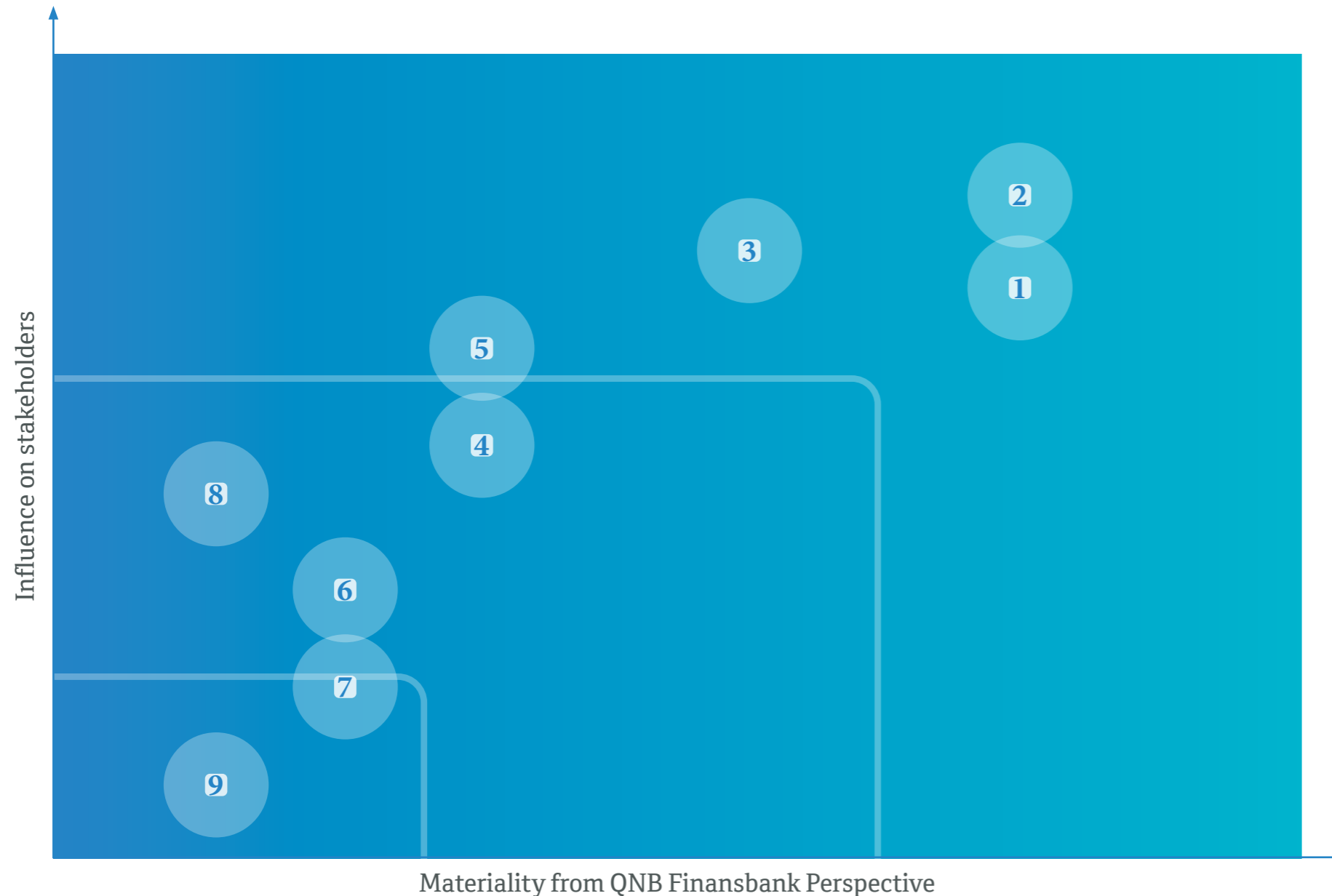
Suppliers


Key Stakeholder Groups and Communication Channels

Stakeholder Group	Needs and Expectations	Frequency of Communication	Main Communication Channels
Customers	<ul style="list-style-type: none"> - Customer Service and Satisfaction - Easy-To-Use Products and Services - Transparency and Accountability 	Continuous	<ul style="list-style-type: none"> - Customer Solution Center's Designated Communication Channels - QNB Finansbank Corporate Website - Mobile and Online Banking Channels - Call Center - Corporate Social Media Accounts - Branches
Employees	<ul style="list-style-type: none"> - Professional Development - Fairness and Equal Opportunity - Work-Life Balance 	Continuous	<ul style="list-style-type: none"> - Finansçı Internal Communication Portal - Employee Satisfaction Survey - Artı1 Appreciation and Recognition System - Leap Employee Assistance Program - Ombudsman - Reporting Line (Internal Audit) - Learning and Development Programs - FinClub Events - Finarmoni Training Portal
Shareholders and Investors	<ul style="list-style-type: none"> - Increasing Share Price and Dividends - Strong Corporate Governance, Risk Management and Ratings - Transparency and Disclosure 	Annually and Quarterly	<ul style="list-style-type: none"> - Investor Relations Unit's Activities - Annual Reports - Sustainability Reports - Investor Meetings - Roadshows - Public Disclosure Platform (KAP) Notifications
Public Institutions	<ul style="list-style-type: none"> - Compliance with All Legal and Regulatory Requirements - Robust Anti-Corruption and Bribery Measures - Strong Risk Management Practices and Governance Structure 	As Needed	<ul style="list-style-type: none"> - Audits - Regular Reporting Activities - Regular Meetings - Conferences
Non-Governmental Organizations	<ul style="list-style-type: none"> - Making Positive Contribution to The Challenges Facing Society 	As Needed	<ul style="list-style-type: none"> - Social Responsibility Projects - Sponsorships - "Volunteer Finansçı" Program - Sustainability Reports - Participation to Local and Global Initiatives
International Financial Institutions	<ul style="list-style-type: none"> - Transparency and Disclosure - Strong Financial and Governance Structure 	As Needed	<ul style="list-style-type: none"> - Meetings - Presentations - Conferences and Trainings - Sustainability Reports
Media	<ul style="list-style-type: none"> - Transparency, Accountability and Disclosure - Addressing Financial, Environmental and Social Risks and Opportunities - Making Positive Contribution to The Society 	Continuous	<ul style="list-style-type: none"> - QNB Finansbank Corporate Website - Press Releases - Advertorials - Sustainability Reports - Corporate Social Responsibility Activities
Suppliers	<ul style="list-style-type: none"> - Fair and Transparent Tender Process - New Business Opportunities 	As Needed	<ul style="list-style-type: none"> - Meetings - Bidding and Tendering - Audits

2.4 Materiality Assessment

To define material topics and sustainability priorities of our Bank, in 2017, a materiality analysis was conducted taking into consideration QNB Finansbank and QNB Group values, our Bank's corporate strategy, stakeholder expectations and best practice examples. This analysis was reviewed by our senior management to ensure that the topics included provides a complete representation of our organization's significant sustainability impacts. The outcomes of such assessment, material topics, are stated in our materiality matrix.



Fundamentals (No particular order)

- Corporate Governance, Compliance and Risk Management
- Sustainable Financial Performance
- Customer Experience and Satisfaction
- Customer Privacy and Data Security
- Diversity and Inclusion

Sustainability Priorities/Material Topics (2018-2019)

1. Talent Attraction, Development and Retention
2. Responsible Customer Communication and Marketing
3. Supporting SMEs and Entrepreneurship
4. Sustainable Investments, Lending, Products and Services
5. Digital Transformation and Innovation
6. Social and Community Investment
7. Financial Inclusion
8. Environmental Impacts of Operations
9. Responsible Procurement and Supply Chain

2.5 External Commitments

United Nations Sustainable Development Goals

In order to show our Bank's commitment on sustainability and address the issues pointed out in United Nations (UN) 2030 Agenda for Sustainable Development, QNB Finansbank's material topics are aligned with the relevant United Nations Sustainable Development Goals (UN SDGs)



The table below shows how QNB Finansbank's most material sustainability topics align with the UNSDGs.

