

Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

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

Vakıfbank has been established in 1954 with a cooperation of several Turkish Foundations as an incorporation company and has become one of Turkey's leading banks. The Bank's founding mission was to manage and use the assets of foundations in the most efficient manner, to contribute to Turkey's savings rate based on modern banking principles, and to channel the deposits collected toward the country's economic development. Vakıfbank offers corporate, commercial and small business banking products and services as well as individual and private banking, specializing in all financial areas. In addition to basic banking products and services, Vakıfbank has investment banking and capital market activities, where Vakıfbank has been playing a leading role in domestic and foreign trade financing. It also offers insurance through financial subsidiaries of leasing and factoring services to its customers located up a wide range of financial products with high technology required age. Vakıfbank offers its services to individual and corporate customers with its branches over 900 spread over the country, as well as with the alternative distribution channels supported by advanced technology. Vakıfbank has branches abroad such as the New York branch in US, Erbil branch in Northern Iraq as well as a banking branch in Bahrain coast. Also, Vakıfbank operates in Austria with a subsidiary, Vakıfbank International AG, which has branches in Vienna and Cologne. Vakıfbank's other subsidiaries are Inc., Vakıf Factoring Inc., Vakıf Leasing, Vakıf Real Estate Investment Trust, Vakıf B-Type Securities Investment Trust. Inc., Vakıf Securities Investment Trust Inc. Vakıf Marketing Ind. and Trade Co., Taksim Hotels Inc., Vakıf Energy and Mining Inc. and Vakıf Real Estate Appraisal Inc. By BIST Sustainability Index, Borsa İstanbul listed companies based on the international sustainability criteria. The assessment is based upon only publicly available information. In 2014, Vakıfbank has been one of the first four banks and the only public bank that satisfied the Sustainability Criteria developed for the BIST Sustainability Index and Vakıfbank has been maintaining own place in the index since 2014. Vakıfbank puts the best effort to "sustainability" with the value contributed to its customers, shareholders, employees and society for the economic and social responsibility. Vakıfbank is conscious of its responsibility for contributing to global and national efforts to mitigate climate change. Therefore, the Bank adopts the aim of decreasing its carbon footprint in line with its environmental responsibility. Within this framework, the following policies are implemented in Vakıfbank in 2015:

- Supporting the policies and national development plans that will be determined to decrease GHG emissions, through contribution to national draft policies and plans.
- Fulfilling not only the Bank's global and national responsibilities, but also being a role model in the Turkish Banking Sector for Environmental Sustainability at several platforms such as Istanbul Stock Exchange Sustainability Index, CDP, MidSEFF, TurSeff and other initiatives.

-Continuous monitoring, transparent reporting and improving GHG emission reduction performance since 2013.

In 2017, Vakıfbank certified not only its HQ, but also its 30 branches with ISO 14001 Environmental Management System. Besides, the Bank **started to disclose environmental data from its all branches all over the world**. In 2020; thanks to our efforts on environmental management, all head office buildings and branches were added to the scope of ISO 14001 Environmental Management System (EMS) and enabling all Vakıfbank employees to work in ISO 14001 certified buildings. Since 2017, Vakıfbank has been listed on the FTSE4Good Emerging Markets Index. In 2019, to further strengthen its sustainable banking identity on global platforms, Vakıfbank has voluntarily participated in the Dow Jones Sustainability Index survey together with 175 companies who reported out of 248 companies invited. Additionally, Vakıfbank serves on the ERTA Executive Committee as a member of the Integrated Reporting Turkey Network (ERTA), which carries out awareness-raising activities for the spread of integrated thinking in Turkey. Vakıfbank published its 2019 and 2020 performance with an Integrated Annual Report as one of the pioneering institutions in this term.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2020	December 31, 2020	No

C0.3

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

- Bahrain
- Iraq
- Turkey
- United States of America

C0.4

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

- TRY

C0.5

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

- Operational control

C-FS0.7

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

Bank lending (Bank)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual(s)	Please explain
Director on board	<p>Independent Member of the Board is heading the Corporate Governance Committee, and this committee has the highest level authority to conduct sustainability Climate Change related issues. The CGC is composed of 5 persons, of which 3 are members of BoD, 1 is Senior Vice President (SVP) of "International Banking & Investor Relations Department" and 1 is Senior Vice President (SVP) of "General Accounting and Financial Affairs".</p> <p>For example, an agreement with French Development Agency (AFD-Agence Française de Developpement) on financing Green Buildings is signed. It was the highest volume of its kind in Turkish banking sector with a sum of 200 million Euro.</p>
Director on board	<p>A member of the Board is also a member of Corporate Governance Committee, and this committee is in charge of conducting Sustainability including Climate related issues.</p> <p>For example, an agreement with French Development Agency (AFD-Agence Française de Developpement) on financing Green Buildings is signed. It was the highest volume of its kind in Turkish banking sector with a sum of 200 million Euro.</p>
Director on board	<p>Independent Member of the Board is one of the Corporate Governance Committee, and this committee has the highest level authority to conduct sustainability Climate Change related issues. The CGC is composed of 5 persons, of which 3 are members of BoD, 1 is Senior Vice President (SVP) of "International Banking & Investor Relations Department" and 1 is Senior Vice President (SVP) of "General Accounting and Financial Affairs".</p> <p>For example, an agreement with French Development Agency (AFD-Agence Française de Developpement) on financing Green Buildings is signed. It was the highest volume of its kind in Turkish banking sector with a sum of 200 million Euro.</p>

C1.1b

(C1.1b) Provide further details on the board’s oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities The impact of our own operations on the climate The impact of our bank lending activities on the climate	Board of Directors has the top-level responsibility about the overall performance of the Bank. To achieve this goal; Board of Directors steers and reviews the overall strategy of the Bank. In line with this, it reviews the major plan of actions, annual business plans and budgets according to this. Therefore, BoD guides and review the strategy on sustainability and climate change. It evaluates the risks and uprising opportunities. Besides, it reviews and asks for updates on the risk and opportunity management policies, if necessary. It sets the performance objectives and allocates the relevant sources according to them. Consequently, monitors the performance and the progress on climate change topics. As an example, our %2 emission reduction annual target is decided by our BoD. Our target is publicized via our website and our reports. Please see https://www.vakifbank.com.tr/environmental-management-.aspx?pageID=2740 .

C1.2

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

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other committee, please specify Corporate Governance Committee	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	Quarterly
Other, please specify Sustainability Working Group	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	More frequently than quarterly
Chief Executive Officer (CEO)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	More frequently than quarterly
Other C-Suite Officer, please specify Support Services President	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations	More frequently than quarterly

C1.2a

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

Corporate Governance Committee (CGC) coordinates all efforts of sustainability of our Bank, which includes determining our overall sustainability strategy, management and supervision of sustainability projects developed and implemented by 'Sustainability Working Group'. The CGC is composed of 5 persons, of which 3 are members of BoD, 1 is Senior Vice President (SVP) of "International Banking &

Investor Relations Department" and 1 is Senior Vice President (SVP) of General Accounting and Financial Affairs. The Committee meets generally every 3 months or at least twice a year, but not to exceed 6 months between two meetings.

The 'Sustainability Working Group' (SWG) is the main group executing the decisions of the CGC, in cooperation with the relevant departments. SWG meets more frequently than CGC and is in frequent touch among each other. The Representatives of SWG are as follows:

- SVP of International Banking & Investor Relations Dept.
- SVP of Support Services
- SVP of Corporate Communication D.
- Manager (Mng.) of Investor Relations D. (Secretariat)
- Mng of Corporate Development D.
- Mng of Credit Risk & Operational Risk Man D.
- Mng of Recruitment & Employee Operations D.
- Mng of Employee Relations & Discipline D.
- Mng of Specialized Loans Project Development & Analysis D.
- Mng of Investment Loans Project Development & Analysis D.
- Mng of Corporate Training D.
- Mng of SME Banking Products Development & Man D.
- Mng of Construction Affairs D.
- Mng of Strategy Development & Planning D.
- Mng of Internal Communication D.
- Mng of Public Relations & Media D.

Under the SWG, two Management Services has been established, which are responsible from different particular aspects of sustainability management: "Environmental Management Service - EMS" and "Sustainability Service". The EMS is composed of 10 employees who guide and monitor the Environmental Representatives (ERs) in each 933 branches together with Logistics Management D. serving under Support Services Dep. of Vakıfbank. Each branch has at least 1 ER and as a result a total number of 1,859 ERs all around Turkey help to monitor efficient use of resources. As of the end of 2020, we have certified our 1,078 employees via trainings within the scope of ISO 9001 Quality Management System and ISO 14001 EMS, thus having at least one certified employee in our 680 branches. Throughout 2021, we will continue to organize e-learning trainings in order to raise awareness in ISO 9001 QMS and ISO 14001 EMS.

The EMS is directly responsible of developing environmental strategies, policies, and projects, as well as developing, updating environmental targets and indicators and implementing projects. CC related efforts are under the direct responsibility of the EMS. The Service;

- monitors and reports GHG inventory of Vakıfbank office and branches in Turkey, and prepares corporate GHG management and action plans,
- develops guidelines for the ERs,
- develops and coordinates the implementation of projects for reducing the environmental and carbon footprint of Vakıfbank,
- develops projects for low carbon office behaviour, raises awareness among the employees regarding climate change,
- identifies and shares Vakıfbank's corporate risks, opp.s and targets due to climate change within the framework of CDP,
- integrates Vakıfbank to international environmental standards such as ISO 14001 EMS, etc.,

-represents Vakıfbank in national and international events and meetings for climate change related issues.

The EMS has the authority to assess and audit the branch offices for environmental indicators including GHG emissions and natural source use. Even though Vakıfbank is a bank with almost a thousand premises, in addition to fuel, fire extinguisher, AC fugitive gases and electricity use; paper, tap and drinking water use and use of courier services, employee commuting, production of wastes are gathered from all branches and included in GHG emissions inventory. EMS measures each branch's performance and acts in coordination with ERs to maximize the branch's environmental performance. EMS also works in high accordance with Construction Affairs Mng. to increase the energy and emission efficiency of the buildings. In case, a branch has an insufficient environmental performance, EMS can send it an official notification. In case, a branch persistent on insufficient environmental performance, EMS could report the branch to the SWG. EMS also cooperates for Integrated Reporting, especially on environmental impacts.

SWG and EMS also prepare and amend the risk & opportunity categories that may occur due to climate change, and shares this information directly with Credit D.s, Project Development & Analysis D.s in order to integrate them into the risk and opp analysis procedures. So that all departments could use this intelligence in their assessments.

Our BoD and CEO is the main responsible authorities on all practices applied and the performance driven the Bank, so as on climate-related issues.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	Both monetary and non-monetary incentives are provided for diversified levels of our organization.

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Board/Executive board	Non-monetary reward	Emissions reduction target Energy reduction target Efficiency target Company performance against a climate-	Board of Directors has the top level responsibility about the overall performance of the Bank. Therefore, any achievement or reward will bring Vakıfbank reputation and recognition and the Board will be the recognized.

		related sustainability index Portfolio/fund alignment to climate-related objectives Other (please specify) Reputation	
Corporate executive team	Non-monetary reward	Emissions reduction project Emissions reduction target Energy reduction project Energy reduction target Efficiency project Efficiency target Behavior change related indicator Environmental criteria included in purchases Supply chain engagement Company performance against a climate-related sustainability index Portfolio/fund alignment to climate-related objectives	'Corporate Governance Committee' coordinates all efforts of sustainability, which include determining the overall sustainability strategy, management and supervision of sustainability projects that are developed and implemented. Therefore, the top committee responsible for any positive or negative performance on these topics is CGC. It also leads the organisational behavioral change about climate change management.
Other, please specify Branch Environmental Representative	Non-monetary reward	Emissions reduction target Energy reduction target Efficiency target	The Board sets a target about emission reduction and efficient use of resources. Thus, every branch should be effectively managing their emissions. If the branch achieves its target, Best performing Environmental Representatives are appreciated by an Appreciation Letter sent by Environmental Management Service in an e-mail form, which is also sent to all branches. As of 2019, the integration of

			electronic invoices to VakıfBank Innovative Transformation (VIT) has been completed in order to better monitor the performance of ERs. Thus, the data could be transferred to the system and reported systematically. Besides, the branch performance of efficient use of resources will be included to the internal controlling check list.
Other, please specify Branch employees	Monetary reward	Energy reduction target Behavior change related indicator	VakıfBank has a wide-spread branch network all around Turkey and it has almost 1.000 branches. A headcount of 11,216 of 16,748 employees of VakıfBank is working in branches. Bonuses of branch employees are inversely correlated with expenses of the branch, including energy expenses such as electricity and natural gas or coal or fuel-oil or diesel oil expenses. Consequently, the less consumption of natural resources, the more bonus they receive.

C-FS1.4

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

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	No, there is no such an option for public workers in Turkey.

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

	From (years)	To (years)	Comment
Short-term	0	2	In short-term, focus will be on issuing Green Bond &/or Sustainable Bond, getting our ESG Rating, publishing an Integrated Annual Report, preparing our SBT, fully offsetting our Carbon Footprint including Sc3 emissions, disseminating waste management & ISO 14001 EMS certificates beneath our

			<p>branches, obtaining funds on low carbon economy & finance, delivering our low carbon products, raising awareness on environment via trainings, CSR activities and our products, being in Sust. Indices.</p> <p>We are the 1st public institution in Turkey to announce its commitment by SBT initiative, in 2019. As of 2020, all head office units and branches were added to the scope of ISO 14001 EMS. Energy & emission efficiency will be improved, and our footprint will be decreased.</p> <p>With a scheduled Training Agenda for 2021 we will be keeping on training & awareness raising activities on "Sustainability & CC" for our employees to raise the consciousness. In 2020, we provided our employees with 23,563 hrs of online and totally 5,195 hrs of in-class training on environment & sustainability. 370 employees participated in ISO 14001 trainings and 143 branches were audited through ISO 14001. As end of 2020; 1,078 employees have been certified for ISO 9001 & 14001.</p> <p>Zero Waste Project system records are completed, carried by the Ministry of Envr. & Urban., in 2019. In 2020 the certification process was continued. E-Zero Waste Training within the scope of the Zero Waste Project in 2020 was completed by our 7,530 employees and at 2021 trainings will continue.</p> <p>International banking will be in effort to obtain new syndication credits &/or international funds for low carbon finance. We have prepared the Sust. Finance Framework Text to form the basis for the issuance of Green Eurobond and carried out the first sustainable Eurobond issue.</p> <p>Low carbon products and our products that decrease third parties' carbon footprints like credits for env. friendly buildings, energy efficiency, and mobile banking products will be promoted.</p> <p>We will put effort on continuity in the SI in which we are currently listed (BIST SI, FTSE4Good Emerging Markets Index) and to take part in other accepted SI.</p> <p>We will be considering physical climate risks effects in new branch location selection. Also, for existing branches, we will be putting effort by our constructional works unit to minimize the potential physical effects of CC.</p>
Medium-term	2	6	<p>In mid-term, Vakıfbank plans to be in more global Sustainability Indices, numericizing its Science Based Targets and performing accordingly, obtaining and delivering low carbon funds, being a mediating bank in cap and trade schemes, raising awareness on environment.</p> <p>Vakıfbank considers to be in more global sustainability indices.</p> <p>Vakıfbank will numericize its Science Based Targets for emission reduction and will be following its action plan.</p> <p>Vakıfbank will be one of the leading Turkish banks promoting low carbon economy. It will enlarge its green economy products and portfolio. It will raise the funds, provided from international organizations and responsible investment funds. International banking will be in effort to obtain new syndication credits and/or international funds for low carbon finance. Vakıfbank will carry out its activities to play an active role in the market in responsible and green financing areas to create investment opportunities in the bank that can</p>

