

Communication on Progress 2020

Reporting Period: January 2020 – December 2020

1. CEO Statement of Continued Support

Esteemed QNB Finansbank stakeholders,

I am pleased to confirm that QNB Finansbank reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using primary channels of communication.

Kind regards,

Temel Güzeloğlu

CEO

2. Description of Actions

QNB Finansbank is committed to building a better future and being a responsible partner for all its stakeholders. We do this by embedding a culture of sustainability and sustainable practices into our business, to better enable us to manage environmental, social, and governance (ESG) factors today, and well into the future.

Our principles and sustainability approach have been developed in accordance with all applicable laws, national and international regulations and standards. In addition, we support and recognize the following conventions, standards and initiatives as part of our ESG commitments and sustainability framework:

- United Nations Global Compact
- United Nations Sustainable Development Goals (SDG)
- United Nations Guiding Principles for Business and Human Rights
- International Labour Organisation's (ILO) Declaration of Fundamental Principles of Rights at Work
- World Bank Environment, Health and Safety Guidelines
- Global Reporting Initiative (GRI)
- International Capital Markets Association (ICMA) Green and Social Bond Principles
- International Finance Corporation (IFC) Performance Standards

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.

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

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). (See [QNB Finansbank's Sustainability website](#) for details).

QNB Finansbank publishes a sustainability report annually, in order to provide an overview of our Bank's sustainability approach and performance within the year, complementing the topics covered in our Annual Report. Sustainability reports are prepared in accordance with GRI Standards: "Core Option" and Financial Services Sector disclosures. Both [annual reports](#) and [sustainability reports](#) are accessible on Bank's corporate website.

In 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 has been included in our Corporate Credit Policy in order to evaluate the environmental & social impacts of the projects that we finance.

In 2020, QNB Finansbank procured its Head Office and all branches' c.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, QNB Finansbank aims to reduce its 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 in the upcoming years.

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 and QNB Group's Green, Social and Sustainability Bond Framework to finance energy efficiency and renewable energy projects. In 2021, QNB Finansbank also secured its first ESG-linked syndicated loan facility. By incorporating two ESG-linked performance criteria into its May syndication, QNB Finansbank committed to procure at least 50% of its electricity consumption from renewable energy sources and not to finance any new greenfield coal projects.

At QNB Finansbank, remuneration, rewarding and benefit management are carried out according to the job description, and equal rights are provided regardless of gender, language, religion, race. QNB Finansbank participated in the Target Gender Equality Programme of United Nations in 2020, and signed the Women Empowerment Principles (WEPs) in 2021 to show its support to enhance representation of women at all levels in the business life.

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. 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.

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 organizes 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.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Relevant policies and documents:

Bank policies are also accessible on QNB Finansbank's corporate website

(<https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies>)

[QNB Finansbank Environmental and Social Risk Management Policy](#) (replaced QNB Finansbank Social and Environmental Policy in 2021)

[QNB Finansbank Employee Code of Conduct](#)

[QNB Group Sustainability Policy](#)

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Principle 2: Businesses make sure that they are not complicit in human rights abuses

Relevant policies and documents:

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[QNB Finansbank Environmental and Social Risk Management Policy](#) (replaced QNB Finansbank Social and Environmental Policy in 2021)

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Labour

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 – QNB Finansbank A.Ş. respects the right to unionize. Currently, there is no employee covered by a collective bargaining agreement.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Relevant policies and documents:

Bank policies are also accessible on QNB Finansbank's corporate website

(<https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies>)

[QNB Finansbank Environmental and Social Risk Management Policy](#) (replaced QNB Finansbank Social and Environmental Policy in 2021)

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

Principle 5: Businesses should uphold the effective abolition of child labour

Relevant policies and documents:

Bank policies are also accessible on QNB Finansbank's corporate website

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[QNB Finansbank Environmental and Social Risk Management Policy](#) (replaced QNB Finansbank Social and Environmental Policy in 2021)

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Relevant policies and documents:

Bank policies are also accessible on QNB Finansbank's corporate website

(<https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies>)

[QNB Finansbank Employee Code of Conduct](#)

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Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges

Relevant policies and documents:

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[QNB Finansbank Environmental and Social Risk Management Policy](#) (replaced QNB Finansbank Social and Environmental Policy in 2021)

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Principle 8: Businesses undertake initiatives to promote greater environmental responsibility

Relevant policies and documents:

Bank policies are also accessible on QNB Finansbank's corporate website

(<https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies>)

[QNB Group Sustainability Policy](#)

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Principle 9: Businesses encourage the development and diffusion of environmentally friendly technologies.

Relevant policies and documents:

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Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

GRI: 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”.

Relevant policies and documents:

Bank policies are also accessible on QNB Finansbank's corporate website

(<https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies>)

[QNB Finansbank Anti-Bribery and Corruption Policy](#)

[QNB Finansbank Employee Code of Conduct](#)

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

[QNB Finansbank Annual Report 2020](#)

3. Measurements

Sustainability Performance Summary

Pillar	Material Topic	Key Performance Indicator	2018	2019	2020
Sustainable Finance	Sustainable Investments, Lending, Products and Services	Total Value of Renewable Energy Portfolio (mn TL)*	533.9	458.3	890.6
	Supporting SME's and Entrepreneurship	Total Value of Loan Portfolio by Microenterprise and SME** (bn TL)	20.1	20.5	22.2
		Total Number of Microenterprise and SME Customers (mn)	1.4	1.5	1.4
	Financial Inclusion	Number of ATMs	2,941	2,941	2,897
	Customer Experience and Satisfaction	Net Promoter Score (NPS) % - Enpara.com	77	75	77
	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 (mn)	354.2	359.1	407.6
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	3,328	2,054	1,164
		Employee Turnover (Voluntary)	1,847	1,444	955
		Total Number of Training Hours Provided (000, hrs)	834.8	654.1	428.2
		Employee Engagement Score (%)	62	64	64
	Diversity and Inclusion	Female Employment Rate (%)	56	56	56
		Return to Work Rate After Parental Leave (%)	98.2	99.1	98.6
	Environmental Impact of Operations	Total Electricity Consumption (mn Kwh)	64.4	63.2	56.7
		Total Water Consumption (000, M3)	170.8	178.0	121.6
		Total Paper Consumption (tons)	749	388	156
	Responsible Procurement and Supply Chain	Total Number of Suppliers Engaged	1,340	1,377	1,570
Beyond Banking	Social and Community Investment	Total Number of Employee Volunteering Hours**	7,521	7,089	1,449

*According to the eligibility criteria set forth in QNB GSSB Framework, figures have been revised retrospectively.

**There is a decline in total number of employee volunteering hours in 2020 due to COVID-19 conditions.

4. Sustainable Development Goals (SDGs) addressed in the COP

SDG 1: End poverty in all its forms everywhere

SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

SDG 3: Ensure healthy lives and promote well-being for all at all ages

✓ SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

✓ SDG 5: Achieve gender equality and empower all women and girls

SDG 6: Ensure availability and sustainable management of water and sanitation for all

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

✓ SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

✓ SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 10: Reduce inequality within and among countries

SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable

✓ SDG 12: Ensure sustainable consumption and production patterns

✓ SDG 13: Take urgent action to combat climate change and its impacts

SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

✓ SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development