Objective		Material Topics
	Ensure inclusive and quality education for all and promote lifelong learning	Talent attraction, development and retention Social and community investment
	Achieve gender equality and empower all women and girls	Diversity and inclusion
	Promote inclusive and sustainable economic growth, employment and decent work for all	Sustainable financial performance Supporting SMEs and entrepreneurship Financial inclusion
	Build resilient infrastructure, promote sustainable industrialization and foster innovation	Customer privacy and data security Digital transformation and Innovation
	Ensuring sustainable consumption and production by promoting resource efficiency and non-hazardous materials	Responsible procurement and supply chain
	Take urgent action to combat climate change and its impacts	Sustainable investment, lending, products and services Environmental impact of operations
	Promote just, peaceful, inclusive societies and institutions	Corporate governance, compliance and risk management Customer experience and satisfaction Responsible customer communication and marketing

United Nations Global Compact

The United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative, consists of ten principles to promote better business practices in the areas of human rights, labor, environment and anti-corruption. In 2019, QNB Finansbank joined the UNGC and committed to making the principles part of its strategy, culture and day-to-day operations.

WE SUPPORT



You may refer to **6.3- United Nations Global Compact Communication on Progress Index** of this report to learn how QNB Finansbank supports UNGC's ten principles.

Note: Detailed information on UN SDGs can be reached through respective [official page](#).

3. Sustainable Finance

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- 3.1 Sustainable Investments, Lending,
Products and Services
- 3.2 Supporting SME's and Entrepreneurship
- 3.3 Financial Inclusion
- 3.4 Customer Experience and Satisfaction
- 3.5 Responsible Customer Communication
and Marketing
- 3.6 Customer Privacy and Data Security
- 3.7 Digital Transformation and Innovation



3.1 Sustainable Investments, Lending, Products and Services

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.

In 2019, we continued to support renewable energy investments to show our commitment to Turkey's sustainable economic growth and development. Furthermore, the project focusing on how to address and manage properly environmental and social risks in lending activities continued. In 2020, we aim to integrate environmental and social risks assessment criteria within our credit review practices.

Our bank strives to contribute to solving social and environmental problems by providing sustainable products and services* to suit the needs of its customers.

In 2019, by our CardFinans Retiree credit card product, we continued to offer, retirement payroll account holders at QNB Finansbank discounts and advantages in pharmacies and food stores. Since its launch in 2014, this product has been highly favored by target customers.

QNB Finansbank agricultural banking continued to serve its clients to contribute to developments in agriculture and husbandry by providing different loan facilities, and advantages offered via QNB Finansbank



Renewable Energy Portfolio (TRY)** (defined by ICMA Green Bond Principles categories and QNB Green and Social Bond Framework)

	2017	2018	2019
Hydroelectric	104,124,678	119,424,246	107,999,495
Wind	187,937,137	232,960,433	215,784,714
Solar	81,978,431	181,516,456	134,512,669

TarımKart. Within this scope, through Agriculture Loans Program funded by Credit Guarantee Fund, QNB Finansbank provides farmers with long-term and cost-effective loans. This program still continues since its launch in 2017. In addition, TarımKart, a loan product with a once or twice a year repayment period in line with harvest periods of farmers, was renewed in September 2018. The renewed product offers farmers a non-interest period of up to 6 months at TarımKart-certified POS

machines on purchases of agricultural inputs, installment loans available at ATMs with terms up to 2 years, and automatic payment of social security premiums.

Notes:

*To qualify as a sustainable product and service, the product or service must specifically address an environmental or social challenge (as defined by internal criteria).

**According to the eligibility criteria for hydroelectric sources in QNB Green and Social Bond Framework, previously reported figures have been revised.

3.2 Supporting SME's and Entrepreneurship

QNB Finansbank continues to support SMEs and entrepreneurs by providing significant solutions through offering products, services and loan facilities that are catered for their needs.

In 2019, we focused on digital transformation projects, developing new strategic partnerships for women entrepreneurs and investing in digital banking channels.

Within this scope, we launched our 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. We started to work with 25,000 new SME clients in the final quarter alone and aim to reach 50,000 new customers in 2020. 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".

This year, QNB Finansbank formed new strategic partnerships with Turk EximBank through "Women Entrepreneurship Loans" and had a major role in paving the way for the international opportunities for women entrepreneurs across the banking sector.

As investment in out-of-branch channels was one of the priorities for QNB Finansbank in 2019, SMEs continued to be offered services through "SME Easy Line" in addition to QNB Finansbank internet and mobile branches, with newly added functions for SMEs. In 2019, SME Easy Line served some 482,000 clients with a call response rate of 96% and a total number of 9.3 million transactions were realized via easy line. Such success gained recognition and SME Easy Line received 4 awards in Stevie Business Awards.

SME Financing

Value of Loan Portfolio by Size* (TRY Thousand)

	2017	2018	2019
Microenterprise	9,859,039	8,564,192	9,334,142
SME	12,795,764	11,549,224	11,120,011
Commercial	15,759,153	18,785,074	22,976,685
Corporate	13,842,635	21,476,212	26,283,129

Number of Customers

	2017	2018	2019
Microenterprise	1,197,804	1,266,025	1,396,582
SME	105,003	110,622	126,754
Commercial	37,939	39,039	40,826
Corporate	5,871	6,026	6,273

Note: *As per the segment definitions of QNB Finansbank: Microenterprise: annual revenue between 0 and 4 million TRY, SME: annual revenue between 4 million and 40 million TRY, Commercial: annual revenue between 40 million and 300 million TRY, Corporate: annual revenue between 300 million and higher TRY.



3.3 Financial Inclusion

We endeavor to contribute to socioeconomic development by extending our resources and services to individuals and businesses that have difficulty to access banking services in a more affordable and practical manner. Hence, we aim to reach out to customers whose access to financial services are limited through our products, services, campaigns and training activities.

In 2019, we continued to serve Turkish economy and our customers with 524 branches* across 71 cities. The number of ATMs are 2,941 in total and thanks to new ATM sharing program, put in practice as a result of customers' expectations (ease of access, geographical outreach and service continuity) now QNB Finansbank customers can use approximately 7,600 ATMs free of charge.

QNB Finansbank continued its services within the scope of accessibility and disability support services program "Engelsiz Bankacılık" and provided various solutions and services to physically disabled (i.e. visually or orthopedically impaired) or elderly customers to ensure they access to financial services.



Further information about this program can be reached [here](#). (available in Turkish only)

Initiated in 2016 as a reflection of sense of social responsibility and with the cooperation of EFSE (European Fund for Southeast Europe) and Frankfurt School, farmers was informed amply and in detail on efficient use of financial tools, income-expense management, and savings assessment, via the country-wide financial literacy project. In 2019, we reached more than 320 people in 4 different cities.

Access Points (Number)	2017	2018	2019
Branches*	578	540	524
ATMs	2,817	2,941	2,941
Cities (where ATMs are located)	73	73	73
Provinces (where ATMs are located)	7	7	7

Note: Domestic branches.

3.4 Customer Experience and Satisfaction

As a Bank, adopting the mission of, "forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction", we ensure that our customers are offered high-quality services and products not only to satisfy their needs but also surpass their expectations.

To this end, at our Bank, Customer Solution Center (CSC) is primarily responsible for analyzing customer complaints, and determining the root causes and taking corrective actions if necessary. In 2019, approximately 100 corrective actions were taken by analyzing customer complaints.