			<p>provide permanent value for investors.</p> <p>Vakıfbank considers that Turkey will be included in cap and trade schemes in 6 years and if so, Vakıfbank will be one of the mediating banks for the market. Paper consumption will be prevented in the scope of the paperless banking project and we will continue to digitize all our processes.</p> <p>With the help of Vakıfbank's high-end technologies, the use of Vakıfbank's products that decreases third parties' carbon footprints like internet and mobile banking will be boosted.</p> <p>All Vakıfbank locations will be in ISO 14001 Environmental Management System with advanced recycle management system. Energy and emission efficiency will be improved and the environmental footprint will be decreased. Vakıfbank will be keeping on training and awareness raising activities on "Sustainability and Climate Change" for Vakıfbank employees to raise the consciousness.</p> <p>Vakıfbank will be considering physical climate risks effects in new branch location selection. Additionally, for existing branches, the Bank will be putting effort by its constructional works unit to minimize the potential detrimental physical effects of climate change.</p> <p>Vakıfbank will be raising the awareness of its supply chain on environmental consciousness, and also will be including relevant terms accordingly on its procurement agreements, monitoring and auditing them on ESG criteria.</p>
Long-term	6	11	<p>We define long-term between 6 & 11 yrs. In long-term, we plan to be in more global SI, numericizing our SBTs and performing accordingly, obtaining & delivering low carbon funds, being a mediating bank in cap and trade schemes, raising awareness on environment, building capacity on ESG criteria on our supply chain, considering green purchasing rules in our procurement activities.</p> <p>We consider to be in many global SI and aim to fully perform through our SBTs.</p> <p>We aim to be one of the leading banks in Turkey promoting low carbon economy. We will enlarge our green economy products & portfolio. We will raise the funds provided from international organizations & responsible investments. We will be in effort to obtain new syndication credits &/or international funds for low carbon finance. By carrying out activities to play an active role in responsible & green financing areas we will create permanent value for investors.</p> <p>If Turkey will be in cap and trade schemes, we aim to be one of the mediating banks.</p> <p>Furthermore using the internal price of carbon, we aim to be in TFCD and be one of the leading banks to disseminate the accounting system internalizing the carbon price.</p> <p>With the help of our high-end technologies, the use of our products that decreases third parties' carbon footprints like internet and mobile banking will be boosted.</p> <p>All our locations will be both in ISO 14001 and ISO 50001 with advanced</p>

			<p>recycle management system. Energy & emission efficiency will be improved, and the environmental footprint will be decreased. The branches will be highly digital with less employees.</p> <p>We will be contributing to the green economy and sustainable development with our expectations from our suppliers & credit beneficiaries.</p> <p>We will be keeping on training & awareness raising activities on "Sustainability & CC" for not only our employees, but also to our customers and suppliers to raise their consciousness.</p> <p>We will be considering & minimizing physical climate risks effects in existing branches and new branch location selections.</p> <p>We will be keeping our efforts on raising the awareness of our supply chain on environmental consciousness. By including relevant terms into our procurement agreements, monitoring & auditing them on ESG criteria, we will be applying green purchasing activities. With our wide span, we aim to affect our supply chain and raise the bar in Turkey.</p>
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C2.1b

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

As the representative of a well-established tradition & experience in the banking system of our country, we aim to leave a more liveable world for the next generations with our activities in sustainable banking, while continuing our efforts for the growth, development & integration of the national economy for 65 years. For this reason, we manage our economic, environmental, & social performance in a way that creates value & benefit for all our stakeholders by including "sustainable development" among the focus of our value creation model. We carry out our activities, in other words, our business model in an external environment that includes economic conditions, technological changes, social problems & environmental challenges. This external environment has an impact that creates both risk & opp. for our business model. Therefore, we consider the effects of the external environment on our ability to create value. With this perspective, we believe that climate change (CC) is a phenomenon that has significant financial & strategic effects for our industry.

On the other hand: we are aware that in addition to our direct impact, we have considerable indirect impact. Almost all sectors can be our customers &/or we can be investors of all sectors, consequently financial sector is highly related with any other sector. If any sector exposes to the impacts of CC, so do the financial sector. Likewise, any innovation that will positively affect a sector could have a positive impact on the financial sector as well.

Every year the negative & destructive effects of CC experienced worldwide enhance. Research shows that the current effort at the global level is not enough to keep global warming below 1.5 degrees Celsius. Taking into account the magnitude of the impact it creates with the financing provided by the financial sector, the relationship between CC & the financial sector is evaluated under a different category in many platforms. With the impact of CC on natural resources, transition to carbon free economy, carbon trade, use of clean energy sources & business models that increase energy efficiency & reduce carbon emissions have become the issues that are frequently discussed in our agenda. The economy is actually transforming with all the studies & practices aimed at reducing the effects of CC & adapting to them. Being aware of the risks resulting from this transformation, it is important to make it a

part of the risk assessment process by taking into consideration environmental & social risks in the projects financed within the framework of responsible banking approach. Moreover, in order to support sustainable growth, it is necessary to create financial products & services for new professions & business models as well as the needs that emerge with the economic change. Consequently, not following the up-to-date development on sustainable business & finance could have a negative strategic & financial effect on our company.

CC, which is the most important problem of our age, has effects on both our operations & the financing, that we provide through our IT system infrastructure & our widespread branch network. Besides its physical effects on our 936 branches, both domestic & overseas, 27 regional buildings and 4,247 ATMs; there are also effects on our loan portfolio, which covers retail, corporate, commercial, agricultural & SMEs. As the second largest bank in Turkey, the support we provided to the national economy through cash & non-cash loans exceeded TL 523 billion in 2020. Therefore, we consider the effects of CC as an important part of our risk assessment process.

Additionally, we are aware that we have a responsibility for the environmental & social impacts of the projects we finance within the framework of our responsible finance approach, which is the basis of our duty to contribute to society & the environment. In this context, 'Environmental & Social Impact Assessment & Sustainability' is included as a special title in our Credit Policy Document in order to evaluate the environmental & social impacts of the projects we finance. In this way, we focus on creating a positive indirect effect with the projects we provide financing, & prioritize environmentally friendly projects, energy efficiency & renewable energy projects in financing. We provide financial support to sustainable energy investments & projects by giving priority to renewable energy investments under the title of Sustainable Energy Finance. In 2020, we provided finance support of over TL 2.1 billion to 28 renewable energy projects.

As of Dec 2020, our threshold about risks is 12%.

In 2020, the amount of cash project loan limit assigned to energy and steel-iron production sectors (emission intensive sectors) is TL 4.2 billion and TL 0.75 billion of it is provided.

As of the end of 2020, the cash amount of project loans related to the cement, energy, iron and steel sectors is TL 16 billion and it is 5.14% of the commercial loans portfolio of our Bank.

C2.2

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

Value chain stage(s) covered

- Direct operations
- Upstream
- Downstream

Risk management process

- Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

Vakıfbank has an advanced and multi-level, multi-disciplinary, company-wide risk & opportunity management model. The essence of banking activities relies on determination, assessment and valuation of risks as interest rate.

The description of a process for identifying and assessing climate-related risks is as follows: Board of Directors is the main and the highest-level responsible of the overall performance of the Bank. The main responsibility of the Sustainability (including climate change) is on the Corporate Governance Committee, which directly reports to BoD. Stakeholder expectations and material issues analysis are performed periodically from various channels. One of the main channels is the one performed during Integrated Reporting annually. Findings are evaluated mainly by the Strategy Development and Planning, Investor Relations, Env. Man. Serv. and Risk Dept. to determine the risks and opportunities. Besides, relevant core business units (Credits, SME Banking, International Banking, etc.) detect the possible risks & opp.s on Climate Change. Furthermore, each department mentioned above provides input to risk and opportunity assessment. These inputs contain insights and feedbacks gathered from their stakeholders of whom they are in touch with. As a result, risks are categorized and if necessary; monitored or elevated to Committee and/or actions are taken. On the other hand, inspectors also examine periodically.

i) Company level assessment processes:

CGC, with the support of Environmental Management Service (EMS), is responsible from identifying the risks & opportunities that might result from climate change. EMS has the coordinating role among all departments in identifying and communicating the Climate Change (CC) risks & opp.s. The risks & opp.s are then shared with the Risk Management Dept. under the BoD for further assessment & prioritization. Risks are categorized and if necessary; monitored or elevated to Committee and/or necessary actions are taken. Reputational risk, operational risk and credit risk are of our Company wide risks about CC.

ii) Asset level processes:

Several dept.s are responsible from determining asset levels risks for Vakıfbank due to climate change. In credit line; "Financial Evaluation and Ranking Dept." gathers data about the applicant's sector and the applicant itself and prepares the initial assessment report, including CC risks & opp.s. Afterwards, each department considers and evaluates their risks according to their credit type responsibilities. The following dept.s assess credit applications integrating climate change risks and opportunities:

- Investment Loans Project Development and Analysis
- Agricultural Credits

- SME Credits
- Specialized Loans Projects Development and Analysis
- Commercial Credits

As an example; substantial financial impacts about climate-related risks may arise from following subjects. For credit applications over a certain budget, Investment Loans Project Development and Analysis Dept. prepares Financial-Technical-Economic Analysis for Credit Dept.s for an additional risk assessment. The technical part of these reports considers env. & social (including CC) risks & opp.s that may result from the project, as well as possible risks & opp.s that may impact the project.

The potential risks & opportunities that are identified by Sustainability Working Group-SWG (Formerly; Sustainability Sub-Committee), together with Sustainability Service and EMS, and are communicated to the Risk Management Dept. under the BoD for further assessment & classification. Vakıfbank puts importance on evaluating and managing environmental risks on its credit line. Emission intense clients and projects (e.g. Thermal power plants) are assessed thoroughly and evaluated by high level decision makers within Vakıfbank. Besides, as the most active Turkish bank of international capital markets, we have included the issue of Green Bond &/or Sustainable Bond to our agenda, which has been used as a funding tool for climate change and green projects for many years in developed countries, especially in Europe, and which has started to be seen in our country in recent years. In 2020, we issued our first sustainable bond and we aim to issue a new sustainable bond in 2021.

SWG, together with Sustainability Service and EMS, prepare the risk & opportunity categories (according to the decisions taken by Board of Directors) that may occur due to climate change, and shares this information with credit dept.s, Intelligence Dept. and Project Analysis Dept. in order to integrate them into the risk analysis procedures. Risks are categorized and if necessary; monitored or elevated to Committee and/or actions are taken. On the other hand; Vakıfbank's in-house inspectors also examine risks and opp.s less than a year.

Risk assessments, research, stakeholder consultation & good governance provide us the input needed to prioritize the risks & opp.s. Risks & opp.s are assessed & prioritised depending on the magnitude of the potential loss & the probability that the loss will occur. Financial, environmental, reputational, legal & customer criteria are considered. The frequency of risk assessments depends on the business unit and risk type, taking place at least annually.

Loan applications for Energy Generation and Energy Efficiency Projects is considered in special attention. While assessing and prioritizing risks, parameters such as price of energy, supply & demand balance and external factors that may impact these two parameters are taken into account. CC has been among those parameters since several years for us. Vakıfbank considers CC as a serious thread which may have direct impact on Vakıfbank's operations, reputation, and capital assets. If they are evaluated at the high-risk category, then they are defined as substantial financial impact.

As of end of 2020, our project finance credit amount provided to cement, steel & iron, and

energy sectors is TL 16 billion and its ratio in loans is %5.14.

C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	<p>Vakıfbank always aims to fully comply with existing regulations. As a public bank, we put great importance on this matter. EMS and Legal dept. steers Vakıfbank for full compliance. Both national and international current regulations are taken into account.</p> <p>For example; in 2020 legislation about transporting wastes and electronic wastes get into force and we align our procedures.</p>
Emerging regulation	Relevant, always included	<p>Vakıfbank's Sustainability Working Group members, especially Sustainability Service EMS and Project Development and Analysis Dept. follow the upcoming regulations and sometimes share its opinion directly or indirectly via sectoral organisations such as Turkish Banks Association. Emerging regulations are considered in the risk assessment.</p> <p>Within the framework of approximation to EU Acquis, Turkey is expected to integrate to European Emission Trading Scheme, thus to the cap and trade system. Therefore, both national and international emerging regulations are taken into account.</p> <p>For example, if a regulation about carbon taxes get into force in Turkey, then it will be an extra cost item for Vakıfbank. Such climate change risks are considered in our climate change related risk assessments.</p> <p>Additionally, in 2020, European Union was working on EU Green Deal, which could have substantive business and financial effects on Turkey a neighbouring and exporting country to EU.</p> <p>Env. Man Serv. gathers comprehensive environmental data from all premises including its branches abroad, calculates its emissions in ISO 14064-1 Standards with the support of ESG Turkey Sustainability Consultancy firm and make the data and its reductions verified the ISO 14064-3 Standards</p>
Technology	Relevant, always included	<p>Technology is considered in the risk and opportunity assessments. As we are a bank, we are highly dependent on technology.</p> <p>For example, dependence on technology could lead an increase in use of electricity energy, consequently our emissions depending on the increase in use of technology. In 2020, our use of electricity is 68,649 MWh which causes a release of 23,976 tCO₂e GHG emissions.</p>

		<p>On the other hand, technology may bring more energy and/or emission efficient products and solutions. We consider the risk of technology and take precautions and actions to diminish the negative effects and foster the positive effects.</p> <p>As an example, we made the decision to replace 450 of our Bank vehicles with hybrid versions in 2020. Emissions from our company vehicles account for 13.3% of our total emissions in 2019 and 45% of our direct greenhouse gas emissions, which is defined as Scope 1. In this way, we sight to reduce emissions by up to 27% per vehicle. By using a hybrid vehicle, an average of 1.7 tons of CO₂-e emission savings is achieved in 3 years compared to a gasoline vehicle.</p>
Legal	Relevant, always included	<p>Vakıfbank always aims to fully comply with regulations, as a public bank puts great importance on this. Vakıfbank is providing fund to third parties. Therefore, legal compliance is important for both in its own operations, and in its credit line (project finance).</p> <p>For example in 2020, if a regulation about carbon taxes get into force in Turkey, then it will be an extra cost item for Vakıfbank. Such climate change risks are considered in our climate change related risk assessments.</p> <p>Additionally, in 2020, European Union was working on EU Green Deal, which could have substantive business and financial effects on Turkey a neighbouring and exporting country to EU.</p>
Market	Relevant, always included	<p>Vakıfbank considers climate related market risks in its risk assessment. Vakıfbank uses international funds from EBRD, EIB and AFD, there is environmental and social risk management systems for these funds. Our overall residual syndicated loan is USD 1.7 billion. Therefore, financing sectors using fossil fuels, especially coal is a risk in our market.</p> <p>For example, two of leading banks in Turkey at the time of reporting has announced that they will not be financing investments related with coal.</p>
Reputation	Relevant, always included	<p>Vakıfbank is a public company and quoted to Borsa Istanbul. Furthermore, Vakıfbank has been one of the first four banks qualified to be in BIST Sustainability Index by meeting the sustainability criteria of BIST SI. Vakıfbank has a leading role of in sustainable finance in Turkey. Vakıfbank's reputation, brand and market value could be affected negatively due to climate change risks.</p> <p>For example; as of end of 2020 VakıfBank market value is TL 18,395,481,927.71 and if there will be a %1 decrease in market value due to any reason including climate related risks, it will lead a loss of TL 183,954,819.</p>

Acute physical	Relevant, always included	<p>Vakıfbank operations are highly dependent on technology. Therefore, floods, storms, extreme weather conditions could affect banking operations. Vakıfbank takes them into consideration in its risk assessments and takes necessary precautions. In addition to that, Vakıfbank operations are highly dependent on electricity and these events could affect the continuity of the electricity supply (energy security) and increase the demand on energy. Therefore, these events could cause disruption in operations. Vakıfbank takes them into account in its risk assessments and takes necessary precautions like having on premise generators at its operation locations.</p> <p>As an example; Vakıfbank insures it's all locations including the risks arised from the acute-physical risks. In 2020, 17 of damages caused by natural disaster were covered by the insurance, and the total amount of compensation was TL 110,702.52.</p>
Chronic physical	Relevant, always included	<p>Chronic physical risks like change in precipitation regimes, drought, change in sea temperatures could negatively affect economy and especially some sectors like agriculture, fishery. Vakıfbank is aware of them and takes them into account in its risk assessments. Necessary precautions like awareness raising among its credit analysts and customers is conducted. In the scope of agricultural loan we consider risks and opportunities, with the belief that sustainable agriculture is critical to the future of our country. We continue to be the power next to the farmer since 2014 and the number of farmers, we delivered TarımKart, reached over 150,000 in 2020. Our Agricultural Credits Department takes into consideration the report, which is prepared by Financial Evaluation and Ranking Department by gathering data about the sector, and evaluates credit applications integrating risks and opportunities, including climate change and water. In addition to our financing services in 2020; under VakıfBank Farmers Academy 20 meetings were organized and 2,650 farmers were educated on climate change, water management and sustainable agriculture to increase the technical knowledge of our farmers, reduce costs in agricultural production, increase productivity.</p> <p>As example from 2020 is about our Agricultural Banking Credit Risks; 2.8% of our SME credits, which constitutes an amount of TL 2.382.560.076 is allocated as Agricultural Banking Credits.</p> <p>As another example from 2020; Vakıfbank operations are highly dependent on electricity and these events could increase the demand on energy. This may cause disruption in supply and consequently disruption in operations. Vakıfbank takes them into account in its risk assessments and takes necessary precautions like having on premise generators at its operation locations. As an example; Vakıfbank insures its all locations including the risks elevated from the physical risks. In 2020, 17 of damages caused by natural disaster were covered by the insurance, and the total amount of compensation was TL 110,702.52.</p>

