

## Communication on Progress 2021

**Reporting Period:** January 2021 – December 2021

### 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. The Bank does this by embedding a culture of sustainability and sustainable practices into its business activities, to better enable it to manage environmental, social, and governance (ESG) factors today, and well into the future.

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

- United Nations Global Compact (UNGC)
- 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
- Women Empowerment Principles (WEPs)
- 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 external stakeholders (i.e., customers, investors, non-governmental agencies, suppliers, community) and internal stakeholders (i.e., employees, shareholders, owners), in alignment with QNB Group's sustainability strategy. The sustainability framework of QNB Finansbank consists of three pillars: sustainable finance, sustainable operations and beyond banking. All three pillars support QNB Finansbank's environmental, social, and economic performance goals, through reducing risks, opening up new business opportunities and strengthening its brand reputation. Under each pillar QNB Finansbank

has identified the sustainability topics most material to its business and a series of actions plans to improve its 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

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.

QNB Finansbank supports the green transformation of the Bank's customers through its lending policies, financial products and services, paperless banking attitude and shaping behavioral change. QNB Finansbank carries out its lending activities in accordance with the risk management system established to take into account the environmental and social risk assessments of the projects being financed. QNB Finansbank Environmental and Social Risk Assessment (ESRA) Model is applied to all loan applications that are not listed in the "QNB Finansbank Exclusion List" which have a credit amount of 10 million USD and above, and a tenor of 24 months and above. All Loan applications are checked whether they are on the exclusion list; then the ESRA module is applied. 22% of the total loan book of QNB Finansbank was loans that have to be subjected to the ESRA Model as of December 2021. QNB Group have developed the Green, Social and Sustainability Bond Framework to define the financing, loans and investments eligible to be funded by the proceeds of green, social or sustainability bonds issued by the QNB Group. The bank has not financed any new coal power plants since 2015. All new thermal coal power plant projects and new coal mining projects will not be financed as of 2022. Existing exposure in our portfolio will be settled until 2032. As QNB Finansbank, we have worked to develop our products, services and processes with an innovative and customer-oriented perspective in order to adapt to new technologies and changing customer expectations as digitalization takes place both with the digitalization of customer approvals and with individual and corporate online banking, Digital Bridge and Enpara platforms. With digital transformation in 2021, paper consumption decreased by 82% compared to 2015. The

corporate digital approval rate increased to 85%, the individual digital approval rate rose to 95% and the number of eDocuments produced with eFinans solutions escalated to 365 million. In 2021, the use of courier and paper was abolished with the Immediate Delivery Credit Card, the process of becoming a remote customer became widespread, the use of online credit increased with Kobi Bulut, the use of cards was reduced with cardless cash withdrawals, and payments were approved through channels without instructions with the Bulk File.

QNB Finansbank strengthens the sustainable transformation of the Bank's customers and society through its financial inclusion initiatives, leadership on digitalization, contributing to the economy by obtaining sustainable resources from abroad by complying various domestic and international sustainability standards. For the Retail Banking segment in 2021, privileged loan packages were provided for women and youth signatories, Voiceover technology was developed for the visually impaired, disabled customers were able to benefit from various discounts, braille decals and voice guidance technology were integrated into ATM devices, and webChat support for the hearing impaired via the QNB Finansbank website. Launched by QNB Finansbank in October 2012 as the first direct banking model in Turkey, Enpara.com offers retail and SME banking services through digital channels only (Internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel. In 2021, by attracting 631 thousand new retail customers, Enpara.com reached a total of 3 million customers, achieving a 26% growth. Serving SME customers under the Enpara.com Şirketim brand, Enpara.com reached 99,506 customers with an 47% increase. The Digital Bridge Project, initiated by our bank to accelerate and support the digitalization of its customers in the SME and Commercial segments by assisting them with products such as E-Invoice, E-Ledger, E-Archive, E-Waybill, as well as 3rd party services such as KolayIK, which provides human resources opportunities, and Stockmount sales. In addition, the Digital Bridge Project has supported the portfolio management of its customers with KolayBi, Ekmob, KolayMutabakat, NeoVade and Kobaküs. Since 2020, Digital Bridge Academy has been offering its customers the opportunity to manage their companies in line with new technologies. This platform has allowed customers the opportunity to meet with experts in their field of business and receive online training. The Digital Bridge Platform was once again awarded in the category of "Europe's Best Innovative Bank" at World Finance 2021, which is one of Europe's most prestigious awards, while ranking the first in the "Best Digital Strategy" Category at the "European Customer Centricity Awards", a major customer experience competition in Europe. Our Digital Bridge platform also ranked among the top 10 banks under the "Top Innovations in Corporate Finance" Category within the scope of Global Finance "The Innovators 2021". QNB BEYOND, launched as an innovation lab by QNB Finansbank to reinforce entrepreneurs and creative projects, while creating the future-ready fintech applications, continues to increase its investments in ESG themed funds.

At QNB Finansbank, we renewed our syndicated loan in May 2021, and raised USD 335 million from international banks. With this transaction, which was carried out based on sustainability performance criteria, QNB Finansbank added a new element to its efforts for sustainable development. We issued our first green bond by EBRD in the same period. The Bank's first green bond issuance, which is USD 50 million, also marked the EBRD's first green bond investment in a Turkey-based bank. Drawing on our bank's strength boosted by steady growth, we rolled-over our syndicated loan in November 2021 once again based on the sustainability performance criteria, and raised USD 350 million in total from international banks.

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.