As a fundamental principle, CSC aims that all demands, especially complaints are handled and customers are provided with satisfactory solutions at the first contact. To further achieve such, in Q1 2019, via the Live Support Service, Internet and Mobile Banking customers started to correspond with call center customer agents more easily.

"Customer Experience Office" founded in 2015, with the main responsibility to



improve customer experience, continued assisting all business units in setting their basic principles of doing business, measured customer satisfaction and identified areas of improvement. In 2019, "Customer Experience Principles of the Bank" has been updated and approved by the Board, and communicated to all employees. Customer Experience Office continued to receive employee feedbacks regarding customer experience via "Perfect Customer Experience Platform"

Customer Experience and Satisfaction	2017	2018	2019
Net Promoter Score (NPS) % Enpara.com	74	77	75

3.5 Responsible Customer Communication and Marketing

At QNB Finansbank, we provide our customers with clear, transparent and adequate information that would affect their decisions at the forefront and always ensure that we conduct our marketing and communication activities in line with regulations, customer expectations and our Bank's policies and procedures with the intention to establish long-lasting business relationships based on mutual trust.

With that in mind, we ensure that accurate and correct information regarding the

Bank's products and services are provided to our customers in all our sales channels (such as branches, online banking channels, direct sales). Furthermore, we make sure that no misleading information is disclosed in our marketing activities. In addition to the applicable regulatory requirements, all new products and services, as well as any changes to existing ones, are subject to approval of concerned parties including the prior approval of Compliance, Legal Department and Customer Experience Office.



Responsible Customer Communication and Marketing

Incidents of Non-Compliance Concerning Marketing Communications

2017

2018

2019

0

0

0

3.6 Customer Privacy and Data Security

Ensuring confidentiality of customer information and data security is one of our priorities, in relation with our ethical banking philosophy, sustainability strategy and customer-oriented mindset. To this end, our Bank ensures that effective and efficient security measures are taken in accordance with the regulatory requirements, local and international best practice examples in accordance with complexity and size of our operations. Hence, we

continuously adapt our Bank's security policies, practices and systems with the highest industry standards, and ensure that our Bank and customers are protected against newly arising risks and security threats by making necessary developments in our systems. We also provide our customers and employees with trainings, security bulletins and alerts, so that they could be vigilant to the cyber threats, fraudster activities, and other data security risks.

Customer Privacy and Data Security

Data Security Breaches

2017

2018

2019

0

0

0

Note: Information security policy is the umbrella policy defining relevant requirements to be applied within the organization. Compliance with such policy is monitored regularly by Internal Audit Department and top management is informed accordingly. In case of any violation, an investigation is launched for the responsible and relevant sanctions are imposed as per the provisions of the "disciplinary board directions".

3.7 Digital Transformation and Innovation

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 and changing customer expectations.

With that mindset, in 2019 our Bank:

- > Joined SWIFT GPI, the global payment mechanism, which delivers speed and transparency to cross-border payments, enabling clients to monitor the status of their transactions from beginning to end,
- > Has developed an e-transformation package to prepare SME and commercial clients for their digital transformation process and launched its new digitalization initiative called "digital bridge",
- > Completed the digital transformation and "paperless banking" improvements in all branches,
- > Launched the financial intelligence Q, in mobile banking, to meet the banking needs of customers with a new digital tailor-made financial assistant.

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. Enpara.com has reached a total of 1.8 million customers by attracting 555,000 new retail customers in 2019 and under the Enpara.com Şirketim brand (serving SME customers), Enpara.com reached 36,600 customers with a 92% increase.

Launched to create future-ready banking technologies, Fincube will now continue its journey under the title QNBeyond to create the digital applications that will shape the

Digitalization	2017	2018	2019
Active Customers by Channel (Number)			
Online Banking	1,276,820	1,061,422	848,495
Mobile Banking	2,351,932	2,957,512	3,483,637
Transactions by Channel (Number)			
Online	135,053,615	112,641,609	97,420,414
Mobile	188,739,324	241,522,617	261,708,113
Telephone	123,922,534	127,867,027	142,195,134
ATM	141,641,101	153,720,377	166,824,605
Branch	154,860,846	146,170,736	152,663,887



future of the banking industry. In 2019, QNBeyond facilitated important projects in the Bank. To name a few, in 2019, a corporate accelerator program was launched in the Bank and 8 startups were selected among hundreds for the first batch. During the four-month long program these startups benefited from mentorships, free office space, C-level sponsorship and high support for business development plus many advantages from partners thus accelerated their growth. This year, QNB Finansbank also started the Innovation Boot Camp among its employees. A total of 561 ideas were submitted during the application period. Throughout the 6-week Boot Camp facilitated by QNBeyond team, 9 finalists worked on their ideas and came up with detailed business cases which they pitched to the senior management. Among 9 finalists, 5 ideas were selected to be implemented by the bank.

In 2019, a design team titled Design Studio was established, with the aim of accelerating digital transformation and innovation via various design capabilities. Design studio cooperates with all business units to put design thinking into practice. In its first year, the team designed from scratch or redesigned numerous interactive applications, including QNB First App for private customers, Digital Treasury Platform for FX transactions, Executive Dashboard for the upper management, Mobile Target-Performance System to be used by branches, Digital Approval Platform, to be used by customers before Portfolio Managers, and mobile platforms at Express ATMs for customers to feel safe and perform transactions comfortably.

4. Sustainable Operations

Contents:

- 4.1 Corporate Governance, Compliance and Risk Management
- 4.2 Talent Attraction, Development and Retention
- 4.3 Diversity and Inclusion
- 4.4 Environmental Impact of Operations
- 4.5 Responsible Procurement and Supply Chain



4.1 Corporate Governance, Compliance and Risk Management

Corporate Governance and Compliance

At QNB Finansbank we conduct our activities in accordance with relevant regulations, ethical banking principles, internal policies and procedures in a transparent and an accountable manner through our strong corporate governance culture and framework. Within this context:

Board of Directors, as the Bank's highest governing body, takes strategic decisions to keep the optimum balance between the Bank's risks, growth and revenues, while observing the Bank's long-term interests to increase its value with the help of its executive committees, Audit Committee, Risk Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee*

Internal Audit, Risk management, Internal Control and Compliance divisions are the internal and independent functions reporting to the Audit Committee, in accordance with the principles set under the Banking Law No. 5411 and "Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process".

Internal Audit, acts as an independent and objective assurance and consulting activity function designed to evaluate compliance with the policies and procedures to add value and improve the Bank's operational effectiveness.

Risk Management, organized under four groups (market risk, credit risk, operational risk and model validation), is responsible for identifying, measuring, monitoring, controlling and managing the relevant risks. The duties of the risk management include ensuring

the creation and implementation of risk management strategies covering all types of risk regarding the Bank and its subsidiaries, development and implementation of risk measurement and management methodologies, identification and measurement of risks, establishment and implementation of risk policies and implementation procedures, and lastly analysis, monitoring and reporting of risks. Insurance activities for the transfer of large-scale internal and external fraud risks are also executed under the coordination of this department.

Internal Control, ensures that the assets of the Bank are safeguarded, the activities of the Bank are conducted efficiently, effectively and

in accordance with the laws, other applicable regulations, and the internal policies and procedures of the Bank.

Compliance, is responsible for detecting, evaluating, providing advice, monitoring and reporting on risks of non-compliance with the applicable laws and regulations and standards. Financial crimes compliance department (FCC) (consists of fraud control unit, AML/CFT unit, suspicious transactions monitoring & analytics unit, sanctions & KYC unit) and Data protection unit operates under Compliance.