C-FS2.2b

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	<p>In credit line; "Financial Evaluation and Ranking Dept." gathers data about the applicant's sector and the applicant itself and prepares the initial assessment report, including CC risks & opp.s. Afterwards, each department considers and evaluates their risks according to their credit type responsibilities. The following dept.s assess credit applications integrating CC risks and opportunities:</p> <ul style="list-style-type: none"> - Investment Loans Project Development & Analysis - Agricultural Credits - SME Credits - Specialized Loans Projects Development & Analysis - Commercial Credits <p>For credit applications over a certain budget, Investment Loans Project Development & Analysis Dept. prepares Financial-Technical-Economic Analysis for Credit Dept.s for an additional risk assessment. The technical part of these reports considers env. & social (including CC) risks & opp.s that may result from the project, as well as possible risks & opp.s that may impact the project.</p> <p>The potential risks & opportunities that are identified by Sustainability Working Group-SWG, together with Sustainability Service & Environmental Management Service (EMS), and are communicated to the Risk Management Dept. under the BoD for further assessment & classification. Vakıfbank puts importance on evaluating and managing environmental risks on its credit line. Emission intense clients and projects (e.g. Thermal power plants) are assessed thoroughly and evaluated by high level decision makers within Vakıfbank.</p> <p>Loan applications for Energy Generation and Energy Efficiency Projects is considered in special attention. While assessing and prioritizing risks, parameters such as price of energy, supply & demand balance and external factors that may impact these two parameters are taken into account. CC has been among those parameters since several years for us. Vakıfbank considers CC as a serious thread which may have direct impact on Vakıfbank's operations, reputation, & capital assets.</p>

Other products and services, please specify	Not applicable	Since our portfolio mainly consists of the bank lending, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. Furthermore, the stakeholder expectations to assess other products and services' portfolio's exposure to climate-related risk and opportunities is considered as too low.
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C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	<p>Several dept.s are responsible from determining asset levels risks for Vakıfbank due to climate change. In credit line; "Financial Evaluation and Ranking Dept." gathers data about the applicant's sector and the applicant itself and prepares the initial assessment report, including CC risks & opp.s. Afterwards, each department considers and evaluates their risks according to their credit type responsibilities. The following dept.s assess credit applications integrating climate change risks and opportunities:</p> <ul style="list-style-type: none"> -Investment Loans Project Development and Analysis - Agricultural Credits - SME Credits - Specialized Loans Projects Development and Analysis -Commercial Credits <p>Substantial financial impacts about climate-related risks may arise from following subjects. For credit applications over a certain budget, Investment Loans Project Development and Analysis Dept. prepares Financial-Technical-Economic Analysis for Credit Dept.s for an additional risk assessment. The technical part of these reports considers env. & social (including CC) risks & opp.s that may result from the project, as well as possible risks & opp.s that may impact the project.</p> <p>The potential risks & opportunities that are identified by Sustainability Working Group-SWG (Formerly; Sustainability Sub-Committee), together with Sustainability Service and EMS, and are communicated to the Risk Management Dept. under the BoD for further assessment & classification. Vakıfbank puts importance on evaluating and managing environmental risks on its credit line. Emission intense clients and projects (e.g. Thermal power plants) are assessed thoroughly and evaluated by high level decision makers within Vakıfbank.</p>

			<p>SWG, together with Sustainability Service and EMS, prepare the risk & opportunity categories (according to the decisions taken by Board of Directors) that may occur due to climate change, and shares this information with credit dept.s, Intelligence Dept. and Project Analysis Dept. in order to integrate them into the risk analysis procedures. Risks are categorized and if necessary; monitored or elevated to Committee and/or actions are taken. On the other hand; inspectors also examine periodically.</p> <p>Risk assessments, research, stakeholder consultation & good governance provide us the input needed to prioritize the risks & opp.s. Risks & opp.s are assessed & prioritised depending on the magnitude of the potential loss & the probability that the loss will occur. Financial, environmental, reputational, legal & customer criteria are considered. The frequency of risk assessments depends on the business unit and risk type, taking place at least annually.</p> <p>About determination of portfolio coverage; almost all of our credit portfolio is conducted by these procedures. Consumer loans are conducted with different procedures. On the other hand, all credits provided by multilateral banking funds have tighter procedures and loan applications for Energy Generation and Energy Efficiency Projects is considered in special attention. While assessing and prioritizing risks, parameters such as price of energy, supply & demand balance and external factors that may impact these two parameters are taken into account. CC has been among those parameters since several years for us. Vakıfbank considers CC as a serious thread which may have direct impact on Vakıfbank's operations, reputation, and capital assets. If they are evaluated at the high-risk category, then they are defined as substantial financial impact.</p>
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C-FS2.2d

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	<p>Due to climate change has an adverse impact on natural resources, in particular water resources, related departments assess their risks according to their credit type responsibilities.</p> <p>With the belief that sustainable agriculture is critical to the future of our country, we consider water related risk and opportunities in</p>

			<p>the scope of agricultural loan. We continue to be the power next to the farmer since 2014 and the number of farmers, we delivered TarımKart, reached over 150,000 in 2020. Also, the ratio of the agricultural loans to the SME Loan is 2%, in 2019. Our Agricultural Credits Department takes into consideration the report, which is prepared by Financial Evaluation and Ranking Department by gathering data about the sector, and evaluates credit applications integrating risks and opportunities, including climate change and water.</p> <p>The potential risks & opportunities that are identified by Sustainability Working Group-SWG (Formerly; Sustainability Sub-Committee), together with Sustainability Service and Environmental Management Service (EMS), and are communicated to the Risk Management Dept. under the Board of Directors for further assessment & classification. Vakıfbank puts importance on evaluating and managing environmental risks on its credit line. Water intense clients and projects (e.g. Hydroelectric power plants) are assessed thoroughly and evaluated by high level decision makers within Vakıfbank. Since the flow of the water has a significant effect on the energy generation process, loan applications for energy generation through hydroelectric power plants is considered in special attention. Vakıfbank considers CC and water as a serious thread which may have direct impact on Vakıfbank's operations, reputation, and capital assets.</p>
Other products and services, please specify	Not applicable		<p>Since our portfolio mainly consists of the bank lending, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. Furthermore, the stakeholder expectations to assess other products and services' portfolio's exposure to water-related risk and opportunities is considered as too low.</p>

C-FS2.2e

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	Vakıfbank considers Climate Change as a serious thread which may have direct impact on Vakıfbank's operations, reputation, and capital assets. Vakıfbank considers its portfolio's exposure to forests-related risks and opportunities in the regard of the adverse impacts of the climate change.

		<p>In credit line; "Financial Evaluation and Ranking Dept." gathers data about the applicant's sector and the applicant itself and prepares the initial assessment report, including CC risks & opp.s. Afterwards, each department considers and evaluates their risks according to their credit type responsibilities. The following dept.s assess credit applications integrating climate change risks and opportunities:</p> <ul style="list-style-type: none"> - Investment Loans Project Development and Analysis - Agricultural Credits - SME Credits - Specialized Loans Projects Development and Analysis - Commercial Credits <p>For credit applications over a certain budget, Investment Loans Project Development and Analysis Dept. prepares Financial-Technical-Economic Analysis for Credit Dept.s for an additional risk assessment. The technical part of these reports considers env. & social (including CC) risks & opp.s that may result from the project, as well as possible risks & opp.s that may impact the project.</p> <p>The potential risks & opportunities that are identified by Sustainability Working Group-SWG (Formerly; Sustainability Sub-Committee), together with Sustainability Service and Environmental Management Service (EMS), and are communicated to the Risk Management Dept. under the Board of Directors for further assessment & classification. Vakıfbank puts importance on evaluating and managing environmental risks on its credit line. Emission intense clients and projects (e.g. Thermal power plants) are assessed thoroughly and evaluated by high level decision makers within Vakıfbank.</p> <p>Loan applications for Energy Generation and Energy Efficiency Projects is considered in special attention. While assessing and prioritizing risks, parameters such as price of energy, supply & demand balance and external factors that may impact these two parameters are taken into account. CC has been among those parameters since several years for us.</p>
<p>Other products and services, please specify</p>	<p>Not applicable</p>	<p>Since our portfolio mainly consists of the bank lending, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. Furthermore, the stakeholder expectations to assess other products and services' portfolio's exposure to forests-related risk and opportunities is considered as too low.</p>

C-FS2.2f

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

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	<p>We are aware that we have a responsibility for the environmental and social impacts of the projects we finance within the framework of our responsible finance approach, which is the basis of our duty to contribute to society and the environment. We carry out studies to understand how our portfolio impacts the climate. In this context we evaluate the environmental and social impacts of the projects we finance, through 'Environmental and Social Impact Assessment and Sustainability', which is included as a special title in our Credit Policy Document. In this way, we focus on creating a positive indirect effect with the projects we provide financing, and prioritize environmentally friendly projects, energy efficiency and renewable energy projects in financing whereas we do not include certain sectors within the scope of prohibited sectors.</p> <p>We request the documents that the projects need to provide regarding environmental standards before the project financing, and we lay down the Environmental Impact Assessment (EIA) Reports as a prerequisite in order to determine the environmental impacts of all the projects we finance. In addition to environmental criteria, we expect employees in the projects to comply with various social criteria in terms of employee and human rights, ethical values, non-child labor and non-forced labor. We see it as our responsibility to monitor the continuity of the positive impact created in the projects we finance.</p> <p>This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical, environmental and social criteria, which are among the requirements of many projects that we provide financing through related institutions.</p> <p>Our target for 2020 was to systematize Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the French Development Agency (AFD). In 2020, we started the installation of the Environmental and Social Risk Management System in</p>

		<p>loan allocation processes and we aim to complete for Corporate Loans and Project Loans by the end of 2021.</p> <p>Being aware of the fact that climate change, which is the most important problem of our age, has effects on both our operations and the financing we provide, we consider the effects of climate change as an important part of our risk assessment process. Playing an active role in the transition to a low carbon economy by effectively managing risks is among our goals. In order to contribute to the fight against climate change, in 2019 we became the first Turkish public institution to announce the commitment to reduce carbon emissions by participating in the Science Based Targets initiative, led by many international pioneering organizations. Thus, apart from adding international standards to our activities, we have shared the strategy and governance of climate change, risk management and carbon emission amount and our goals in this regard with the international investors and the public within the scope of the CDP Climate Change Program in which we have been reporting since 2015.</p>
Other products and services, please specify	Not applicable	We do not require any CC information for other products and services, since our portfolio mainly consists of the bank lending. Also, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. Furthermore, the stakeholder expectations within the scope of this topic is considered as too low.

C2.3

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

Yes

C2.3a

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

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Increased cost of raw materials

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Within the framework of approximation to EU Acquis, Turkey is expected to integrate to European Emission Trading Scheme, thus to the cap and trade system. Additionally, European/US/Australian Green Deals are about get into force and our customers, who are exporters and/or manufacturers, could be subjected to carbon tax, carbon offsetting costs or extra investment costs. During this process, several Turkish industrial sectors may have reduced their emissions through low carbon technology investments or through offsetting their GHG emissions, in order to keep their emissions under the allowed threshold levels. While ETS would not apply directly to Vakıfbank, the situation may cause loan recipients to increase their capital costs due to additional regulatory requirements for their investments. Increased costs for loan (which are clients of Vakıfbank) may mean increased risk of capacity of the companies to pay back the bank loans especially for project finance.

Time horizon

Short-term

Likelihood

About as likely as not

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,839,548,193

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The market value of Vakıfbank as of end of 2020 is TL 18,395,481,928. Therefore, if we assume that there will be a 10% decrease in Vakıfbank's market value due to a climate change oriented reputational risk, then its negative financial impact will be TL 1,839,548,193.

Cost of response to risk

1,390,824

Description of response and explanation of cost calculation

“Sustainability Committee” (which is currently named as 'Corporate Governance Committee') coordinates all efforts of sustainability, which include determining the overall sustainability strategy, management and supervision of sustainability projects that are developed and implemented by Sustainability Sub-committee"(which is currently named as 'Sustainability Working Group'). Corporate Governance Committee, with the support of Environmental Management Service, is responsible from identifying the risks and opportunities that might result from climate change. Environmental Management Service has the coordinating role among all departments in identifying and communicating the risks and opportunities due to Climate Change. The risks and opportunities are then communicated to the Risk Management Department under the Board of Directors for further assessment and prioritization. Therefore, cap and trade schemes, its risks, opportunities, and impacts are all assessed by Vakıfbank. Vakıfbank established the Environmental Management Service to evaluate such topics in detail and to determine its responses. On the other hand, Vakıfbank conducts business with international organisations such as EBRD, WB, etc. Therefore, Vakıfbank has sufficient infrastructure and experience to develop or involve in such formations, if necessary. Since there are no cap and trade schemes in Turkey at the moment, the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

Since there are no cap and trade schemes in Turkey at the moment, the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Legal

Other, please specify

Regulation and supervision of climate-related risk in the industry

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

Company-specific description

Carbon tax would be another instrument to reduce Turkey's overall GHG Emissions. In case implemented, carbon tax will bring additional operational cost to Vakıfbank's clients due to their GHG emissions. Increased operational costs will mean less revenue and increased risk for loan pay back to Vakıfbank from the clients. If carbon tax is introduced in Turkey, it could have a direct financial impact on Vakıfbank as a GHG emitting organization. Even though, Vakıfbank achieves its emission reduction targets and verifies its emissions by a third-party organization, Vakıfbank may face an amount of carbon tax.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

160,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

If carbon tax is introduced in Turkey, it could have a direct financial impact on Vakıfbank as GHG emitting organization. Even though, Vakıfbank achieves its emission reduction targets and verifies its emissions by a third-party organization, Vakıfbank may face an amount of carbon tax. Vakıfbank has direct, energy indirect and other indirect emissions of 40,428.74 tCO₂e in 2020. If we assume that USD 0.5 per tCO₂e is charged as carbon tax, then Vakıfbank would subject to USD 20,214.37 of tax expenditure (negative effect).

Cost of response to risk

1,390,824

Description of response and explanation of cost calculation

'Corporate Governance Committee' coordinates all efforts of sustainability, which include determining the overall sustainability strategy, management and supervision of sustainability projects that are developed and implemented by Sustainability Sub-committee". Corporate Governance Committee with the support of Environmental Management Service (EMS), is responsible from identifying the risks and opportunities that might result from climate change.

Environmental Management Service has the coordinating role among all departments in identifying and communicating the risks and opportunities due to Climate Change. The risks and opportunities are then communicated to the Risk Management Department under the Board of Directors for further assessment and prioritization. As an action, EMS is established to develop Carbon Management strategies and policies. To this aim, EMS calculates, monitors, and take actions to reduce the emissions and mitigate the Climate Change effects on Vakıfbank. For example, GHG Inventory is calculated by EMS and projections about possible carbon tax are prepared. If we assume that USD 0.5 per tCO₂e is charged as carbon tax, then Vakıfbank would be subject to USD 20,214.37 of tax. Since there is no carbon tax in Turkey at the moment, the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

Since there is no carbon tax in Turkey at the moment, the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees of EMS and the budget of consultancy services provided to EMS are TL 785,688 in total for 2019.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

An overall change in all climate parameters combined (precipitation, temperature, etc.) is expected to have negative impacts on agricultural product yields and SMEs. Vakıfbank gives loans to farmers, therefore reduced income for farmers may cause a risk of difficulties of receiving back the loans from the loan recipients.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2,980,439

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

With the belief that sustainable agriculture is critical to the future of our country, we continue to be the power next to the farmer with our expert staff and products and services tailored to our needs since 2014. We help our farmer customers meet their financing needs with our business and investment loan products that are paid once a year in accordance with the harvest periods. In this regard, we adequately finance the operating and investment expenses with our products that are designed according to our customers' needs such as loans for plant production, dairy farming, poultry farming, greenhouse farming, aquaculture, mushroom farming, beekeeping, organic farming, tractor, agricultural land purchase, agricultural equipment, dairy farming. With TarımKart which is another of our products designed for agricultural producers, we finance the inputs that our farmers will need during their agricultural activities, we offer many advantages such as grace period and discount interest rate for their purchases from our agricultural member businesses and enable them to use cash loans within their cash withdrawal limits. We organize state-sponsored TARSİM insurance policies through our branches to our farmers who want to protect their assets against risks such as natural disasters and diseases.

For example, in 2020, TL 2,980,439.14 is paid under TARSİM insurance policies.