### **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

QNB Finansbank supports the green transformation of the Bank's own operational impact which consists increasing the share of renewable energy consumption, reducing the fuel consumption and carbon footprint, waste management, and supply chain management. In 2021, 228,250 kWh/year savings were achieved with the establishment of energy-efficient air handling units in Block E, and 200,000 kWh/year savings were achieved by switching the lighting to LED fixtures and providing lighting automation. Energy savings were achieved in the heating system by using room thermostats and thermostatic radiator valves in the branches, 2 electric cars were purchased in our fleet, a charging station was installed in Kristal Kule. Resource efficiency is enhanced by disseminating recycling bins and removing PET bottles in Headquarters, and carbon emission measurement was made with the purchase of Quick Carbon software. For the upcoming reporting periods, QNB Finansbank aims to further reduce energy and fuel consumption, to exhibit internationally expected reporting standards in Carbon Disclosure Project (CDP) reporting, to continue neutralizing Scope 2 carbon emissions by providing electricity consumption from 100% renewable energy sources as in 2021, to complete the feasibility studies of various renewable energy resources projects, to disseminate the ISO 14001 certificate within the Bank and to increase responsible waste management practices. It is also aimed to monitor the sustainability performance and practices of local suppliers and to organize seminars to enhance the sustainability awareness of companies in the supply chain.

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.

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 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.

QNB Finansbank supports the sustainable transformation of the Bank's employees and their families by raising employee and social awareness, supporting gender equality efforts, and advancing the Bank's nature protection activities. QNB Finansbank is a Women's Empowerment Principles (WEPs) signatory since 24 February 2021, a joint initiative by UN Global Compact and UN Women, and have committed to the 7 principles for building the Bank's corporate policies to

further promote gender equality. QNB Finansbank will continue with efforts aimed at a better world for the children, who are the builders of the future.

### **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.

Since 2015, QNB Finansbank has made a positive impact to 568 thousand of children through various CSR projects under its Platform, Small Hands Big Dreams. QNB Finansbank TALES Math Museum has become an online platform that all children in Turkey can access online free of charge. Following the coding training that QNB Finansbank has pioneered in Turkey, the Bank made its math support accessible through digital platforms Scratch Cup 2021 was held on an online platform in association with QNB Finansbank and Habitat Foundation under the theme "Find A Solution For The World's Problems". This competition, once again, depicted children's awareness of technology and a more sustainable world. Over 1,800 children and 673 teams applied for the competition. For the upcoming reporting periods, QNB Finansbank aims to develop an action plan for a management sensitive to gender inequality, to create an awareness process for our employees and their families, and to create sustainability awareness in children with the Little Hands Big Dreams project.

### **Human Rights**

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

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Finansbank Employee Code of Conduct](#)

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

[QNB Finansbank Annual Report 2021](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

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

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Finansbank Employee Code of Conduct](#)

[QNB Group Sustainability Policy](#)

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[QNB Finansbank Annual Report 2021](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

### **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:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

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

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

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

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Finansbank Employee Code of Conduct](#)

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

[QNB Finansbank Annual Report 2021](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

## **Environment**

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

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

[QNB Finansbank Annual Report 2021](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

**Principle 8:** Businesses undertake initiatives to promote greater environmental responsibility

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

[QNB Finansbank Annual Report 2021](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

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

Relevant policies and documents:

[Sustainability Related Policies of QNB Finansbank](#)

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

[QNB Group Sustainability Policy](#)

[QNB Finansbank Sustainability Policy](#)

[QNB Finansbank Annual Report 2021](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

## **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:**

[Sustainability Related Policies of QNB Finansbank](#)

[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](#)

(Bank policies are also accessible on QNB Finansbank's [corporate website](#))

### 3. Measurements

#### Sustainability Performance Summary

Pillar	Material Topic	Key Performance Indicator	2019	2020	2021
<b>Sustainable Finance</b>	Sustainable Investments, Lending, Products and Services	Total Value of Renewable Energy Portfolio (mn TL)*	458.3	890.6	1,843.3
	Supporting SME's and Entrepreneurship	Total Value of Loan Portfolio by Microenterprise and SME** (bn TL)	20.5	22.2	24.6
		Total Number of Microenterprise and SME Customers (mn)	1.5	1.4	1,5
	Financial Inclusion	Number of ATMs	2,941	2,897	2,930
	Customer Experience and Satisfaction	Net Promoter Score (NPS) % - Enpara.com	75	77	78
	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)	359.1	407.6	770.9
<b>Sustainable Operations</b>	Corporate Governance, Compliance and Risk Management	Confirmed Incidents of Bribery or Corruption	0	0	0
	Talent Attraction, Development and Retention	New Employee Hires	2,054	1,164	2,120
		Employee Turnover (Voluntary)	1,444	955	1,575
		Total Number of Training Hours Provided (000, hrs)	654.1	428.2	579.9
		Employee Engagement Score (%)	64	64	59
	Diversity and Inclusion	Female Employment Rate (%)	56	56	57
		Return to Work Rate After Parental Leave (%)	99.1	98.6	98.8
	Environmental Impact of Operations	Total Electricity Consumption (mn Kwh)	63.2	56.7	50.1
		Total Water Consumption (000, M3)	178.0	121.6	99.4
		Total Paper Consumption (tons)	388	156	167
	Responsible Procurement and Supply Chain	Total Number of Suppliers Engaged	1,377	1,570	1,599
<b>Beyond Banking</b>	Social and Community Investment	Total Number of Employee Volunteering Hours**	7,089	1,449	1,881

\*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