Ethical Banking Practices

QNB Finansbank adopts and recognizes

internally proclaimed human rights principles, and national and international ethical banking practices and expects its employees to act in compliance with such. This approach includes our practices related to AML/CFT and KYC, Sanctions Prevention and Monitoring, Anti-Bribery and Corruption, Code of Conduct, Fraud Prevention and Management of HR risks. The Board approved Employee Code of Conduct, Code of Ethics for Financial Professionals, Corporate Governance Policy Guideline, Anti-Bribery and Corruption Policy, AML/CFT Policy, Fraud Risk Management Policy along with other procedures (e.g. Sanctions Procedure) are communicated to our employees as a part of our Bank's induction program in addition to the regular refresher trainings or announcements provided on such topics. **

Furthermore, our Bank established different notification channels through which our employees can notify relevant bodies in our organization (such as Audit Committee, Chief Audit Executive, Compliance Officer, Ombudsman, Senior Management) to report any wrongdoing or grievances in the strictest confidence. Notifications received through these channels are reviewed by the relevant authorities and necessary actions are taken in accordance with relevant procedures.***

Notes:

*Detailed information regarding QNB Finansbank's Committees can be reached through QNB Finansbank 2019 Annual Report.

**In 2019, regular refresher trainings were provided on AML/CFT, Operational Risk and Law on Personal Data Protection in addition to Legal Department's trainings on Banking Law, Commercial Law, Obligations Law as well as other topic specific trainings (such as law on securities, implementations of distraint, and negotiations with public institutions).

***A sample of the policies can be reached [here](#).



Risk Management

At QNB Finansbank, we consider effective risk management as a vital and essential part of our strategy and business longevity. Within this scope we allocate substantial resources to upgrading our policies, methods and infrastructure to ensure compliance with regulatory requirements, best international practices and the guidelines of the Basel Committee on Banking Supervision (the “Basel Committee”).

Risk management governance in our Bank starts with the Board, which determines the general risk policy and the risk appetite. Risk Committee, Asset/Liability Committee (ALCO), Operational Risk Management Committee (ORMC), Reputational Risk Management Committee (RRMC), and the Risk Management Division are main bodies of the risk management structure at QNB Finansbank.

Reputation and Human Resources Risks

QNB Finansbank recognizes the importance of active management of reputation risk.

In order to achieve so, our Bank ensures the establishment and continuity of an effective reputational risk management framework. Accordingly, “The Reputation Risk Management Policy” was prepared as the high-level document of the Bank and approved by the Board of Directors in 2017. In order to comply with regulation and “best practice guideline” published by the BRSA (Banking Regulation and Supervision Agency), The Reputational Risk Management Committee, (reporting to the Risk Committee), was established and continues its duties.

As for Human Resources risks, Disciplinary Committee is responsible for evaluating any act or practice deemed to be in contradiction with laws, regulations, banking practices, ethical principles and our Bank’s policies and procedures, to ensure necessary actions are taken pursuant thereto. In addition, an “Ombudsman” role was established under our Human Resources Organization to provide fast, effective and fair resolutions for any organization-employee, manager-employee or inter-employee disputes.

Corporate Governance, Compliance and Risk Management

Confirmed Incidents of Bribery or Corruption

2017

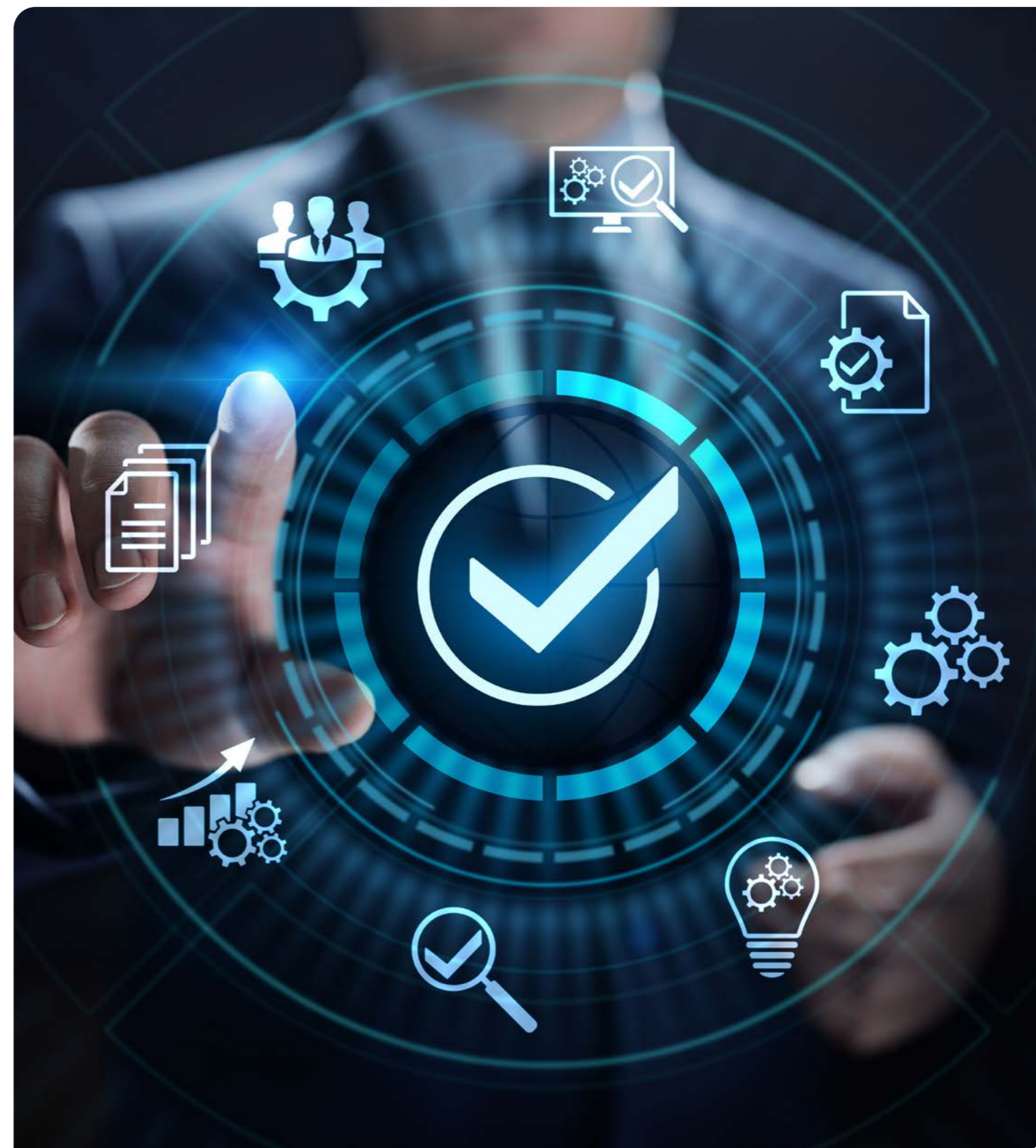
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2018

0

2019

0



4.2 Talent Attraction, Development and Retention

At QNB Finansbank, Human Resources Policy is shaped around four pillars to ensure we discover, employ and retain best talents, become an employer of choice and improve potential of our employees, while giving utmost importance to employee engagement:

- > Human Resources Strategic Planning, Recruitment and Career Management
- > Performance Management
- > Talent Management and Organizational Development
- > Engagement and Rewarding

Human Resources Planning and Recruitment manages employer brand, work force and recruitment in alignment with QNB Finansbank's strategy to be an employer of choice through analysis, reports and projects supporting recruitment processes,

Performance Management ensures that employee performance is assessed with measurable criteria by a transparent and fair system that will also help increase employee engagement,

Talent Management and Organizational Development help improve technical and managerial skills of employees, focuses on retaining talents with high performance, and contributes to development of our employees.