Cost of response to risk

0

Description of response and explanation of cost calculation

Vakıfbank integrates climate risks and associated possible income losses in risk management procedures of project financing on the asset level. According to Vakıfbank's credit policy, eco-friendly projects with the principle of sustainability are given priority for financing. Besides the loan programs originating from international banks, Vakıfbank provides financial incentives to individuals, SMEs, and project owners to support their sustainability projects. In this context, one of the important collaborations we have realized is the Agriculture and Rural Development Loan protocol signed with the French Development Agency (AFD) in November 2017 to support the rural development and agriculture sectors. We have provided funding sources of EUR 80 million that we have provided under the protocol for the use of farmers, agricultural cooperatives and

associations under attractive conditions. Within the scope of the protocol, we have implemented to support the agricultural development of our country, the number of our farmer customers who have been granted loans to approximately 1,500 and we continue to work on increasing the capacity of agricultural and rural finance through the technical consultancy component included in the program. Besides, in order to understand, analyse and correctly direct our customer's needs, we have provided online training courses to our Agricultural Portfolios that include the working principles of the Cotton, Meat and Dairy, Fruit, Vegetable, Greenhouse Production, Sugar Beet and Grain sectors. We aim to increase our contribution to agricultural sustainability while providing our employees with in-depth knowledge about the agricultural sectors in question with a total of 10.5 hours of trainings that 215 participants benefited. Additionally, VakıfBank Farmer Academy, which we established to increase the technical knowledge of our farmers, to reduce costs in agricultural production and increase efficiency, and to contribute to sustainability in agriculture, continued its activities. In 2020, the number of Agriculture Talks held within this scope reached 20, and we provided trainings on sustainable agriculture, water conservation, and climate change to 2,650 farmers who participated in these meetings. There are no additional direct costs on management AFD loans.

Comment

There are no additional direct costs on management of AFD loans.

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical

Rising mean temperatures

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

An increase in average temperatures especially in summer may result increasing power consumption due to increased use of air conditioners in the buildings.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

5,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Due to the uncertainties involved in estimating the impacts of climate change on increased average temperatures, thus on power consumption of air conditioners, it is not possible to make estimates regarding financial implications on Vakıfbank. However, we assume that will need to purchase new air conditioners in addition to the existing ones, due to the increase in the temperature. Since we prefer air conditioners with high energy efficiency performance, we estimated that the financial impact of this procurement will be maximum TL 5 million for 933 branches.

Cost of response to risk

0

Description of response and explanation of cost calculation

Vakıfbank monitors energy consumption of each branch office. Any increase in electricity consumption is traced. Branches with high electricity intensity is examined for possible energy savings. There is no direct cost of integrating the climate change associated risks into existing risk management procedures.

Comment

There is no direct cost of integrating the climate change associated risks into existing risk management procedures.

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical

Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Extreme weather events, including windstorms, hail storms, floods, etc., could have additional maintenance and insurance costs for all sectors. Vakıfbank has 2 HQ Buildings, 936 branches and 4,247 ATMs as of the end of 2020. Therefore, they are open to detrimental effects of physical risks of Climate Change.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

342,655

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Vakıfbank has 2 HQ Buildings, 936 branches and 4,247 ATMs as of the end of 2020. Total value of tangible assets of Vakıfbank is 4,825,602,000 as of end of 2020. The possible maximum negative physical financial implication could lead to this extent, but the possibility for this amount of financial impact is extremely low. For the potential financial impact, we took a reasonable proportion of these assets.

Including physical Climate Change risks such as change in precipitation extremes are managed with the departments in Sustainability Working Group. EMS informs and trains the relevant departments about the detrimental effects of climate change. Constructional Works Department cares these risks and takes necessary measures when renting/buying, moving, or renovating a new premise for Vakıfbank. As an action Vakıfbank insures its physical assets and this insurance also includes the effects of Climate Change. In 2020, 17 of damages caused by natural disasters were covered by the insurance, and the total amount of compensation was TL 110,702.52 and the uncovered part of the cost of the physical damages at Vakıfbank buildings is TL 231, 953. Total TL 342,655.

Cost of response to risk

1,390,824

Description of response and explanation of cost calculation

Budget of EMS and the uncovered part of the physical damages by insurance company are of the cost of management. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

Budget of EMS and the uncovered part of the physical damages by insurance company are of the cost of management. The total budget of EMS including employee fees and consultancy services provided are TL 785,688 for 2019 and the uncovered part of the cost of the physical damages at Vakıfbank buildings is TL 1,542.

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Reputation

Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact

Other, please specify

Reduced stock price (market valuation)

Climate risk type mapped to traditional financial services industry risk classification

Reputational risk

Company-specific description

Vakıfbank is a public company and quote to Borsa Istanbul. Vakıfbank is a public company and quoted to Borsa Istanbul. Furthermore, Vakıfbank is qualified to be in BIST Sustainability Index by meeting the sustainability criteria of BIST SI. Vakıfbank has been one of the first four banks that satisfied the Sustainability Criteria developed for the Sustainability index. Leading role of Vakıfbank in sustainable finance in Turkey. Vakıfbank's reputation, brand and market value could be affected negatively due to climate change risks.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,839,548,193

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The market value of Vakıfbank as of end of 2020 is TL 18,395,481,928. Therefore, if we assume that there will be a 10% decrease in Vakıfbank's market value due to a climate change oriented reputational risk, then its negative financial impact will be TL 1,839,548,193.

Cost of response to risk

1,390,824

Description of response and explanation of cost calculation

'Corporate Governance Committee' coordinates all efforts of sustainability, which include determining the overall sustainability strategy, management and supervision of sustainability projects that are developed and implemented by Sustainability Sub-committee 'Sustainability Working Group'. Corporate Governance Committee, with the support of Environmental Management Service, is responsible from identifying the risks and opportunities that might result from climate change. Environmental Management Service has the coordinating role among all departments in identifying and communicating the risks and opportunities due to Climate Change (Investor Relations, Corporate Communication, etc.). The risks and opportunities are then communicated to the Risk Management Department under the Board of Directors for further assessment and prioritization. The unit of Vakıfbank, whose prior focus is climate change effects, is Environmental Management Service. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

The unit of Vakıfbank, whose prior focus is climate change effects, is Environmental Management Service. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Within the framework of approximation to EU Acquis, Turkey is expected to integrate to European Emission Trading Scheme, thus to the cap and trade system. During this process, several Turkish industrial sectors may have reduced their emissions through low carbon technology investments or through offsetting their GHG emissions, in order to keep their emissions under the allowed threshold levels. While ETS would not apply directly Vakıfbank, it may bring opportunities by accelerating the demand for renewable energy and energy-efficiency projects, which the company can finance. Besides, as the most active Turkish bank of international capital markets, we have included the issue of Green Bond &/or Sustainable Bond to our agenda, which has been used as a funding tool for climate change and green projects for many years in developed countries, especially in Europe, and which has started to be seen in our country in recent years. In this context, we prepared the Sustainable Finance Framework Text to form the basis for the issuance of Green Eurobond, and realized the first sustainable Eurobond issue in 2020. For 2020, our fund received from World Bank for Energy Efficiency in SMEs is USD 68,307,204, which is TL 506,798,469.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

506,798,469

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We continue our cooperation with the European Investment Bank (EIB), the World Bank, the European Bank for Reconstruction and Development (EBRD), the German Development Bank (KfW) and the French Development Agency (AFD) to support the real sector with long-term and cost-effective funding sources. In this context, we made a 200 million Euro resource agreement with the French Development Agency (AFD) for energy efficient houses. Thus, we aim to support the reduction of residential energy consumption and greenhouse gas emissions from the residential construction sector. This agreement also has the distinction of being the largest green housing project provided by a bank in the Turkish banking sector. As of 30 September 2019, we have completed our loan disbursements, which we started as part of the SME Energy Efficiency Project provided by the World Bank to three state banks in 2013. Within the scope of the project, we provided funding sources to support the energy efficiency investments of the enterprises. The total amount of the funding was USD 68,307,204 (approx. TL 406 million as of 31 Dec 2019) also, the fund will provide an estimated 745,693 tons of CO2 emission reduction over the lifetime of the investments. In 2017, we extended the first the Performance Guaranteed Transaction Agreements (ESCO) loan within the scope of the project. However, we enriched the PGTC loan portfolio with alternative financing models, leasing and supplier loans. We also provided consultancy services for the evaluation of the loans to be financed under the project while making the entire resource allocated by the World Bank within the scope of the project. We made 3-day field visits and incentive payments to PGTC projects on energy efficiency in Germany. For 2020, our fund received from World Bank for Energy Efficiency in SMEs is USD 68,307,204, which is TL 506,798,469.

Cost to realize opportunity

1,390,824

Strategy to realize opportunity and explanation of cost calculation

“Sustainability Committee” (which is currently named as 'Corporate Governance Committee') coordinates all efforts of sustainability, which include determining the overall sustainability strategy, management and supervision of sustainability projects that are developed and implemented by Sustainability Sub-committee"(which is currently named as 'Sustainability Working Group'). Corporate Governance Committee, with the support of Environmental Management Service, is responsible from identifying the risks and opportunities that might result from climate change. Environmental Management Service has the coordinating role among all departments in identifying and communicating the risks and opportunities due to Climate Change. The risks and opportunities are then communicated to the Risk Management Department under the Board of Directors for further assessment and prioritization. Therefore, cap and trade schemes, its risks & opportunities, and impacts are all assessed by Vakıfbank. Vakıfbank established the Environmental Management Service to evaluate such topics in detail and to determine its responses. On the other hand, Vakıfbank conducts business with international organisations such as EBRD, WB, etc. Therefore, Vakıfbank has sufficient infrastructure and experience to develop or involve in such formations, if necessary. Since there are no cap and trade schemes in Turkey at the moment, the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time

employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

Since there are no cap and trade schemes in Turkey at the moment, the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

After COP meetings in Paris, a consensus provided to limit the global warming under 2 Celsius, if possible 1.5 Celsius. Countries committed decrease their environmental footprint, mitigate the effects of Climate Change, and adapt to Climate Change. This creates a big low carbon economy. Turkey also makes national emission reduction commitments. Such a commitment will eventually be reflected as sectoral emission reduction target to be enforced with a cap system for each industrial installation. During this process, several Turkish industrial sectors may have to reduce their emissions through low carbon technology investments or through offsetting their GHG emissions, in order to keep their emissions under the allowed threshold levels. This may bring opportunities for sustainable finance by accelerating the demand for renewable energy and energy-efficiency projects, which the company can finance. Besides, as the most active Turkish bank of international capital markets, we have included the issue of Green Bond &/or Sustainable Bond to our agenda, which has been used as a funding tool for climate change and green projects for many years in developed countries, especially in Europe, and which has started to be seen in our country in recent years. In this context, we prepared the Sustainable Finance Framework Text to form the basis for the issuance of Green Eurobond, and realized the first sustainable Eurobond issue in 2020.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2,071,376,866

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We provide financial support to sustainable energy investments and projects by giving priority to renewable energy investments under the title of Sustainable Energy Finance. In 2020, we provided finance support of over TL 2.1 billion to 28 renewable energy projects.

Cost to realize opportunity

1,390,824

Strategy to realize opportunity and explanation of cost calculation

Vakıfbank had realized that Climate Change (CC) is a reality and to create and/or involve in CC mitigation and adaptation is a necessity. Besides, developing green finance in Turkey was a motivation for our strategies. Furthermore, make the society utilize them. In Vakıfbank, Board of Directors is the main and the highest-level responsible of the overall performance of the Bank. Nonetheless, the main responsibility of the Sustainability, including climate change, is on the Corporate Governance Committee. It directly reports to Board of Directors. To steer the strategies; stakeholder expectations & material issues analysis are performed periodically from various channels. One of the main channels is the one we performed during our Sustainability Reporting process annually. Findings are evaluated mainly by the Investor Relations, Environmental Management Services and Risk Department to determine the opportunities & risks and update the strategies. Besides, relevant core business units (Credits, SME Banking, International Banking, etc.) consider the possible risks & opportunities on Climate Change. Then, risks are categorized and if necessary; monitored or elevated to Committee and/or actions are taken. On the other hand, inspectors also examine the process periodically. Vakıfbank is already providing sustainable finance to its customers. The Environmental Management Service has a quite important role on monitoring and catching these opportunities, therefore we could consider that the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when

necessary. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

Vakıfbank is already providing sustainable finance to its customers. The Environmental Management Service has a quite important role on monitoring and catching these opportunities, therefore we could consider that the management cost is the cost of Environmental Management Service (EMS) for Vakıfbank. EMS is a team of 10 full-time employees focuses on environmental management of Vakıfbank. EMS conducts its duties by its own or utilizes consultancy services on purpose when necessary. Personnel fees of EMS and the budget of consultancy services provided to EMS are TL 785,688 in total for 2019.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Improved ratings by sustainability/ESG indexes

Primary potential financial impact

Other, please specify

Increase in Market Value

Company-specific description

Vakıfbank is a public company and quote to Borsa Istanbul. Vakıfbank is a public company and quoted to Borsa Istanbul. Furthermore, Vakıfbank is qualified to be in BIST Sustainability Index by meeting the sustainability criteria of BIST SI. Vakıfbank has been one of the first four banks that satisfied the Sustainability Criteria developed for the Sustainability index. Leading role of Vakıfbank in sustainable finance in Turkey. Vakıfbank's reputation, brand and market value could be affected positively due to climate change opportunities. Also, since 2017, we have been included in the FTSE4Good Emerging Markets Index, which is particularly followed by responsible investors. This year, we also voluntarily participated in the Dow Jones Sustainability Index (DJSI) survey, which is the first sustainability index applied globally and evaluates the management qualities and potential future performances of the leading companies worldwide by integrating the sustainability criteria into traditional financial analysis, and we started to improve our actions to enhance our performance. Thus, we have taken an important step for investors to make them identify investment opportunities that can create permanent value.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,839,548,193

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The market value of Vakıfbank as of end of 2020 is TL 18,395,481,927.71. Therefore, if we assume that there will be a 10% increase in Vakıfbank's market value due to a climate change oriented reputational opportunity, then its positive financial impact will be TL 1,839,548,193.

Cost to realize opportunity

1,390,824

Strategy to realize opportunity and explanation of cost calculation

'Corporate Governance Committee' which is directly reporting to Board of Directors coordinates all efforts of sustainability, which include determining the overall sustainability strategy, management and supervision of sustainability projects that are developed and implemented by 'Sustainability Working Group'. Corporate Governance Committee, with the support of Environmental Management Service, is responsible from identifying the risks and opportunities that might result from climate change. Environmental Management Service has the coordinating role among all departments in identifying and communicating the risks and opportunities due to Climate Change (Investor Relations, Corporate Communication, etc.). The risks and opportunities are then communicated to the Risk Management Department under the Board of Directors for further assessment and prioritization. The unit of Vakıfbank, whose prior focus is climate change effects, is Environmental Management Service. As the cost of management, Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.

Comment

Vakıfbank puts effort to maximize its market value.

C3. Business Strategy

C3.1

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

Yes

C3.1b

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

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	Yes, in the next two years	Yes, we intend to include it as a scheduled AGM resolution item	We have already include climate change related topic in AGMs.