Engagement and Rewarding establishes and policies focusing on increasing employee engagement.

Within this scope, our human resources practices focus on the following subjects:

Workforce and Employer Brand Management: Our Bank aims to recruit talents

according to annual recruitment planning reports and expand talent pool through reaching out the best talents. As a Bank hiring more than 80% of candidates among new graduates, we attach great importance to understanding new generation. Hence, we conduct surveys on university students to find out their career choices and carry out social media and university activities based on results of such accordingly. As for talent acquisition activities, QNB Finansbank runs various programs for the recruitment of young talents such as Finans Up Career Club, Finans Career, Finans Pro, Audit Pro and Finans 101.

Performance Management: At QNB Finansbank, semi-annual performance reviews are conducted to determine employees' potential, and strengths and areas of development are assessed per employee with a customized performance model. A road map is created to identify and follow the actions for areas of development, and results are transparently shared with all employees.

Talent Management and Organizational Development: Our Bank offers personalized development plans for its employees to empower their leadership talents and managerial skills, who are managers or have potential for managerial roles in future through different programs such as, manager/MT training programs under "Finans Master", training programs supporting "Coaching" approach in management, Executive Development Program under "Leaders Club", coaching and mentorship processes, MBA programs and international/domestic conferences. Furthermore, with the help of practices such as executive development program and Head Office Assessment Center, it



becomes easier to find more suitable candidates for managerial roles both on-site and in head office positions. Within the scope of **Career and talent management activities** our Bank provides its employees with the opportunity to lead their own career path through "Career Architecture" and "Career Bulletin" practices

and "Career Consulting activities. Within the scope of "Development Architecture", which aims at internal appointment for branch manager roles, assessment center and personalized development programs are applied, respectively.

Workforce Overview

Workforce by Age and Gender

	2017	2018	2019
Total Number of Employees	12,007	12,276	12,087
Female Employees	6,627	6,847	6,721
Male Employees	5,380	5,429	5,366
Employees Age 18-30	5,241	5,364	4,607
Employees Age 31-50	6,619	6,754	7,254
Employees Age 51+	147	158	226

Hiring and Turnover

New Employee Hires	2,567	3,328	2,054
Employee Turnover (Voluntary)	1,501	1,847	1,444

Performance Reviews

Employees Who Received a Performance and Career Development Review (%)	78	89	88
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Employee Development and Engagement

Learning and Development

	2017	2018	2019
Total Number of Training Hours Provided	654,231	834,793	654,103
Average Number of Training Hours Provided per Employee	53	69	53
Total Value Invested in Employee Learning and Development (TRY)	17,210,093	22,640,220	28,968,216

Employee Engagement and Satisfaction

	2017	2018	2019
Employee Engagement Rate (%)	53	62	64
Number of Engagement Activities	362	402	627

Occupational Health and Safety

	2017	2018	2019
Employee Fatalities	1	0	0
Employee Absenteeism Rate (%)	3.45	2.9	3.4

Training and Development Management: At QNB Finansbank, our employees are supported through various programs customized for their specific needs, with the assistance of international and local training companies, universities, internal and external trainers. Employees can also use “Development Catalog” and “Finarmoni Portal” to select any trainings/ training materials (classroom trainings, e-learning trainings, articles, videos, book summaries, etc.) for their needs. Average period of training provided in 2019 per employee was 7.6 days with a participation rate of 97%.

In 2019, QNB Finansbank received 11 awards for its training programs “Finansçı 360” and “Branch Manager Development Programs” at two separate employer awards, namely the Brandon Hall Group Excellence Awards and Stevie Awards for Great Employers, which are among the most prominent business awards around the globe.

Remuneration Management: QNB Finansbank applies a fair and transparent remuneration methodology to gain new

talents, and enhance employee engagement, satisfaction, motivation and synergy. In addition to benefits provided within the scope of remuneration and recognition practices employees are provided with other benefits such as health insurance, allowance packages and employee assistance services. In 2019 within scope of the Bank’s premium and bonus models, each employee received a bonus amounting to approximately two salaries according to their performance.

Employee Engagement and Satisfaction: At QNB Finansbank employee engagement survey has been conducted since 2007 with the purpose of evaluating effects of the satisfaction factors shaping employee engagement. Survey results are assessed and actions are taken accordingly. We consider employee engagement and satisfaction as the crucial factors affecting teamwork, job performance, communication between employees and senior management and overall corporate culture. In order to ensure that our employees are content, motivated and satisfied with their professional environment, (such

factors also affect their personal lives) we implement various programs and practices to foster employee satisfaction and engagement, and help them to achieve work-life balance.

In 2019, QNB Finansbank employees got together over 500 activities organized in different provinces by HR Engagement Unit, which helps “Finansçı’s to keep the balance between their professional and private lives, and aims at increase in motivation by contributing to employee engagement and satisfaction as well as the privileged feeling of becoming a Finansçı. In addition to the activities, discount agreements were settled with over 200 companies during the year and Finansçı’s were provided with advantages in shopping. Created to appreciate the employees with perfect behaviors complying with the values of the Bank and to encourage such actions, “Artı1” Appreciation and Recognition Program continued its activities

Occupational Health and Safety

One of our Bank’s top-priority is to provide our employees with a healthy and safe working environment. To this end, we conduct our occupational health and safety practices in accordance with QNB Finansbank Occupational Health and Safety Guidelines, related regulations in effect and best practice examples.

Within this context, we provide training on occupational health and safety (regular and topic-specific) to all employees, conduct risk assessments in all our premises, prepare emergency plans, assign employee representatives

for each premise, and regularly organize occupational health and safety committee meetings.*

Workplace physicians are present at our premises with 50 or more employees** and in addition to activities conducted by our health offices, topic-specific seminars and conferences are held to inform about an active and healthy lifestyle. Our Bank also organize seasonal flu vaccinations and routine ocular health examinations, and offer life and health insurance for all our employees.

As for security practices, Security Services Unit takes physical and electronic security measures via establishing security policies against threats aimed at the Bank’s employees, customers and premises.

Notes:

*In 2019, in addition to regular occupational health and safety trainings a topic-specific e-learning on “Earthquake” was provided to all employees.

**Head Office (Kristal Kule Building), Erzurum and Istanbul Operations Centers (EROMER and FOMER) where a Health Office serves our employees.



4.3 Diversity and Inclusion

At QNB Finansbank, we actively promote a culture of respect, equality and mutual trust across our organization. Hence, we conduct our activities in line with universally accepted human rights principles, ethical banking practices and internal policies and procedures. Within this scope, QNB Finansbank Employees Code of Conduct has been established to

assist our employees how to incorporate such values into their daily business activities. Such policy is also supported by other relevant policies, guidelines and Internal Audit's and Ombudsman's activities. We will continue our efforts to promote diversity and inclusion both within and outside the workplace, in alignment with our core values and HR practices.

Diversity and Equal Opportunity	2017	2018	2019
Female Employment			
Number of Female Employees	6,627	6,847	6,721
Female Employment Rate (%)	55	56	56
Female Employees in Senior Management	8	7	10
Parental Leave			
Return to Work Rate (%)	99.6	98.2	99.1
Retention Rate (%)	95.8	94.8	91.8



4.4 Environmental Impact of Operations

At QNB Finansbank, we seek to increase operational efficiency and reduce environmental impacts of our operations by taking different measures. While we recognize our greatest environmental impacts are 'indirect' through our financing activities, we also need to responsibly manage the 'direct' environmental footprint associated with QNB Finansbank's operations. Hence, we aim to reduce our environmental impact through various measures such as selecting environmentally friendly devices for electrical and mechanical projects, controlling our premises through automation systems and taking specific actions

to reduce energy and paper consumption.