C3.2

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

Yes, qualitative and quantitative

C3.2a

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

Climate-related scenarios and models applied	Details
Nationally determined contributions (NDCs)	<p>Vakıfbank is focusing on Environmental Management and green finance activities for many years.</p> <p>As a public bank actively putting effort to foster green finance in Turkey. Vakıfbank analysis scenarios about the green economy market in Turkey. Also, follows up the improvements about cap and trade schemes.</p> <p>Turkey declared its NDC plan and stated that it will be decreasing its GHG emissions by 21%. On the other hand, Ministry of Environment is gathering data about the GHG emissions of industry. Therefore, we are also eager to contribute to Turkey's transition to low Carbon economy therefore we are analysing the outcomes and impacts of our potential emission reduction actions/activities and its contribution to our goals on emission reduction.</p>

C3.3

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

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	<p>As a public bank Vakıfbank is sensitive to develop business lines which is in favor of Turkey and to make the whole society (all economic level from all around Turkey) benefit from them. We had realized that Climate Change (CC) is a reality and to create &/or involve in CC mitigation & adaptation is a necessity (as reported in C2.3a Risk4 and C2.4a Opp2). Besides, developing green finance in Turkey was a motivation for our strategies. Furthermore, make the society utilize them.</p> <p>Therefore; we support and encourage our stakeholders & clients for their sustainable energy projects & investments, regardless of the size of the investment. According to our credit policy, eco-friendly projects have priority for financing. Besides, the loan programmes originating from international banks, we provide financial incentives to individuals, SMEs, & project owners to support their sustainability projects. We provide financial support to sustainable energy investments & projects by giving priority to renewable energy investments under the title of Sustainable Energy Finance. In 2020, we provided finance support of over TL 2.1 billion to 28 renewable energy projects.</p> <p>Additionally, as of 30 September 2019, we have completed our loan disbursements, which we started as part of the SME Energy Efficiency Project provided by the World Bank to three state banks in 2013. Within the scope of the project, we provided funding sources to support the energy efficiency investments of the enterprises.</p> <p>Moreover, by supporting both energy consultancy & effective projects on energy efficiency, we supported local governments to develop energy efficiency projects, integrating renewable energy into local governments, waste management, generating energy from garbage, lighting, energy efficiency in transportation & water asset management projects.</p> <p>Within the framework of our responsible finance approach, which is the basis of our duty to contribute to society and the environment, 'Environmental & Social Impact Assessment & Sustainability' is included as a special title in our Credit Policy Document in order to evaluate the environmental & social impacts of the projects we finance. In this way, we focus on creating a</p>

		positive indirect effect with the projects we provide financing, and prioritize environmentally friendly projects, energy efficiency & renewable energy projects in financing.
Supply chain and/or value chain	Yes	<p>Since Vakıfbank is a public company and quote to Borsa Istanbul, we consider the climate related risks and opportunities within the scope of the impacts on our reputation, brand and market value (as reported in C2.3a Risk7 and C2.4a Opp3). We carry out our business processes with our suppliers and business partners, who are among our stakeholders and have a significant impact on our business, by following the economic intelligence reports every year within the scope of the contracts covered by the Regulation on Banks' Procurement of Support Services. We evaluate the economic and managerial competencies of our suppliers, expect them to comply with BRSA regulations and our policies based on agreements and contracts. We take care to ensure that all companies that will be employed in the procurement of support services provide the quality cost balance best and we pay attention to some criteria in corporate, environmental, and social areas. In this context; as the condition of signing a contract with our suppliers, we request documents on occupational health and safety and energy efficiency. Additionally, within the scope of energy efficiency and cost analysis, we score electronic products on the basis of energy efficiency.</p> <p>Moreover, we provide training to our suppliers that provide operational services in line with the nature of the work done in order not to compromise our service quality and contribute to the development of suppliers.</p>
Investment in R&D	Yes	<p>Vakıfbank had realized that Climate Change (CC) is a reality and to create and/or involve in CC mitigation and adaptation is a necessity (as reported in C2.3a Risk2 and C2.4a Opp2). Vakıfbank invests in its RD activities to develop and improve products that decreases third parties' carbon footprint like mobile and internet banking. As a first step of digital transformation within the branch transformation project that we started to implement our new concept in our pilot branch, besides the physical structure; we also simplified in-branch transaction processes. We aimed to increase the digital integration of processes by shortening long processing steps. In this way, by supporting the paperless banking model, we aim to foster the habits of our customers towards alternative distribution channels in digital areas created within the branch.</p>
Operations	Yes	<p>When providing services to our customers without interruption at our operational network, which is countrywide, we consider the physical impacts of the climate change (CC) (reported in C2.3a Risk5, Risk6). Vakıfbank is considering physical climate risks</p>

	<p>effects in new branch location selection and for existing branches, and will be putting effort by its constructional works unit to minimize the potential physical effects of CC. In 2020, all branches & Head Office is certified under the scope of ISO 14001 EMS. We work to reduce the effects & carbon footprint that occur during our activities. For this, we monitor our environmental performance with an electronic database system which tracks the energy, waste & water monthly data entries of HQ & all our branches & effectively manage our greenhouse gas emissions & energy consumption. The EMS, with 10 full-time employees as our Bank's staff, monitors & controls such data on a regular basis & canalize all our departments to reduce natural resource consumption & greenhouse gas emissions. We also prefer to use products with high efficiency and reduce consumption. We use central heating & cooling systems, energy efficient servers, A-class inverter air conditioners & energy efficient products. We use LED systems in lighting & turn off computers & phones centrally after specified hours. Additionally, it is decided to replace 450 of our Bank vehicles with hybrid versions in 2020. Emissions from our company vehicles account for 13.3% of our total emissions in 2019 and 45% of our direct greenhouse gas emissions, which is defined as Scope 1. By this, we plan to reduce emissions by up to 27% per vehicle. With a hybrid vehicle, an average of 1.7 tons of CO₂-e emission savings is achieved in 3 years compared to a gasoline vehicle. With this, we save energy & follow up & report our carbon emissions in accordance with the Greenhouse Gas Emission Data Collection & Calculation Regulation. In addition, we report our CC strategy, risks & performance to CDP & present our performance in this regard to the information of our investors & the public. Within CDP CC program (reporting since 2015), we kept our performance score at B level in 2019 & became one of the participant banks from Turkey who obtained the highest grade Our new HQ Building is being constructed to have LEED Gold-certified Green Building Certificate.</p>
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C3.4

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

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs	Vakifbank accessed international funds with the help its focus on climate related activities. Funds received with the help of Vakifbank's focus on climate change increased its assets. Vakifbank gains high revenues from the funds

<p>Capital expenditures Capital allocation Access to capital Assets Liabilities</p>	<p>received by international banking activities. The magnitude of the impact is high. In this context, one of the important collaborations we have realized is the Agriculture and Rural Development Loan protocol signed with the French Development Agency (AFD) in November 2017 to support the rural development and agriculture sectors. We have provided funding sources of EUR 80 million that we have provided under the protocol for the use of farmers, agricultural cooperatives and associations under attractive conditions. Within the scope of the protocol, we have implemented to support the agricultural development of our country, the number of our farmer customers who have been granted loans to approximately 1,500 and we continue to work on increasing the capacity of agricultural and rural finance through the technical consultancy component included in the program. Also, as of 30 September 2019, we have completed our loan disbursements, which we started as part of the SME Energy Efficiency Project provided by the World Bank to three state banks in 2013. Within the scope of the project, we provided funding sources to support the energy efficiency investments of the enterprises. In 2017, we extended the first the Performance Guaranteed Transaction Agreements (ESCO) loan within the scope of the project. However, we enriched the PGTC loan portfolio with alternative financing models, leasing and supplier loans. We continue our cooperation with the European Investment Bank (EIB), the World Bank, the European Bank for Reconstruction and Development (EBRD), the German Development Bank (KfW) and the French Development Agency (AFD) to support the real sector with long-term and cost-effective funding sources. In addition, we started negotiations with AFD on providing sustainable financing.</p> <p>Operating costs for Vakıfbank could be impacted with the cost of management of climate change management efforts in a very small scale negatively, but with the savings gained by management of these issues will be much higher. Energy savings is much higher than these expenditures, therefore operating costs will lower down. Expenditures to manage climate change risks and opportunities increased Vakıfbank's liabilities in a very small scale. Also, capital expenditures of Vakıfbank is positively affected in sum due to its climate change related focus and activities. The main reason is Vakıfbank main capital expenditure is the interest paid for the capital. With the help of its efforts, by international banking activities Vakıfbank receives capital by low interest from international and green funds. This activity considerably decreases capital expenditures. Capital expenditures of Vakıfbank could be impacted with the cost of management of climate change management efforts in a very small scale negatively, but with the savings gained by management of these issues will be much higher. Energy savings is much higher than these expenditures, therefore operating costs will lower down. Personnel fees and training expenses of EMS Team, carbon-offsetting expenditure, consultancy services provided to EMS are TL 1,390,824 in total for 2020.</p>
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		The market value of Vakıfbank as of end of 2020 is TL 18,395,481,928. Therefore, if we assume that there will be a 10% increase or decrease in Vakıfbank's market value due to a climate change oriented reputational risk, then its positive or negative financial impact will be TL 1,839,548,193.
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C3.4a

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

As we are a bank; risk management is an important phenomenon for us, and it has vital importance for a bank to operate it successfully. Because, basically, interest rate is determined according to risk. In Vakıfbank, Board of Directors is the main and the highest-level responsible of the overall performance of the Bank. Nonetheless, the main responsibility of the Sustainability, including climate change, is on the Corporate Governance Committee. It directly reports to Board of Directors. To steer the strategies; stakeholder expectations & materiality issues analysis are performed periodically from various channels. One of the main channels is the one we performed during our Integrated Reporting process annually. Findings are evaluated mainly by the Strategic Planning & Budgeting, Investor Relations, Environmental Management Services and Risk Department to determine the opportunities & risks and update the strategies. Besides, relevant core business units (Credits, SME Banking, International Banking, etc.) consider the possible risks & opportunities on Climate Change. Then, risks are categorized and if necessary; monitored or elevated to Committee and/or actions are taken. On the other hand, inspectors also examine the process periodically.

As an example, for how our business strategy is influenced is our green financing, such as renewable energy power plants financing, energy efficiency (EE) loans, renewable energy loans, etc. In line with our business strategy Vakıfbank became one of the pioneering banks in Turkey for green finance. We have been conducting research for some time and exchanging ideas with banks with international experience for the issue of Green Bond &/or Sustainable Bond, which has been used as a funding tool for many years in European markets, especially in developed countries, and which has started to be seen in our country in recent years. In 2020, we became the first Turkish bank to issue sustainable Eurobonds. Additionally, we carried out private sales transactions for qualified investors abroad, amounting to USD 391.9 million in 16 separate transactions within the scope of the Medium-Term Bond Issuance Program (GMTN) in 2020. In this field, we have become the bank that performs the most issuance in Turkey.

Vakıfbank is a public bank and therefore it is sensitive to develop business lines which is in favor of Turkey and to make the whole society (all economic level from all around Turkey) benefit from them. Vakıfbank had realized that Climate Change (CC) is a reality and to create and/or involve in CC mitigation & adaptation is a necessity. Besides, developing green finance in Turkey was a motivation for our strategies. Furthermore, make the society utilize them.

Therefore, Vakıfbank supports and encourages its stakeholders & clients for their sustainable energy projects and investments, regardless of the size of the investment. According to Vakıfbank's credit policy, eco-friendly projects have priority for financing. Besides, the loan programmes originating from international banks, Vakıfbank provides financial incentives to individuals, SMEs, and project owners to support their sustainability projects. By bringing our collaborations at national level to international dimensions, we have effectively offered various international funding sources to local governments. As a successful partner of Turkey Sustainable Energy Financing Program (TurSEFF) originating from European Bank for Reconstruction and Development (EBRD) in the previous years, we became the first

bank to include the municipalities within the scope of the funds since Local Authorities Banking Department began operating. Besides, we see it as our responsibility to monitor the continuity of the positive impact created in the projects we finance. This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical, environmental and social criteria, which are among the requirements of many projects that we provide financing through related institutions.

In 2020 we begin to work on the establishment of Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the French Development Agency (AFD). We aim to come into operation for the system to be established primarily for Corporate Loans and Project Loans by the end of 2021. In the long term, in parallel to its strategies, Vakıfbank will be keeping green financing and providing international funds developed on this purpose to Turkey with its accumulated experience. In addition, Vakıfbank is supporting the establishment of cap & trade schemes in Turkey.

As another target, Vakıfbank committed to decrease its direct emissions every year by 2% by intensity. ISO 14001 Environmental Management Systems are decided to be established in 2017. In 2020, we certified all our branches including Head Office building under the scope of the ISO 14001 Environmental Management System, enabling all Vakıfbank employees to work in ISO 14001 certified buildings. We aim to continue the certification in the coming years. To manage Climate Change, Vakıfbank established Environmental Management Services unit with a team of 10 full-time employees. Vakıfbank puts importance on capacity development of its employees about sustainability. We believe that employee trainings are vital for creating behavioral change for emission reduction activities, risk management and product development to mitigate the effects of CC. In this regard, we provided our employees with 23,563 hours of online and 2,635 hrs of in-class training on environment and 2,560 hours of in-class training on sustainability in 2020.

C-FS3.6

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

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.6a

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

	Type of policy	Portfolio coverage of policy	Description

<p>Bank lending (Bank)</p>	<p>Credit policy</p>	<p>Majority of the portfolio</p>	<p>We are aware that we have a responsibility for the environmental and social impacts of the projects we finance within the framework of our responsible finance approach, which is the basis of our duty to contribute to society and the environment. In this context, 'Environmental and Social Impact Assessment and Sustainability' is included as a special title in our Credit Policy Document in order to evaluate the environmental and social impacts of the projects we finance. In this way, we focus on creating a positive indirect effect with the projects we provide financing, and prioritize environmentally friendly projects, energy efficiency and renewable energy projects in financing whereas we do not include certain sectors within the scope of prohibited sectors.</p> <p>We request the documents that the projects need to provide regarding environmental standards before the project financing, and we lay down the Environmental Impact Assessment (EIA) Reports as a prerequisite in order to determine the environmental impacts of all the projects we finance. In addition to environmental criteria, we expect employees in the projects to comply with various social criteria in terms of employee and human rights, ethical values, non-child labor and non-forced labor. We see it as our responsibility to monitor the continuity of the positive impact created in the projects we finance.</p> <p>This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical, environmental and social criteria, which are among the requirements of many projects that we provide financing through related institutions.</p> <p>In 2020, we begin to work on the establishment of Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the French Development Agency (AFD). We aim to come into</p>
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			operation for the system to be established primarily for Corporate Loans and Project Loans by the end of 2021.
Other products and services, please specify	Other, please specify Environmental Policy, ISO 14001 Environmental Management System	All of the portfolio	<p>Since our portfolio mainly consists of the bank lending, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. On the other hand, we work to reduce the effects and carbon footprint that occur during our activities. By obtaining the ISO 14001:2015 Environmental Management System certificate in 2017 through our environmental management efforts, we have certified that we manage the direct effects of our banking activities on the environment in line with international standards. In 2020, we certified all our branches including Head Office building under the scope of the ISO 14001 Environmental Management System, enabling all VakıfBank employees to work in ISO 14001 certified buildings. We aim to continue the certification in the coming years We carry out internal audits every year in all our locations by inspectors of the Audit Board Department and also external audits through independent auditors. In case of nonconformity in the audits, we create a corrective action form and work for the solution of the problem. We ensure the coordination and effectiveness of our Environmental Management System studies with the procedures below we have created on this scope.</p> <ul style="list-style-type: none"> • Waste Control Procedure • Assessment Environmental Dimensions and Control Plans Procedure • Internal Audit Procedure • Detection of Non-Compliance and Corrective Actions Procedure • Determination and Follow-Up of Legal and Other Requirements Procedure • Management Review Procedure <p>As of the end of 2020, we have certified our 1,078 employees via trainings within the scope of ISO 9001 Quality Management System and ISO 14001 Environmental Management System, thus having at least one certified employee in our 680 branches. Throughout 2021, we will organize e-learning trainings in order to raise awareness in ISO 9001 Quality Management System and ISO 14001 Environmental Management System.</p>

C4. Targets and performance

C4.1

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

Both absolute and intensity targets

C4.1a

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

Target reference number

Abs 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1 + 2

Base year

2020

Covered emissions in base year (metric tons CO₂e)

36,726

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2021

Targeted reduction from base year (%)

25

Covered emissions in target year (metric tons CO₂e) [auto-calculated]

27,544.51

Covered emissions in reporting year (metric tons CO₂e)

36,726

% of target achieved [auto-calculated]

0

Target status in reporting year

New

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

We care the environment and put effort to reduce our environmental footprint. In line with our vision; we aim to reduce our GHG emissions by our efforts driven on energy and emission efficiency, emission reduction activities, use of renewable energy and raising the awareness by training, communication activities. By doing so, we aim to reduce our Scope 1 + 2 emissions by 25%. Our Scope 1 emissions sources from combustion of fossil fuels for heating, generators, company cars, leakages from refrigerants, fire extinguishers and Scope 2 is from non-renewable electricity energy.

Target reference number

Abs 5

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1

Base year

2019

Covered emissions in base year (metric tons CO2e)

15,534

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2020

Targeted reduction from base year (%)

4

Covered emissions in target year (metric tons CO2e) [auto-calculated]

14,912.64

Covered emissions in reporting year (metric tons CO2e)

12,750

% of target achieved [auto-calculated]

448.0494399382

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

We care the environment and put effort to reduce our environmental footprint. In line with our vision; we aim to reduce our GHG emissions by our efforts driven on energy and emission efficiency, emission reduction activities and raising the awareness by training, communication activities. By doing so, we aim to reduce our Scope 1 emissions by 4%. Our Scope 1 emissions arises from combustion of fossil fuels for heating, generators, company cars and leakages from refrigerants and fire extinguishers. As a result, we overachieved our target by more than 4 times. The main reason is our emission and energy reduction projects and measures, and also pandemic.

Target reference number

Abs 6

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 2 (location-based)

Base year

2019

Covered emissions in base year (metric tons CO2e)

32,637

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2020

Targeted reduction from base year (%)

4

Covered emissions in target year (metric tons CO2e) [auto-calculated]

31,331.52

Covered emissions in reporting year (metric tons CO2e)

23,975.66

% of target achieved [auto-calculated]

663.4601832276

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

We care the environment and put effort to reduce our environmental footprint. Inline with our vision; we aim to decrease our GHG emissions by our efforts driven on energy and emission efficiency, emission reduction activities and raising the awareness by training, communication activities. By doing so, we aim to reduce our Scope 2 emissions by 4%. Our Scope 2 emissions arises from the electricity energy purchased from the grid. As a result, we overachieved our target by more than 6 times. The main reason is our emission and energy reduction projects and measures, and also pandemic.

Target reference number

Abs 7

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2019

Covered emissions in base year (metric tons CO2e)

48,171

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2020

Targeted reduction from base year (%)

4

Covered emissions in target year (metric tons CO₂e) [auto-calculated]

46,244

Covered emissions in reporting year (metric tons CO₂e)

36,726

% of target achieved [auto-calculated]

594

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

We care the environment and put effort to reduce our environmental footprint. In line with our vision; we aim to reduce our GHG emissions by our efforts driven on energy and emission efficiency, emission reduction activities and raising the awareness by training, communication activities.