In this context, in 2019, some changes were made in heating systems of our branches for energy savings, and all improvements within the scope of digital transformation and paperless banking practices were completed. Thus, 94% of the transactions in our branches have been executed through the Digital Approval Platform, without using paper. The project, initiated with the intention to measure our bank's carbon footprint continued in 2019, and scope-1 and scope-2 emissions are expected to be reported in 2020.

Environmental Impact of Operations	2017	2018	2019
Energy Consumption			
Total Electricity Consumption (Kwh)	66,940,698	64,379,177	63,195,106
Natural Gas Consumption (M3)	2,082,057	1,708,776	1,793,148
Water Consumption			
Total Water Consumption (M3)	191,838	170,756	177,973
Materials and Waste			
Total Paper Consumption (Kg)	839,000	749,000	388,030

Note: Our head office building (Kristal Kule) has LEED silver certificate.



4.5 Responsible Procurement and Supply Chain

We define responsible procurement as, taking into consideration environmental, social, ethical and reputational matters when making a purchasing decision, thus, mitigating risks associated with our supply chain, being vigilant and mindful in our relations with suppliers, and ensure that our procurement practices do not have adverse effects on society, environment and our Bank's reputation. Within this scope, in 2020, we aim to review our procurement practices within the scope of our Sustainability Policy.

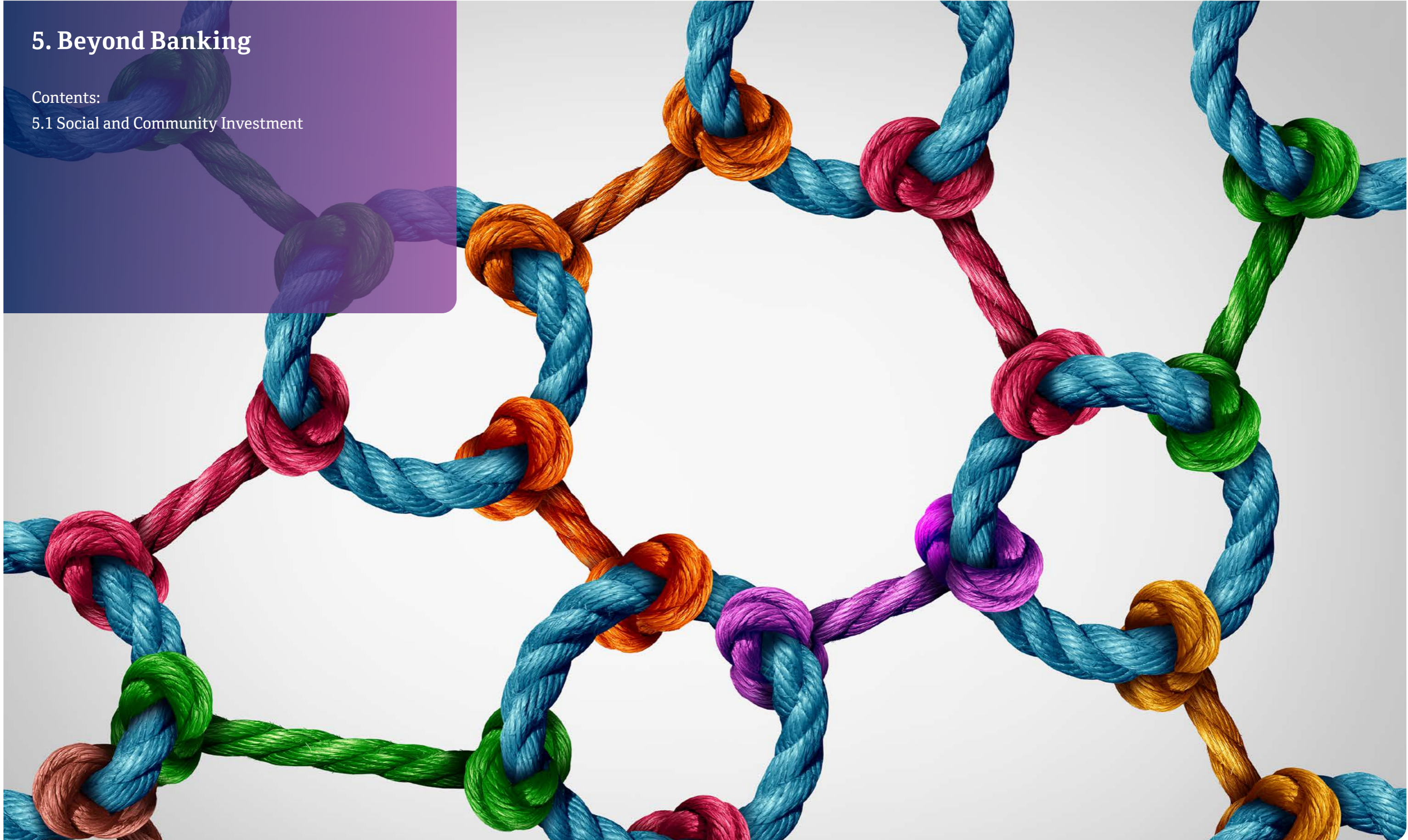
Procurement	2017	2018	2019
Total Number of Suppliers Engaged	1,273	1,340	1,377

Notes:

1- Procurement activities are conducted in alignment with QNB Finansbank Purchasing Policy. Certain criteria (such as supplier's reputation, certifications provided by the supplier) is used to assess potential suppliers and performance evaluation. 2- In case of a service procurement (support service) falling under the scope of "Regulation On Banks' Procurement of Support Services", our support service procurement process is conducted and ultimately the service subject to procurement is submitted to the opinion and approval of the Audit Committee. Detailed information is available in [QNB Finansbank 2019 Annual Report](#).

5. Beyond Banking

Contents:
5.1 Social and Community Investment



5.1 Social and Community Investment

At QNB Finansbank, we see social and community investment as an effective tool for value creation. Therefore, we thrive on reflecting our core strengths and unique values in every single project that we develop and offer to the use of community. With awareness of our social responsibility, we are focused on areas we can contribute to the most. To date, we have realized various projects in a wide range of areas such as culture, art, sports and education.

Within this context, In 2015, putting children at the heart, we established a social responsibility platform, namely **Small Hands Big Dreams** with the intention to prepare our children for the future. The projects that we foster under the roof of this platform are:

- Tiny Hands are Coding
- By the Power of Imagination
- QNB Finansbank Tales Math Museum & Mobile Exhibition Truck
- Success is Everywhere
- Anatolian Orff Musical Education

In 2019:

- We offered Scratch coding trainings to our children between the ages of 8-12 with our project **“Tiny Hands are Coding”** that we launched in association with the Habitat Foundation, with the aim to introduce children to programming, develop children's creativity, computer skills, and raise the awareness of code literacy.
- Within the scope of our project **“By the Power of Imagination”**, launched in 2018

by our cooperation with the Community Volunteers Foundation, we continued to reach out to elementary school children between the ages of 6-10, through story-telling method to strengthen their communication skills, equip them with self-expression ability, as well as competence in written expression, imagination, reading and creativity.

- Thanks to our **“Tales Math Museum & Mobile Exhibition Truck”** sponsorship, children rediscovered mathematics through games and Q&A activities and had the opportunity to observe the effects of mathematics in daily life by attending workshops. Through this program, children had the opportunity to learn about mathematics with enjoyable activities.