Thanks to above mentioned activities, we aim to reduce our Scope 1+2 emissions by 4%. Our Scope 1 emissions arises from combustion of fossil fuels for heating, generators, company cars and leakages from refrigerants and fire extinguishers. Band our Scope 2 emissions arises from the electricity energy purchased from the grid. As a result, we overachieved our target by almost 6 times. The main reason is our emission and energy reduction projects and measures, and also pandemic.

Target reference number

Abs 8

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 3 (upstream & downstream)

Base year

2019

Covered emissions in base year (metric tons CO2e)

5,241

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2020

Targeted reduction from base year (%)

4

Covered emissions in target year (metric tons CO2e) [auto-calculated]

5,031.36

Covered emissions in reporting year (metric tons CO2e)

3,703

% of target achieved [auto-calculated]

733.6386185842

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

We care the environment and put effort to reduce our environmental footprint. Inline with our vision; we aim to reduce not only our direct GHG emissions, but also our indirect emissions by our efforts driven on energy and emission efficiency, emission reduction activities and raising the awareness by training, communication activities.

Thanks to above mentioned activities, we aim to reduce our Scope 3 emissions by 4%. Our Scope 3 emissions arises from combustion of fossil fuels for employee commuting and air travel; paper, tap and drinking water use; waste disposal and waste oil; courier activities. As a result, we overachieved our target by more than 7 times. The main reason is our emission and energy reduction projects and measures, and also pandemic.

C4.1b

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

Target reference number

Int 1

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Intensity metric

Metric tons CO₂e per unit revenue

Base year

2019

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

0.000017189

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

100

Target year

2020

Targeted reduction from base year (%)

2

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

0.0000168452

% change anticipated in absolute Scope 1+2 emissions

2

% change anticipated in absolute Scope 3 emissions

0

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

0.0000090581

% of target achieved [auto-calculated]

2,250

Target status in reporting year

Achieved

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

Vakıfbank has an annual target of 2% reduction in its Scope 1 & 2 emissions released per each Turkish Liras earned as revenue. This goal is planned to be achieved through continuous emission reduction, energy efficiency projects, behavioral change and increase in use of renewable energy.

For 2019 our Scope 1 & 2 emissions was 48,171 tCO₂e and our revenue was 2,802,291,000 Turkish liras, which makes the intensity figure 0.000017189 tCO₂e/TL. The target is to reduce the intensity figure from 0.000017189 tCO₂e/TL to 0.0000168452 tCO₂e/TL, which is 2%.

For 2020 our Scope 1 & 2 emissions is 45,385 tCO₂e and our revenue is 5,010,456,000 Turkish liras, which makes the intensity figure 0.0000090581 tCO₂e/TL. As a result, our intensity figure decreased 47%. This means our target is overachieved.

Target reference number

Int 2

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 2 (location-based)

Intensity metric

Metric tons CO₂e per square meter

Base year

2019

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

0.069825

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

100

Target year

2020

Targeted reduction from base year (%)

2

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

0.0684285

% change anticipated in absolute Scope 1+2 emissions

2

% change anticipated in absolute Scope 3 emissions

0

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

0.085144

% of target achieved [auto-calculated]

-1,000

Target status in reporting year

Expired

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

We aim to reduce our emissions from electricity use per each square meter of branch offices 2%. This goal is planned to be achieved through continuous emission efficiency projects in branch offices. In 2019, the total surface area for our branches was 467,412.22 m² and our target was to reduce the intensity figure from 0.069825 tCO₂e/m² to 0.0684285 tCO₂e/m², which is 2%.

In 2020, the total surface area for our branches is 431,341 m², where our Scope 2 emissions increased from 32,637 tCO₂e to 36,726 tCO₂e due to decrease in renewable electricity energy use. Consequently, the intensity figure resulted as 0.085144, which means an increase of 22% in comparison to last year.

is 2%.

Target reference number

Int 3

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Intensity metric

Metric tons CO₂e per unit revenue

Base year

2020

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

0.000017189

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

100

Target year

2025

Targeted reduction from base year (%)

11

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

0.000006524

% change anticipated in absolute Scope 1+2 emissions

11

% change anticipated in absolute Scope 3 emissions

0

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

0.000017189

% of target achieved [auto-calculated]

0%

Target status in reporting year

New

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

Vakıfbank has an annual target of 2% reduction in its Scope 1 & 2 emissions released per each Turkish Liras earned as revenue. Our goal is to achieve at least 11% decrease in this intensity figure through continuous emission reduction, energy efficiency projects, behavioral change and increase in use of renewable energy.

For 2020 our Scope 1 & 2 emissions is 45,385 tCO₂e and our revenue is 5,010,456,000 Turkish liras, which makes the intensity figure 0.0000090581 tCO₂e/TL. Our target is to make this intensity figure less than 0.000006524 tCO₂e/TL until the end of 2025.

C4.2

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

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

Other climate-related target(s)

C4.2a

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

Target reference number

Low 1

Year target was set

2019

Target coverage

Country/region

Target type: absolute or intensity

Intensity

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Other, please specify

Percentage (Electricity used from RE sources per total electricity used)

Base year

2019

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

10

Figure or percentage in reporting year

25.1

% of target achieved [auto-calculated]

251

Target status in reporting year

Achieved

Is this target part of an emissions target?

This target represents our aim to use electricity energy generated from renewable energy resources. It is a part of our long term strategy, but emission reductions arised from use of zero carbon electricity generation (electricity generation from renewable resources) are not included in the absolute, intensity and other targets provided in this report.

As a result, we overachieved our target by more than 2 times. The main reason is our emission and energy reduction projects and measures, and also pandemic.

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

In parallel to our vision to reduce our environmental footprint and support to low carbon economy, we aim to purchase electricity generated from 100% renewable sources by a Private Purchasing Agreement (PPA).

On the other hand, due to our environmental consciousness, we decided to offset all of our carbon footprint sourced in 2019. Beyond that we bought more carbon credits than our overall emissions including Scope 3 and be a Carbon Positive organisation as a pioneering institution in Turkey. In 2020 financial year latest, we plan to start purchasing at least 10% of our electricity from 100% renewable energy resources again. We overachieved our plan, because we achieved to increase the use of electricity energy ratio to 25.4% and it covers not only the administrative offices, but also the branches.

Target reference number

Low 2

Year target was set

2020

Target coverage

Country/region

Target type: absolute or intensity

Intensity

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Other, please specify

Percentage (Electricity used from RE sources per total electricity used)

Base year

2020

Figure or percentage in base year

0

Target year

2022

Figure or percentage in target year

70

Figure or percentage in reporting year

25.4

% of target achieved [auto-calculated]

0

Target status in reporting year

New

Is this target part of an emissions target?

This target represents our pledged to use electricity energy generated from renewable energy resources and it is a part of our long term strategy. The main source of our direct emissions is our use of electricity energy. By renewable energy use as much as we can, we aim to diminish, if not possible to minimize, our Scope 2 emissions reductions

As a result, we aim to increase our use of renewable electricity percentage from 25.4% to 70% until the end of 2022 to decrease our emissions.

Is this target part of an overarching initiative?

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

Please explain (including target coverage)

In parallel to our vision to reduce our environmental footprint and support to low carbon economy, we aim to purchase electricity generated from 100% renewable sources by a Private Purchasing Agreement (PPA).

On the other hand, due to our environmental consciousness, we decided to offset all of our carbon footprint sourced in 2019 and 2020. Beyond that we bought more carbon credits than our overall emissions including Scope 3 and be a Carbon Positive organisation for the last 2 years as a pioneering institution in Turkey. In 2020, our use of renewable electricity energy ratio is 25.4% and our target is to increase this ratio to 176% until the end of 2022. It will provide a considerable decrease both in Scope 2 and Scope 1+2 emissions.

C4.2b

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

Target reference number

Oth 1

Year target was set

2019

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

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

Energy consumption or efficiency

MWh

Target denominator (intensity targets only)

Base year

2019

Figure or percentage in base year

70,234.21

Target year

2020

Figure or percentage in target year

68,829.53

Figure or percentage in reporting year

68,649

% of target achieved [auto-calculated]

112.8520374747

Target status in reporting year

Achieved

Is this target part of an emissions target?

We aim to reduce our emissions by decreasing our use of electricity energy, which is the main source of our GHG emissions in our inventory. Therefore, we drive continuous energy efficiency projects in our HQ and branch buildings. In addition to them, we are raising the awareness for behavioral change by training and communication activities. Consequently, yes, it is a part of an emission reduction target. As a result, we overachieved our target. The main reason is our emission and energy reduction projects and measures, and also pandemic.

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

We aim to reduce our use of electricity energy through continuous energy efficiency projects driven in our HQ and branch buildings. In addition to them, we are raising the awareness for behavioral change by training and communication activities. We have many opportunities to increase the energy efficiency and reduce the use of electricity energy particularly at our branches, which are located over 900 offices. Our target is to reduce the electricity energy use from 70,234.21 MWh to 68,829.53 MWh, which is 2% in 2020. Our energy consumption is 68,649 MWh.

Target reference number

Oth 2

Year target was set

2019

Target coverage

Company-wide

Target type: absolute or intensity

Intensity

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

Energy consumption or efficiency
MWh

Target denominator (intensity targets only)

square meter

Base year

2019

Figure or percentage in base year

0.150262

Target year

2020

Figure or percentage in target year

0.147257

Figure or percentage in reporting year

0.159152

% of target achieved [auto-calculated]

-5.917191

Target status in reporting year

Expired

Is this target part of an emissions target?

We aim to reduce our emissions by decreasing our use of electricity energy, which is the main source of our GHG emissions in our inventory. Therefore, we drive continuous energy efficiency projects in our HQ and branch buildings. In addition to them, we are raising the awareness for behavioral change by training and communication activities. Consequently, yes, it is a part of an emission reduction target.

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

We aim to reduce our use of electricity energy through continuous energy efficiency projects driven in our HQ and branch buildings. In addition to them, we are raising the awareness for behavioral change by training and communication activities. We implemented many projects to increase the energy efficiency and reduce the use of electricity energy particularly at our all branches, which are located over 900 offices. Surface area of our branches in 2019 was 467,412.22 m² and our target was to reduce the electricity energy use (MWh) per surface area (square meter) of our branches intensity figure from 0.150262 MWh/m² to 0.147257 MWh/m², which is 2% in 2020.

Even though, we decreased our use of electricity from 70,234 MWh to 68,649 MWh in 2020, the intensity figure increased to 0.159152, which means that it increased 6% in comparison to last year. The reason of the increase is the lower decrease ratio in surface areas of our branches. In 2020, total surface area of our branches decreased to 431,341 m².

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO ₂ e savings in metric tonnes CO ₂ e (only for rows marked *)
Under investigation	1	
To be implemented*	5	12.200
Implementation commenced*	3	2.000
Implemented*	5	9.852
Not to be implemented		

C4.3b

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

Initiative category	Initiative type	Estimated annual CO ₂ e savings	Scope (s)	Voluntary/Mandatory	Annual monetary savings (unit currency –	Investment required (unit currency –	Payback period	Estimated lifetime of the	Comment
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		(metric tons CO ₂ e)			as specified in C0.4)	as specified in C0.4)		initiative	
Energy efficiency in buildings	Insulation	200	Scope 1 Scope 2 (location-based) Scope 2 (market-based)	Voluntary	4,500,000	21,916,833	4-10 years	6-10 years	VakıfBank's Constructional Affairs constantly puts efforts on energy and emission efficiency of our branches throughout the year for exterior thermal sheathing, double-glazing, thermal break profiling. The overall sum of the cost for the year 2020 is TL 21,916,833 for the above-mentioned efforts.
Energy efficiency in buildings	Lighting	129,24	Scope 2 (location-based) Scope 2 (market-based)	Voluntary	6,987,295	939,400	<1 year	3-5 years	Vakıfbank's Constructional Affairs Unit conducted energy efficiency projects in 65 premises of Vakıfbank in 2020 and the overall investment cost is TL 939,400. The expected annual savings is TL 6,987,295. Due to these improvements, 129.4 tCO ₂ e is saved annually.
Energy efficiency in buildings	Maintenance	48	Scope 1 Scope 2 (location-based)	Voluntary	1,500,000	6,712,755	4-10 years	3-5 years	Vakıfbank's Constructional Affairs also conducts mechanical improvements and

			on-based) Scope 2 (market-based)						maintenance. Even though, the expected annual saving is around TL 1,500,000 for 2020, the cost of these investments is TL 6,712,755.
Low-carbon energy consumption	Low carbon electricity mix	8.026	Scope 2 (location-based)	Voluntary	0	0	<1 year	>30 years	With our pledge to conduct climate friendly business and mitigate the impacts of climate change, we put effort to switch our premises to consume electricity energy from 100% renewable energy sources at most. In 2020, the 25,1% worldwide electricity consumption is from 100% renewable energy resources.
Transportation	Company fleet vehicle replacement	255	Scope 1	Voluntary	3,762,714	90,680,004	4-10 years	3-5 years	In 2020, we decided to replace 450 of our Bank vehicles with hybrid versions. Emissions from our company vehicles account for 13.3% of our total emissions in 2019 and 45% of our direct greenhouse gas emissions, which is defined as Scope 1. In this way, we aim to reduce emissions by up to 27% per

									vehicle. By using a hybrid vehicle, an average of 1.7 tons of CO ₂ -e emission savings is achieved in 3 years compared to a gasoline vehicle.
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C4.3c

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

Method	Comment
Dedicated budget for energy efficiency	We put great importance and emphasis on Carbon Management and especially our Environmental Management Service, a team of 10 full-time employees, has a focused effort to decrease Vakıfbank's environmental footprint also with the help of emission reduction activities. Our Constructional Works Department puts effort continuously to modernize and/or move our branches from one location to another. With a comprehensive on purpose effort, we determine that TL 38,136,156 of Vakıfbank's Constructional Works Department's budget is used to increase the energy and emission efficiency in 2020 by constructional, mechanical and electrical improvements.
Employee engagement	Environmental Management Service (EMS) developed the energy profile of each branch and delivered it to them to foster behavioral change about mitigating the effects of Climate Change. In addition to energy profile of the branch, the energy and emission saving guide internally developed by EMS steers, enlightens, and engages the employees of Vakıfbank for emission reduction activities.

C4.5

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

Yes

C4.5a

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

Level of aggregation

Group of products

Description of product/Group of products

Vakıfbank provides banking services via alternative channels such as internet banking, mobile banking so that decreases the emissions of its customers and indirectly contributes to the combat against climate change. Therefore, we could call them our 'Low Carbon Products'. We continued to enrich our internet and mobile banking transaction sets in 2020. The number of our digital customer acquisition is 2.4 million customers in 2020. In parallel to this increase in the number of users, the volume of financial transactions made through these channels has reached to 95.92% of the overall transactions in our bank.

Please hence that only the ratio of net fee commissions revenue gained from the Alternative Distribution Channels (ADCs) to overall net fee commissions revenue is given as the percentage of the revenue from low carbon product(s) in the reporting year. This ratio also increased and reached to 3.72%. The real overall ratio of revenues gained from ADCs are much more, but as the ADCs is not a business unit or profit center on its own we do not have the overall revenue value yet.

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

Avoided emissions

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

Other, please specify

No current regulation in Turkey, company description is applied.

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

3.72

% of total portfolio value

95.92

Asset classes/ product types

Bank lending

Other, please specify

All banking transactions performed via alternative banking channels

Comment

The real overall ratio of revenues gained from ADCs, which is revenue from low carbon products in the reporting year, is much more, but as the ADCs is not a business unit or profit center on its own we do not have the overall revenue value yet.

C5. Emissions methodology

C5.1

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

Scope 1

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

12,750.36

Comment

Scope 1 emissions are sourced from combustion of fossil fuels for heating, generators, company cars and leakages from refrigerants and fire extinguishers.

Scope 2 (location-based)

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

23,975.66

Comment

Scope 2 emissions are sourced from electricity energy purchased from the grid. In 2020, we purchased renewable electricity 25% of the electricity in total electricity consumption by a Private Purchasing Agreement (PPA). Besides, our use of overall electricity energy decreased by 2.26% in comparison to last year, our Scope-2 emissions seems decreased by 26.5% for that reason. So as our Scope 1 + 2 emissions seems decreased by 19.1%.

Scope 2 (market-based)

Base year start

January 1, 2020

Base year end

December 31, 2020

Base year emissions (metric tons CO2e)

23,975.66

Comment

In 2020, we purchased renewable electricity 25% of the electricity in total electricity consumption by a Private Purchasing Agreement (PPA). Besides, our use of overall electricity energy decreased by 2.26% in comparison to last year, our Scope-2 emissions seems decreased by 26.5% for that reason. So as our Scope 1 + 2 emissions seems decreased by 19.1%.