- We continued our **“Success is Everywhere”** project, that we had launched in eight state schools with relevantly lower academic success levels in Ankara and Adana, in association with the Turkish Education Association (TED) and concerned National Education Directories, with the intention to create equal opportunity in education by enabling our children to increase their academic, social, cultural and sport success.
- We helped our children experience music, speech and dancing, as well as the feeling of rhythm arising from the combination of these, as part of the **“Anatolian Orff Musical Education”** under the leadership of Güher and Süher Pekinel, in association with Turkey Orff Music Center. In the 2016-2017 academic year, three young music teachers selected by the Orff Center Turkey completed their education at the Carl Orff Institute of The University of Salzburg Mozarteum with the support of our bank to reach out to other music teachers in different cities to share Orff training method. In 2018-2019 academic year, three new teachers began to receive training. As of year-end 2019, 360 music teachers in 12 cities learned the Orff training and we reached out to 60.000 children.
- In 2019, we interacted with 83,801 children through various projects with our 726 volunteering bankers across 39 cities. In addition, we maintained our scholarship support program for our bankers' children and reach out to 377 children.

Volunteering

Our Bank's business and sustainability strategy supports our goal to leave a livable world for future generations. Hence, we encourage our employees, to take part in corporate social responsibility projects through either creating a new project or participating in ongoing ones. At QNB Finansbank, we organize a competition among our employees which they can participate with their social responsibility projects developed for children between the ages of 4 and 14, and we provide financial support for three projects. Within this scope, in 2019, we supported three projects, namely, Düzce Forest School, An Armful of Happiness, So the Kids Can be Happy.

Sponsorships

In addition to our CSR projects, as QNB Finansbank, we support social and economic development through various sponsorship activities. To name a few, in 2019, within the scope of the support of Turkish sports, QNB Finansbank's sponsorship agreements with Trabzonspor Soccer team and Fenerbahçe Men's Basketball team

have been extended for three more seasons.

Memberships

A brief list of QNB Finansbank's membership to initiatives, foundations and associations is provided down below:

- United Nations Global Compact (UNGC)
- Banks' Association of Turkey (TBB)
- Turkish Capital Markets Association (TSPB)
- Credit Registration Bureau (KKB)
- Interbank Card Center (BKM)
- Call Centers Association (ÇMD)
- International Chamber of Commerce Turkey
- Community Volunteers Association (TOG)
- Habitat Association
- Turkish Education Association (TED)
- Contemporary Education Association (ÇEV)
- Orff-Schulwerk Education & Consultancy Music Center (Turkey)

Since 2015, we reached out to 530,000 children in 63 cities through more than 30 projects focusing on education, culture, sports, art and science thanks to our volunteer employees.



Social and Community Investment

	2017	2018	2019
Total Number of Employee Volunteering Hours	5,123	7,521	7,089

6. Disclosures and Further Information

Contents:

- 6.1 Sustainability Performance Summary
- 6.2 Global Reporting Initiative (GRI)
Standards Content Index
- 6.3 United Nations Global Compact
Communication on Progress Index

6.1 Sustainability Performance Summary

Pillar	Material Topic	Key Performance Indicator	2017	2018	2019
Sustainable Finance	Sustainable Investments, Lending, Products and Services	Total Value of Renewable Energy Portfolio (TRY)*	374,040,246	533,901,135	458,296,878
	Supporting SME's and Entrepreneurship	Total Value of Loan Portfolio by Microenterprise and SME** (TRY Thousand)	22,654,803	20,113,416	20,454,153
		Total Number of Microenterprise and SME Customers	1,302,807	1,376,647	1,523,336
	Financial Inclusion	Number of ATMs	2,817	2,941	2,941
	Customer Experience and Satisfaction	Net Promoter Score (NPS) % - Enpara.com	74	77	75
	Responsible Customer Communication and Marketing	Incidents of Non-Compliance Concerning Marketing Communications	0	0	0
	Customer Privacy and Data Security	Data Security Breaches	0	0	0
	Digital Transformation and Innovation	Total Number of Online And Mobile Transactions	323,792,939	354,164,226	359,128,527
		Total Number of Online And Mobile Customers (Active)	3,628,752	4,018,934	4,332,132
Sustainable Operations	Corporate Governance, Compliance and Risk Management	Confirmed Incidents of Bribery or Corruption	0	0	0
	Talent Attraction, Development and Retention	New Employee Hires	2,567	3,328	2,054
		Employee Turnover (Voluntary)	1,501	1,847	1,444
		Total Number of Training Hours Provided	654,231	834,793	654,103
		Employee Engagement Score (%)	53	62	64
	Diversity and Inclusion	Female Employment Rate (%)	55	56	56
		Return to Work Rate After Parental Leave (%)	99.6	98.2	99.1
	Environmental Impact of Operations	Total Electricity Consumption (Kwh)	66,940,698	64,379,177	63,195,106
		Total Water Consumption (M3)	191,838	170,756	177,973
		Total Paper Consumption (Kg)	839,000	749,000	388,030
	Responsible Procurement and Supply Chain	Total Number of Suppliers Engaged	1,273	1,340	1,377
Beyond Banking	Social and Community Investment	Total Number of Employee Volunteering Hours)	5,123	7,521	7,089

Notes:

*According to the eligibility criteria for hydroelectric sources in QNB Green and Social Bond Framework hydroelectric sources, previously reported figures have been revised.

**The numbers in the table is provided for Microenterprise and SME customers only for easy reference.

6.2 Global Reporting Initiative (GRI) Standards Content Index

GRI Standard	Disclosure Number and Title	Relevant Section/Explanation
GRI 102: General Disclosures	102-1 Name of the organization	QNB Finansbank A.Ş.
	102-2 Activities, brands, products, and services	QNB Finansbank at a Glance Primary Brands, Products and Services
	102-3 Location of headquarters	Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İstanbul
	102-4 Location of operations	QNB Finansbank at a Glance
	102-5 Ownership and legal form	QNB Finansbank at a Glance Shareholder Structure
	102-6 Markets served	QNB Finansbank at a Glance Primary Brands, Products and Services
	102-7 Scale of the organization	QNB Finansbank at a Glance Primary Brands, Products and Services 2019 Performance Summary and Sustainability Highlights
	102-8 Information on employees and other workers	Talent Attraction, Development and Retention Diversity and Inclusion Sustainability Performance Summary
	102-9 Supply chain	QNB Finansbank at a Glance Primary Brands, Products and Services Responsible Procurement and Supply Chain Sustainability Performance Summary
	102-10 Significant changes to the organization and its supply chain	No material change occurred relating to ownership or supply chain during the reporting period.
	102-11 Precautionary principle or approach	QNB Finansbank Social and Environmental Policy QNB Group Sustainability Policy
	102-12 External initiatives	External Commitments Memberships
	102-13 Membership of associations	Memberships
	102-14 Statement from senior decision-maker	Message from the Chairman Message from the CEO

GRI Standard	Disclosure Number and Title	Relevant Section/Explanation
GRI 102: General Disclosures	102-15 Key impacts, risks, and opportunities	Message from the CEO
	102-16 Values, principles, standards, and norms of behavior	QNB Finansbank at a Glance Vision, Mission, Values QNB Finansbank Employee Code of Conduct
	102-17 Mechanisms for advice and concerns about ethics	Stakeholder Engagement and Communication Corporate Governance, Compliance and Risk Management
	102-18 Governance structure	Sustainability Governance Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-19 Delegating authority	Sustainability Governance Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance Corporate Governance, Compliance and Risk Management
	102-21 Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement and Communication Materiality Assessment
	102-22 Composition of the highest governance body and its committees	Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-23 Chair of the highest governance body	Annual Report 2019
	102-24 Nominating and selecting the highest governance body	Annual Report 2019
	102-25 Conflicts of interest	Annual Report 2019 QNB Finansbank Conflicts of Interest Policy
	102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate Governance, Compliance and Risk Management Annual Report 2019