C5.2

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

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

ISO 14064-1

US EPA Center for Corporate Climate Leadership: Direct Emissions from Mobile Combustion Sources

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

12,750.36

Comment

Scope 1 emissions are arised from combustion of fossil fuels for heating, generators, company cars and leakages from HVAC/air conditioning systems.

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

We put great importance on reducing our carbon footprint, therefore we offset all of our Carbon footprint including Scope 1, Scope 2 and Scope 3. As it was in last year, we bought more carbon credits than our footprint in 2020 and maintain to be the pioneering organization in Turkey as being a carbon positive bank.

C6.3

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

Reporting year

Scope 2, location-based

23,975.66

Scope 2, market-based (if applicable)

23,975.66

Comment

In 2020, we purchased renewable electricity 25% of the electricity in total electricity consumption by a Private Purchasing Agreement (PPA). Besides, our use of overall electricity energy decreased by 2.26% in comparison to last year, our Scope-2 emissions seems decreased by 26.5% for that reason. On the other hand, due to our environmental consciousness, we decided to offset all of our carbon footprint. Beyond that we bought more carbon credits than our overall emissions including Scope 3 and be a Carbon Positive organisation as a pioneering institution in Turkey.

C6.4

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

No

C6.5

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

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

2,510.53

Emissions calculation methodology

Paper and water consumption are calculated under this section. For water consumption both tap water and bottled water is considered and ISO 14064-3 methodology is used. The emission factors for tap water and paper are gathered from Defra/DECC GHG reporting factors.

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

100

Please explain

Although we are a commercial bank with a wide span of branch network (933) all around Turkey, we monitor and try to decrease our use of paper, tap water and drinking water. In addition to our efforts to decrease the use of natural resources such as water and forests, we consider the carbon footprint arised from use of these resources. In 2020, we saved on 85.63 ton paper and we reduced water consumption by approximately 30,000 megalitres'. Thanks to our efforts; our related emissions decreased from 3,578 tCO₂e to 2,510.53 tCO₂e in 2020 in comparison to last year.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

Vakıfbank is providing banking services and its capital goods are IT equipment's, furniture and buildings where its services are provided. About the emissions arised from the production of these capital goods, there is insufficient infrastructure in Turkey to calculate these emissions. Therefore, related data is neither available nor in sufficient quality to calculate the emissions released.

In addition to these, there is too many items and a large number of sources contribute to a small percentage of emissions. Moreover, it needs extensive working hours to calculate the related emissions. Therefore, the cost-benefit of gathering the data is too high. Furthermore, the stakeholder expectations to decrease these Scope 3 emissions of Vakıfbank is considered as too low. Finally, focusing on reducing our Scope 3 emissions from capital goods will perform lower than focusing on reducing emissions from our other sources of emissions.

As a result, Scope 3 emissions sourced from capital goods are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

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

Evaluation status

Not relevant, explanation provided

Please explain

Vakıfbank is providing banking services and its "fuel-and-energy-related activities (not included in Scope 1 or 2)" are particularly transportation of fuels and distribution of electricity energy consumed by Vakıfbank. 59% of the energy by MWh is electricity energy and 41% is fuels for 2020. 45% by energy in MWh of fuels consumed by Vakıfbank is gasoline and diesel for mobile combustion. 2.16% is diesel and fuel-oil for stationary combustion. 52% natural gas and 0,33% is coal. About the emissions arised from the fuel-and-energy-related activities (not included in Scope 1 or 2), there is insufficient infrastructure in Turkey to calculate these emissions. Therefore, related data is neither available nor in sufficient quality to calculate the emissions released.

In addition to these, Vakıfbank's branches are in diversified locations in Turkey and Vakıfbank has a wide-spread of branches, where generators and company cars are located. It needs extensive working hours to calculate the related emissions and these emission sources contribute to a small percentage of emissions. Therefore, the cost-benefit of gathering the data is too high. Furthermore, the stakeholder expectations to decrease these Scope 3 emissions of Vakıfbank is considered as too low. Finally, focusing on reducing our Scope 3 emissions from fuel-and-energy-related activities (not included in Scope 1 or 2) will bring less advantage in terms of emission reduction than focusing on from our other sources of emissions.

As a result, Scope 3 emissions sourced from fuel-and-energy-related activities (not included in Scope 1 or 2) are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Vakıfbank is providing deposit banking services. As there is almost no physical product, there is almost no upstream transportation for resources. For banks, upstream transportation and distribution emissions are particularly arises from use of their intellectual capital and the financial capital obtained. Transportation of our customers and investors during VakıfBank's activities of receiving funds, gathering deposits may be considered in Scope 3 emissions arised from upstream transportation and distribution.

We consider upstream transportation and distribution in our Scope 3 emissions is not relevant for following reasons: It is thought that these emissions are very low according to our Scope 1 and Scope 2 emissions. About the emissions arised from the Scope 3 emissions sourced from upstream transportation and distribution, there is insufficient infrastructure in Turkey to calculate these emissions. Therefore, related data is neither available nor in sufficient quality to calculate the emissions released.

Additionally, it needs extensive working hours to calculate the related emissions and these emission sources contribute to a small percentage of emissions. Therefore, the cost-benefit of gathering the data is too high. Furthermore, the stakeholder expectations to decrease these Scope 3 emissions of Vakıfbank is considered as too low. Finally, focusing on reducing our Scope 3 emissions sourced from upstream transportation and distribution will yield less benefit in terms of emission reduction than focusing on our other sources of emissions.

As a result, Scope 3 emissions sourced from upstream transportation and distribution are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

7.27

Emissions calculation methodology

DEFRA methodology is used to calculate the GHG Inventory for waste paper disposal and waste oil.

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

100

Please explain

Even though, Vakıfbank has a wide-spread network of branches all over Turkey, we monitor and manage our wastes. We send waste papers to recycling processes to third parties. As we are a bank, the biggest amount of waste needs to be focused and treated is paper. In addition to paper wastes, waste plastics, metals and glasses are separated and gathered in line with our Waste Management System. Including our HQ Buildings and all branches are holding ISO 14001 Environmental Management certificate.

Additionally, waste oil is formed from canteenries at the HQ buildings. The total was 9.5 tCO₂e last year.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

190.95

Emissions calculation methodology

After flight data are gathered from Vakıfbank's travel agency, the distance of each flight leg was determined. The corresponding conversion factors published by US EPA are used in the calculation of related emissions. It is calculated with the appropriate emission factor based on the distance of the flight, categorized in 3 classes as short, medium and long hauls.

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

100

Please explain

Since Vakıfbank is a deposit bank with a wide span of branch network all around Turkey, business air travels are used for audit and business purposes. However, alternative channels such as videoconferencing and teleconferencing are applied to avoid emissions. The emissions

from business travels are decreased from 728 tCO₂e to 190.95 tCO₂e in 2020.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

962.84

Emissions calculation methodology

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

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

100

Please explain

Vakıfbank provides employee commuting to its employees for their well-being. Also, Bank strives to decrease the number of employees using their own cars for commuting, otherwise the carbon footprint could increase due to using their own cars individually. It was 890.5 tCO₂e last year.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

We are deposit bank and we have no upstream leased assets. Therefore, there is no emissions in Scope 3 resulted from the upstream leased assets. Focusing on reducing our Scope 3 emissions arising from upstream leased assets will yield less benefit according to focusing on reducing emissions from our other sources of emissions.

As a result, Scope 3 emissions sourced from upstream leased assets are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

31.15

Emissions calculation methodology

Postage (Courier) emission per delivery is taken from “The Facts of Our Value Chain” report of European Mail Industry Platform.

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

100

Please explain

As we are a bank, our relevant downstream transportation and distribution is resulted from the mailing (courier/cargo) activity. Therefore, we calculated the emissions released by that activity. Postage emission per delivery is taken from “The Facts of Our Value Chain” report of European Mail Industry Platform. Emissions of this year is decreased compared to emissions of 2019, which was 35 tCO₂e.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

We are deposit bank and we provide services. There are almost no emissions released due to processing for our sold products. Focusing on reducing our Scope 3 emissions sourced from processing for our sold products will perform less than focusing on reducing emissions from our other sources of emissions.

As a result, Scope 3 emissions sourced from processing for our sold products are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

We are providing banking services. There are almost no emissions released due to use of our sold products. Focusing on reducing our Scope 3 emissions arised from use of our sold products will yield less benefit according to focusing on reducing emissions from our other sources of emissions.

As a result, Scope 3 emissions sourced from use of sold products are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Vakıfbank provides banking services, therefore the end of life treatment of our sold products is not relevant and no relevant emissions. Focusing on reducing our Scope 3 emissions sourced from end of life treatment of our sold products will perform less than focusing on reducing emissions from our other sources of emissions.

As a result, Scope 3 emissions sourced from end of life treatment of our sold products are decided to be excluded from the boundary of our GHG inventory and considered as not relevant.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

We are deposit bank and we have no downstream leased assets. There are no emissions in Scope 3 emissions resulted from the downstream leased assets.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

We are a deposit bank and we have no franchises. There are no emissions in Scope 3 emissions resulted from franchises.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

We have no other upstream GHG emission sources.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

We have no other downstream GHG emission sources.

C6.10

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

Intensity figure

0.00000733

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

36,726.02

Metric denominator

unit total revenue

Metric denominator: Unit total

5,010,456,000

Scope 2 figure used

Location-based

% change from previous year

57.37

Direction of change

Decreased

Reason for change

Our 2019 intensity figure per unit revenue in TRY, for Turkey, was 0.0000171890 tons CO₂e/TRY. The intensity figure decreased by 57.37%.

Intensity figure

2.1929

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

36,726.02

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

16,748

Scope 2 figure used

Location-based

% change from previous year

23.36

Direction of change

Decreased

Reason for change

In 2019, our intensity figure was 2.8614 tCO₂e/FTE per full time equivalent employee. In 2020, 25% of electricity energy are obtained from renewable energy sources by The Private Purchasing Agreement. Therefore, our gross global combined Scope 1 and 2 emissions and the intensity figure decreased.

C7. Emissions breakdowns

C7.9

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

Decreased

C7.9a

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

Reason	Change in emissions (metric tons CO ₂ e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	8,026	Decrease	17	<p>As we consider the climate emergency and are pledged to decrease our emissions, we were purchasing 100% renewable electricity by a Private Purchasing Agreement (PPA). We purchased 17,220 MWh of renewable electricity energy, which means 25% of overall electricity consumption throughout the world. By doing so, we decreased our Scope 2 emissions 8,026 tCO₂e.</p> <p>On the other hand, due to our environmental consciousness, we decided to offset all of our carbon footprint. Beyond that we bought more carbon credits than our overall emissions</p>

				including Scope 3 and be a Carbon Positive organisation for the last 2 years as a pioneering institution in Turkey.
Other emissions reduction activities	1,826	Decrease	4	<p>We put great importance on mitigating the effects of Climate Change and disseminating the energy & emission efficiency activities throughout Vakıfbank.</p> <p>As of 2020, all of our buildings in Turkey including 933 branches are certified by ISO 14001 Environmental Management System. All our employees work in ISO 14001 EMS certified buildings. thanks to that, our energy & emission efficiency will be improved, and our footprint will be decreased.</p> <p>We also kept on training & awareness raising activities on "Sustainability & CC" for our employees to raise their consciousness.</p> <p>With all these efforts and activities, we believe we achieved to decrease our emissions by 1,826 tCO₂e.</p>
Divestment	1.070	Decrease	2	As banking sector being more and more technology based, our number of branches may change and/or we join our branches our main buildings also due to energy and effort efficiency. We also track our emission release per surface area as a KPI. Our overall surface area decreased from 618,132 m ² to 604,697 m ² in comparison to last year. By considering our emission release per surface area, which is 0.07966, we can assume that it will lead a decrease of 1,070 tCO ₂ e for 2020 and we consider it as emissions decrease to divestment.
Acquisitions	-	No change	0	As no acquisition took place during reporting process, there is no change in emissions due to an acquisition.
Mergers	0	No change	0	As no merger took place during reporting process, there is no change in emissions due to a merger.

Change in output	0	No change	0	We are working in banking industry so that we could assume that there is no effect of change in output
Change in methodology	78	Increase	0	Emission factors of the electricity energy purchased from the grid are updated for all countries of operation. Emission factors in tCO ₂ e/MWh unit for Turkey, Bahrain, Iraq and USA were as follows respectively in 2019; 0.4645, 0.7046, 1.0563, 0.3999 and 0.4661, 0.6905, 1.0441, 0.3818 in 2020. The electricity energy consumption from non-renewable resources in MWh of these countries in the same order are as follows; 51,179 for Turkey, 30 for Bahrain, 25 for Iraq, and 194.5 for USA in 2020. It subjects to an increase of 78 tCO ₂ in resulting from change in methodology.
Change in boundary	0	No change	0	There is no change in the boundary. The boundary of the GHG inventory remained as same according to last year. Therefore, no change is resulted from that.
Change in physical operating conditions	0	No change	0	Vakıfbank serves in over 900 premises throughout Turkey & abroad. Additionally, the number and locations of the buildings we serve are subject to change consistently. Weather conditions, which particularly effects the physical operating conditions are also subject to change by time. Turkey experiences all four seasons in a year. Despite all the facts above, as we could not calculate the effect of above-mentioned facts, we assumed that there is no change in physical operating conditions and included these facts in unidentified item.
Unidentified	601	Decrease	1	There are too many factors effecting the change in our GHG emissions year on year. Vakıfbank serves in over 900 premises throughout Turkey & abroad. Additionally, the number and locations of the buildings we serve are subject to change consistently. On the other hand, weather conditions, which particularly effects the physical operating conditions are also subject to change by time. Turkey experiences all four seasons in a year.

				Due to the facts above, as we could not calculate the effect of above-mentioned facts, therefore we included these emissions resulting from these facts in unidentified item.
Other	0	No change	0	We assumed that there is no other item resulting a change in our Scope 1 and 2 emissions.

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	48,301.44	48,301.44
Consumption of purchased or acquired electricity		17,220.23	51,428.68	68,648.91
Total energy consumption		17,220.23	99,730.11	116,950.34

C9. Additional metrics

C9.1

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

Description

Energy usage

Metric value

6.98

Metric numerator

Energy Use in MWh

Metric denominator (intensity metric only)

Full Time Equivalent Employee (FTE)

% change from previous year

1.79

Direction of change

Decreased

Please explain

Vakıfbank has 16,748 Full Time Equivalent employees in 2020. The total energy use for 2020 is 116,950.34 MWh. Therefore, the relevant intensity, which is energy use per full time equivalent employee, is 6.98 MWh/FTE. The intensity figure is decreased by 1.79% according to last year. It means 1.79% less energy is used for each FTE, which is positive for energy and emission efficiency. It may also be considered as the output of the behavioral change efforts for employees.

Description

Energy usage

Metric value

0.19

Metric numerator

Energy use in MWh

Metric denominator (intensity metric only)

Total surface area of Vakıfbank premises in m2

% change from previous year

0.11

Direction of change

Decreased

Please explain

The total energy use for 2020 is reported as 116950,34 MWh. The total surface area of Vakıfbank premises, including HQ and branches, is 604,697.36 square meters for 2020. The intensity figure is decreased by 0.11% according to last year, which is positive for energy and emission efficiency.

Description

Energy usage

Metric value

10,217,864.84

Metric numerator

Assets in Turkish Liras

Metric denominator (intensity metric only)

Electricity Energy used in Turkey in MWh

% change from previous year

70.48

Direction of change

Increased

Please explain

Vakıfbank uses electricity energy of 68,399.53 MWh in Turkey and its asset volume is TL 698,897,118,000. With 1 MWh electricity energy used in Turkey, we generated TL 10,217,865 of assets in Vakıfbank in 2020. We increased it 70.48%, which is positive for energy and emissions efficiency.

C10. Verification

C10.1

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

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

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

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

 Vakifbank-Scope 3_2020.pdf

 Vakifbank-Scope 1&2_2020.pdf

Page/ section reference

1&2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

 Vakifbank-Scope 1&2_2020.pdf

Page/ section reference

1&2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Employee commuting

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Vakifbank-Scope 3_2020.pdf

Page/section reference

1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Purchased goods and services

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Vakifbank-Scope 3_2020.pdf

Page/section reference

1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Waste generated in operations

Verification or assurance cycle in place

Annual process


Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Vakifbank-Scope 3_2020.pdf

Page/section reference

1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Employee commuting

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Vakifbank-Scope 3_2020.pdf

Page/section reference

1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Business travel

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Vakifbank-Scope 3_2020.pdf

Page/section reference

1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

 vakifbank Entegre-Faaliyet-Raporu.pdf

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C4. Targets and performance	Financial or other base year data points used to set a science-based target	IFRS	

C11. Carbon pricing

C11.2

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

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Hydro

Project identification

VCS Registration Reference N° 535, for the period 01/08/2012 to 31/12/2015, with regard to the relevant requirements for CDM and VCS activities. The Project meets all relevant requirements for VCS and CDM activities and all relevant host Party criteria and correctly applies the baseline and monitoring methodology “ACM0002”, “Consolidated baseline methodology for grid connected electricity from renewable sources”, version 10 of 28/05/2009.