GRI Standard	Disclosure Number and Title	Relevant Section/Explanation
GRI 102: General Disclosures	102-27 Collective knowledge of highest governance body	Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-28 Evaluating the highest governance body's performance	Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-29 Identifying and managing economic, environmental, and social impacts	Stakeholder Engagement and Communication Materiality Assessment Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-30 Effectiveness of risk management processes	Corporate Governance, Compliance and Risk Management Customer privacy and data security Annual Report 2019
	102-31 Review of economic, environmental, and social topics	Stakeholder Engagement and Communication Corporate Governance, Compliance and Risk Management Annual Report 2019
	102-32 Highest governance body's role in sustainability reporting	Sustainability Governance
	102-33 Communicating critical concerns	Stakeholder Engagement and Communication
	102-34 Nature and total number of critical concerns	Annual Report 2019
	102-35 Remuneration policies	Talent Attraction, Development and Retention Annual Report 2019
	102-36 Process for determining remuneration	Annual Report 2019
	102-37 Stakeholders' involvement in remuneration	Annual Report 2019
	102-38 annual total compensation ratio	Annual Report 2019
	102-39 Percentage increase in annual total compensation ratio	Annual Report 2019
	102-40 List of stakeholder groups	Stakeholder Engagement and Communication
	102-41 Collective bargaining agreements	QNB Finansbank A.Ş. respects the right to unionize. Currently, there is no employee covered by a collective bargaining agreement.

GRI Standard	Disclosure Number and Title	Relevant Section/Explanation
GRI 102: General Disclosures	102-42 Identifying and selecting stakeholders	Stakeholder Engagement and Communication Materiality Assessment
	102-43 Approach to stakeholder engagement	Stakeholder Engagement and Communication
	102-44 Key topics and concerns raised	Annual Report 2019 General Assembly
	102-45 Entities included in the consolidated financial statements	About This Report Subsidiaries and Affiliates Annual Report 2019
	102-46 Defining report content and topic boundaries	About This Report
	102-47 List of material topics	QNB Finansbank Sustainability Framework and Strategy Materiality Analysis
	102-48 Restatements of information	3.1 Sustainable Investments, Lending, Products and Services: According to the eligibility criteria for hydroelectric sources in QNB Green and Social Bond Framework, previously reported figures have been revised for hydroelectric portion of "Renewable Energy Portfolio".
	102-49 Changes in reporting	No change.
	102-50 Reporting period	About This Report
	102-51 Date of most recent report	December 2019 (2018 Sustainability Report)
	102-52 Reporting cycle	Annually
	102-53 Contact point for questions regarding the report	sustainability@qnbfinansbank.com
	102-54 Claims of reporting in accordance with the GRI standards	About This Report
	102-55 GRI content index	Global Reporting Initiative (GRI) Standards Content Index
	102-56 External assurance	No external assurance was received.
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	QNB Finansbank Sustainability Framework and Strategy Materiality Assessment
	103-2 The management approach and its components	QNB Finansbank Sustainability Framework and Strategy Materiality Assessment
	103-3 Evaluation of the management approach	QNB Finansbank Sustainability Framework and Strategy Materiality Assessment

GRI Standard	Disclosure Number and Title	Relevant Section/Explanation
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	Sustainable Financial Performance 2019 Performance Summary and Sustainability Highlights Annual Report 2019
	201-3 Defined Benefit Plan Obligations and Other Retirement Plans	Annual Report 2019
	201-4 Financial assistance received from government	No financial assistance was received from government in the reporting period.
GRI 202: Market Presence	202-2 Proportion of senior management hired from the local community	Annual Report 2019
GRI 203: Indirect Economic Impacts	203-1 Infrastructure Investments and Services Supported	Annual Report 2019
	203-2 Significant indirect economic impacts	Sustainable Financial Performance Annual Report 2019
GRI 205: Anti-Corruption	205-2 Communication and training about anti-corruption policies and procedures	All policies and procedures are communicated to our employees as “reading tasks” via e-mail, and such documents are accessible 24/7 through our intranet “Finansçı”.
	205-3 Confirmed incidents of corruption and actions taken	No such incidents in reporting period.
GRI 206: Anti-Competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No such incidents in reporting period.
GRI 302: Energy	302-1 Energy consumption within the organization	Environmental Impact of Operations Sustainability Performance Summary
	302-4 Reduction of energy consumption	Environmental Impact of Operations Sustainability Performance Summary
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	No such case in the reporting period.
GRI 401: Employment	401-1 New employee hires and employee turnover	Talent Attraction, Development and Retention Sustainability Performance Summary
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Part-time employees are provided with the same benefits as full-time employees.

GRI Standard	Disclosure Number and Title	Relevant Section/Explanation
GRI 401: Employment	401-3 Parental leave	Diversity and Inclusion Sustainability Performance Summary
GRI 403: Occupational Health and Safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety Sustainability Performance Summary
GRI 404: Training and Education	404-1 Average hours of training per year per employee	Talent Attraction, Development and Retention Sustainability Performance Summary
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Attraction, Development and Retention Stakeholder Engagement and Communication
	404-3 Percentage of employees receiving regular performance and career development reviews	Talent Attraction, Development and Retention Sustainability Performance Summary
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Talent Attraction, Development and Retention Diversity and Inclusion
	405-2 Ratio of basic salary and remuneration of women to men	There is no gender based wage discrimination in our Bank.
GRI 406: Non-Discrimination	406-1 Incidents of discrimination and corrective actions taken	No such case in the reporting period.
GRI 415: Public Policy	415-1 Political contributions	QNB Finansbank does not provide political contributions.
GRI 417: Marketing and Labeling	417-2 Incidents of non-compliance concerning product and service information and labeling	No such case in the reporting period.
	417-3 Incidents of non-compliance concerning marketing communications	No such case in the reporting period.
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such case in the reporting period.
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	No such case in the reporting period.

6.3 United Nations Global Compact Communication on Progress Index

Main Category	Principle	Relevant Section in the Report/Disclosure/Policy
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	External Commitments Corporate Governance, Compliance and Risk Management QNB Finansbank Social and Environmental Policy QNB Finansbank Employee Code of Conduct QNB Group Sustainability Policy
	Principle 2: Businesses make sure that they are not complicit in human rights abuses	External Commitments Corporate Governance, Compliance and Risk Management QNB Finansbank Social and Environmental Policy QNB Finansbank Employee Code of Conduct QNB Group Sustainability Policy
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	GRI: 102-41 Collective bargaining agreements
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor	External Commitments QNB Finansbank Social and Environmental Policy QNB Group Sustainability Policy
	Principle 5: Businesses should uphold the effective abolition of child labor	External Commitments QNB Finansbank Social and Environmental Policy QNB Group Sustainability Policy

Main Category	Principle	Relevant Section in the Report/Disclosure/Policy
Labor	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	External Commitments Corporate Governance, Compliance and Risk Management Diversity and Inclusion QNB Finansbank Employee Code of Conduct QNB Group Sustainability Policy
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	External Commitments Sustainable Investments, Lending, Products and Services Environmental Impact of Operations Responsible Procurement and Supply Chain QNB Finansbank Social and Environmental Policy QNB Group Sustainability Policy
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	External Commitments Sustainable Investments, Lending, Products and Services Environmental Impact of Operations QNB Group Sustainability Policy
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	External Commitments Sustainable Investments, Lending, Products and Services Environmental Impact of Operations QNB Group Sustainability Policy
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Corporate Governance, Compliance, Risk Management Talent Attraction, Development and Retention GRI: 205-2 Communication and training about anti-corruption policies and procedures QNB Finansbank Anti-Bribery and Corruption Policy QNB Finansbank Employee Code of Conduct QNB Group Sustainability Policy

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