The project is a hydroelectric power plant with two weirs located in East Black Sea Region. The certificated weir transmits the collected waters to a surge tank through a 6,150 meters long transmission tunnel. The generated electricity is transmitted to the National Electricity System through Arsin Substation, with a 154 kV and 32 km long energy transmission line.

55,000 Verified Carbon Units (VCUs), which is more than Vakıfbank's overall (Scope 1+2+3) emissions released in 2019, is retired for T. Vakıflar Bankası T.A.O. by Verra in Verified Carbon Standards in 2020. VCU serial number is 8579-32295003-32350002-VCS-VCU-279-VER-TR-1-535-01012013-31122013-0. As there is no place to attach the certificate in this section, please see the Certificate of Verified Carbon Unit Retirement issued by VERRA at the answer of C-FI under the section C.15 Sign-Off of this report.

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)

55,000

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

55,000

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Hydro

Project identification

The project is a hydroelectric power plant with two weirs located in Kızılırmak River basin.

45,000 Verified Carbon Units (VCUs), which is more than Vakıfbank's overall (Scope 1+2+3) emissions released in 2020, is retired for T. Vakıflar Bankası T.A.O. by Verra in Verified Carbon Standards in 2021. VCU serial number is 5014-209255966-209300965-VCU-015-APX-TR-1-1050-24102013-23102015-0. As there is no place to attach the certificate in this section, please see the Certificate of Verified Carbon Unit Retirement issued by VERRA at the answer of C-FI under the section C.15 Sign-Off of this report.

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)

45,000

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

45,000

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

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

Yes

C11.3a

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

Objective for implementing an internal carbon price

Stakeholder expectations

Change internal behavior

Drive energy efficiency

Identify and seize low-carbon opportunities

Other, please specify

Being a role model and pioneering institution in Climate Change Management in Turkey

GHG Scope

- Scope 1
- Scope 2
- Scope 3

Application

We put great importance on reducing our carbon footprint, therefore we offset all of our Carbon footprint including Scope 1, Scope 2 and Scope 3. Furthermore, we bought more carbon credits than our overall footprint in 2020 and be the pioneering organization in Turkey as being a carbon positive bank. We also wanted to contribute and support to low carbon economy especially in Turkey. Therefore, we voluntarily bought 45,000 tCO₂e originated from a hydro power plant in Verified Carbon Standards, where our overall GHG inventory in all over the world is 40,429 tCO₂e in 2020.

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

3.71

Variance of price(s) used

Actual price was 3.71 TL/tCO₂e, where it is assumed that USD 1 equals to TRY 7.43. For forecasting the financial impacts of climate change risks for the future, 0.50 USD / tCO₂e is used for calculations. Although carbon price is almost 3 USD in IMF, we bought carbon as TL 3.71 which corresponds to USD 0.5.

Type of internal carbon price

Offsets

Impact & implication

We wanted to motivate our both internal and external stakeholders by voluntarily offsetting our GHG emissions released in Scope 1+2+3 in 2020. We also wanted to contribute to low carbon economy, and be a role model as a pioneering public institution in Turkey. Therefore, we offset all of our Carbon footprint including Scope 1, Scope 2 and Scope 3. As it was in last year, we bought more carbon credits than our footprint in 2020 and maintain to be the pioneering organization in Turkey as being a carbon positive bank.

C12. Engagement

C12.1

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

- Yes, our suppliers
- Yes, our customers
- Yes, other partners in the value chain

C12.1a

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

C12.1b

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

C12.1d

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

C12.3

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

Direct engagement with policy makers

Trade associations

C12.3a

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

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Energy efficiency	Support with minor exceptions	Vakıfbank provides feedback and technical advice for improvement of the Building Energy Efficiency Programme Turkey (BEP-TR Programme) implemented by the Ministry of Environment and Urbanization, which is regarding GHG emission performance of buildings. The programme implements a system to have an inventory of the buildings' energy performance in Turkey and develop legislation for the improvement of the performances. Vakıfbank provides technical consultancy in energy related calculations during the Programme.	Vakıfbank suggested extension of the scope of the draft legislation to individual branch offices such as banks, shops, etc, instead of whole buildings only.
Energy efficiency	Support	Republic of Turkey Ministry of Energy and Natural Resources conducts studies in order to	As a public bank, we attended the kick-off meeting organized

		ensure energy efficiency in public buildings with a total annual energy consumption of 250 BOE and above or a total construction area of 10,000 m2 and above. The target is to ensure at least 15% energy saving until 2023. In this framework, as a public bank, we participated in meetings organized by the Ministry. Also, we started to take necessary measures in our two buildings in Ankara in order to achieve the target.	by the Ministry and started to take the necessary measures.
Other, please specify Waste	Support with minor exceptions	We started to share monthly paper consumption data with our branches, and we completed systematic records of all our branches within the scope of Zero Waste Project, which is being carried out by the Ministry of Environment and Urbanization. We also aim to provide a training on the Zero Waste Project in 2020, and to complete certification for all our branches in Turkey. In addition, we carry out studies for our electronic waste within the scope of Corporate Social Responsibility.	Due to our extensive branch network in Turkey, we are in communication with the Provincial Directorate of Environment and Urbanization regarding the application process.

C12.3b

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

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Turkish Banks Association (TBA)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Vakıfbank's CEO is a board member of the Turkish Banks Association (TBA) and a board member of Turkish Industrial Development Bank (TSKB). TBA has a Working Group on "Role of Financial Sector in Sustainable Development". The WG aims to integrate environmental concerns into Banks' loan policies in Turkey. Also, Vakıfbank is the vice president of the WG.

How have you influenced, or are you attempting to influence their position?

Vakıfbank's CEO is a board member of the Turkish Banks Association (TBA). Vakıfbank is the vice president of the working group named as "Role of Financial Sector in Sustainable Development". Vakıfbank actively participates and contributes to working group. It is planned to develop a declaration of commitment to adherence to sustainable banking and Vakıfbank fully supports these efforts, as Vakıfbank wants to integrate sustainability prerequisites into all loan programmes.

C12.3f

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

Our governance structure ensures that direct and indirect activities that could influence policy are monitored and tracked by Sustainability Committee of Vakıfbank. The Sustainability Committee reviews and monitors activities to ensure consistency across the bank and in line with our climate policy and environmental sustainability policy on a broader level. In cases where Sustainability Committee finds out activities inconsistent with our climate policy, these are referred to the Board of Directors for consideration.

Vakıfbank's CEO is a board member of the Turkish Banks Association (TBA). Vakıfbank is the vice president of the working group named as "Role of Financial Sector in Sustainable Development". Vakıfbank actively participates and contributes to working group. It is planned to develop a declaration of commitment to adherence to sustainable banking and Vakıfbank fully supports these efforts, as Vakıfbank wants to integrate sustainability prerequisites into all loan programmes.

Additionally, we provide offers to our customers to raise awareness on social and environmental topics. In this context, we gather requests from our customers who get their statements in printed versions in order to convert them to e-statement. We send them e-statements accordingly. In addition, we donated 10,000 saplings for the "VakıfBank Private Banking Memorial Forest," which we created through the cooperation with the General Directorate of Forestry. We continued to inform our customers regarding the sapling donations we made for our Private Banking customers, which meet certain criteria, to the commemorative forest designated by the General Directorate of Forestry in Gaziantep, in 2019. Thus, we aim to reveal our Bank's sensitivity to combating climate change, reinforce customer loyalty and our brand as VakıfBank Private Banking.

Furthermore, in 2019, we have completed our Zero Waste system records, which is being carried out by the Ministry of Environment and Urbanization. Within the scope of the Zero Waste Project, the certification process continued with the help of E-Zero Waste Trainings in 2020 and it is completed by our 7,530 employees. Trainings will continue in 2021.

C12.4

(C12.4) Have you published information about your organization’s response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication	Status	Attach the document	Page/Section Reference	Content Elements	Comment
In mainstream reports, incorporating the TCFD recommendations	Complete	VKF_FRAE_2020_MTB_uyg_34.pdf	Section: Integrated Thinking in Vakıfbank, Pages: 40-53 Section: Our Natural Capital, Pages: 116-119 Section: Annex-10: Climate-Related Financial Statement Task Force (TCFD) Statement Page: 537	Governance Strategy Risks & Opportunities Emissions figures Emission targets Other metrics	We aim to share our results with our stakeholders as much as possible.

C-FS12.5

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

	Industry collaboration	Comment
Reporting framework	Other, please specify CDP and Turkish Network of Integrated Reporting which is local representative of International Integrated Reporting Council	We have shared the strategy and governance of climate change, risk management and carbon emission amount and our goals in this regard with the international investors and the public within the scope of CDP Climate Change Program in which we have been reporting since 2015. Also, we have CDP ‘Supporter’ badge within in the scope of enhanced contribution. We also presented our 2019 performance in Annual

		Integrated Report format, which is developed under International Integrated Reporting Council (IIRC) framework. It also reports the inputs, outputs, and targets of our environmental capital in our value creation model.
Industry initiative	Science-Based Targets Initiative for Financial Institutions (SBTi-FI) Other, please specify United Nations Global Compact	In order to contribute to the fight against climate change which is one of the most important global environmental problems today, in 2019 we became the first Turkish public institution to announce the commitment to reduce carbon emissions by participating in the Science Based Targets initiative. Also, we are among the participants of the UN Global Compact, the world's largest sustainability initiative.
Commitment		We are not signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments other than mentioned above.

C14. Portfolio Impact

C-FS14.1

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

	We conduct analysis on our portfolio's impact on the climate	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<p>We are aware that we have a responsibility for the environmental and social impacts of the projects we finance within the framework of our responsible finance approach, which is the basis of our duty to contribute to society and the environment. In this context, 'Environmental and Social Impact Assessment and Sustainability' is included as a special title in our Credit Policy Document in order to evaluate the environmental and social impacts of the projects we finance. Although, we are willing to enlarge the number of items included into our GHG Inventory, there is insufficient infrastructure and data in Turkey to calculate these emissions. Besides, it needs extensive working hours to do so. Therefore, Scope 3 emissions sourced from our investments are not calculated yet. We are willing to do so in the future.</p> <p>Furthermore, our target for 2020 is to systematize Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the French Development Agency (AFD).</p>

		We aim to complete the establishment of this Environmental and Social Risk Management System by the end of 2020.
Other products and services, please specify	Not applicable	We do not conduct analysis the impact on the climate of other products and services, since our portfolio mainly consists of the bank lending. Additionally, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. Furthermore, the stakeholder expectations to conduct analysis to understand the Scope 3 portfolio impact within the scope of other products and services is considered as low at the moment in Turkey.

C-FS14.1c

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

We are aware that we have a responsibility for the environmental and social impacts of the projects we finance within the framework of our responsible finance approach, which is the basis of our duty to contribute to society and the environment. Although we do not calculate the emissions with regards to Scope 3 Investment category due to insufficient infrastructure and data in Turkey and requirement of extensive working hours to do so, we carry out studies to understand how our portfolio impacts the climate. In this context we evaluate the environmental and social impacts of the projects we finance, through ‘Environmental and Social Impact Assessment and Sustainability’, which is included as a special title in our Credit Policy Document. In this way, we focus on creating a positive indirect effect with the projects we provide financing, and prioritize environmentally friendly projects, energy efficiency and renewable energy projects in financing whereas we do not finance certain sectors within the scope of prohibited sectors.

We request the documents that the projects need to provide regarding environmental standards before the project financing, and we lay down the Environmental Impact Assessment (EIA) Reports as a prerequisite in order to determine the environmental impacts of all the projects we finance. In addition to environmental criteria, we expect employees in the projects to comply with various social criteria in terms of employee and human rights, ethical values, non-child labor and non-forced labor. We consider it as our responsibility to monitor the continuity of the positive impact created in the projects we finance.

This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical, environmental, and social criteria, which are among the requirements of many projects that we provide financing through related institutions.

Our target for 2020 is to systematize Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the

French Development Agency (AFD). We aim to complete the establishment of this Environmental and Social Risk Management System by the end of 2020.

Being aware of the fact that climate change, which is the most important problem of our age, has effects on both our operations and the financing we provide, we consider the effects of climate change as an important part of our risk assessment process. Playing an active role in the transition to a low carbon economy by effectively managing risks is among our goals. In order to contribute to the fight against climate change, in 2019 we became the first Turkish public institution to announce the commitment to reduce carbon emissions by participating in the Science Based Targets initiative, led by many international pioneering organizations. Thus, apart from adding international standards to our activities, we have shared the strategy and governance of climate change, risk management and carbon emission amount and our goals in this regard with the international investors and the public within the scope of the CDP Climate Change Program in which we have been reporting since 2015.

C-FS14.3

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

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	<p>In order to evaluate the environmental and social impacts of the projects we finance, we include 'Environmental and Social Impact Assessment and Sustainability' as a special title in our Credit Policy Document. In this way, we focus on creating a positive indirect effect with the projects we provide financing, and prioritize environmentally friendly projects, energy efficiency and renewable energy projects in financing whereas we do not include certain sectors within the scope of prohibited sectors. In this context, we provide financial support to sustainable energy investments and projects by giving priority to renewable energy investments under the title of Sustainable Energy Finance. In 2020, we provided finance support of over TL 2.1 billion to 28 renewable energy projects.</p> <p>We request the documents that the projects need to provide regarding environmental standards before the project financing, and we lay down the Environmental Impact Assessment (EIA) Reports as a prerequisite in order to determine the environmental impacts of all the projects we finance. We see it as our responsibility to monitor the continuity of the positive impact created in the projects we finance. This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the</p>

		<p>German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical, environmental and social criteria, which are among the requirements of many projects that we provide financing through related institutions.</p> <p>Our target for 2020 is to systematize Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the French Development Agency (AFD). We aim to complete the establishment of this Environmental and Social Risk Management System by the end of 2020.</p>
Other products and services, please specify	Not applicable	<p>We do not take actions in the field of other products and services, since our portfolio mainly consists of the bank lending. Additionally, focusing on other products and services will perform lower than focusing on assessment of our bank lending portfolio. Furthermore, the stakeholder expectations to take actions in the field of other products and services is considered as too low.</p>

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	<p>In order to evaluate the environmental and social impacts of the projects we finance, we include 'Environmental and Social Impact Assessment and Sustainability' as a special title in our Credit Policy Document. In this way, we focus on creating a positive indirect effect with the projects we provide financing, and prioritize environmentally friendly projects, energy efficiency and renewable energy projects in financing whereas we do not include certain sectors within the scope of prohibited sectors. In this context, we provide financial support to sustainable energy investments and projects by giving priority to renewable energy investments under the title of Sustainable Energy Finance. In 2020, we provided finance support of over TL 2.1 billion to 28 renewable energy projects.</p> <p>We request the documents that the projects need to provide regarding environmental standards before the project financing, and we lay down the Environmental Impact Assessment (EIA) Reports as a prerequisite in order to determine the environmental impacts of all the projects we finance. We see it as our responsibility to monitor the continuity of the positive impact created in the projects we finance. This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical,</p>

	<p>environmental and social criteria, which are among the requirements of many projects that we provide financing through related institutions.</p> <p>Our target for 2020 is to systematize Environmental and Social Risk Management in the light of our experience so far. We are working on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the fund we provide from the French Development Agency (AFD). We aim to complete the establishment of this Environmental and Social Risk Management System by the end of 2020.</p>
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C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	Yes, for some	<p>In order to contribute to the fight against climate change which is one of the most important global problems today, we became the first Turkish public institution to announce the commitment to reduce carbon emissions by participating in the Science Based Targets initiative, led by many international pioneering organizations. Thus, apart from adding international standards to our activities, we have shared the strategy and governance of climate change, risk management and carbon emission amount and our goals in this regard with the international investors and the public within the scope of the CDP Climate Change Program in which we have been reporting since 2015. We will continue to provide international standards to our facilities to strengthen our reputation with global investors. Additionally, as a bank, which considers sustainability at the center of our strategic business model, we manage our environmental, social and governance performance in a way that creates value for all our stakeholders. In this context, we provide financial support to sustainable energy investments and projects by giving priority to renewable energy investments under the title of Sustainable Energy Finance. In 2020 we provided finance support of over TL 2.1 billion to 28 renewable energy projects.</p> <p>We request the documents that the projects need to provide regarding environmental standards before the project financing, and we lay down the Environmental Impact Assessment (EIA) Reports as a prerequisite in order to determine the environmental impacts of all the projects we finance. We see it as our responsibility to monitor the continuity of the positive impact created in the projects we finance. Also, we strive to set an example in order to encourage our stakeholder in particular our clients to take a role for fighting against climate change.</p>

C15. Signoff

C-FI

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

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Support Services & Credit Policies Deputy General Manager	Other C-Suite Officer

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms

Reporting Consultancy:

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