

Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

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

Yapı Kredi at a Glance

Yapı Kredi, established in 1944 as Turkey's first retail focused private bank with a nationwide presence, is the 3rd largest private bank in Turkey with total assets worth TRY 486 billion as of the end of 2020. Yapı Kredi has a strong shareholding structure which ensures sustainable and profitable growth. Yapı Kredi's 9.02% of the shares are directly owned by Koç Holding A.Ş. and 40.95% of the Bank's shares are owned by Koç Financial Services, which is 100% owned by Koç Group. Yapı Kredi has always played a pioneering role in the banking sector and has been sustainably strengthening its market positioning through a customer-centric approach and focus on innovation. Targeting to constantly increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi provides service to its customers with 16,037 employees and 835 branches covering all regions of Turkey. Total cash and non-cash loans of the Bank increased by 20% and reached TRY 383 billion in 2020, while its total assets were worth TRY 486 billion.

Yapı Kredi delivers its products and services via its 4,535 ATMs, innovative internet banking, leading mobile banking, call center and approximately 788 thousand POS terminals. 97% of the Bank's transactions carried out through non-branch channels as at year-end 2020.

Yapı Kredi is active in retail banking (comprising of card payment systems, individual banking, business banking, private banking and wealth management) as well as corporate, commercial banking and SME banking. The Bank's operations are supported by domestic subsidiaries engaged in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Nederland, Malta and Azerbaijan.

Strategy

Yapı Kredi aims to ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees. Yapı Kredi's strategy is being a customer centric commercial bank driven by cutting edge technology and committed workforce, delivering responsible growth. In its activities Yapı Kredi espouses a corporate governance concept built on integrity, responsibility and accountability, and operates on its nine values; sustainability, customer centricity, being united, competitiveness, target orientation, resilience, agility, innovation, and productivity.

Sustainability

Yapı Kredi believes economic sustainability cannot be achieved without social and environmental sustainability, therefore its sustainability approach is integral and comprehensive. In 2017 Yapı Kredi launched its Sustainability Management System (SMS) that allowed the Bank to further integrate sustainability to its business strategy. As part of the SMS, Yapı Kredi launched its Environmental Management System and Environmental and Social Risk Assessment System.

While managing its impact on environment and society, Yapı Kredi also aims to contribute to sustainable development of society and transition to a low carbon economy. To that end, Yapı Kredi targets to increase its products and services that drive innovation, sustainability and profit.

Yapı Kredi pursues its activities with the vision of responsible growth that creates value for all the segments, while monitoring implications for all stakeholders. Yapı Kredi regularly engages with its stakeholders to understand their needs and expectations from the Bank. Yapı Kredi's stakeholders are including but not limited to customers, employees, investors, regulators, civil society and academia.

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.

Turkey

C0.4

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

TRY

C0.5

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

Operational control

C-FS0.7

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

Bank lending (Bank)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual(s)	Please explain
Director on board	<p>Yapı Kredi's sustainability related activities (including climate change) are managed under the supervision of the Sustainability Committee. The Committee is responsible for integrating sustainability in business processes and for monitoring, assessing and guiding sustainability performance of Yapı Kredi regularly. Climate related risks & opportunities linked to operations as well as project finance and setting up strategies/defining targets with regards to reduction of emissions are part of the Sustainability Committee's duties within the scope of its responsibilities on the environmental dimension. Risks related to operation and financing activities are assessed and monitored by the Committee on a regularly.</p> <p>The members of the Sustainability Committee:</p> <ul style="list-style-type: none">• Board Member (Chair)• Assistant General Manager (AGM) - Credits• AGM - Human Resources, Organization & Internal Services• AGM - (COO) Information Technologies and Operations• AGM - (CFO) Financial Planning and Administration• AGM - Compliance, Internal Control and Risk• AGM - Retail Banking• Executive Vice President Corporate Banking Sales• Executive Vice President Strategic Planning and Investor Relations• Director Corporate Communications <p>Corporate Communications Director, who directly reports to the CEO, is responsible for conduction of the overall sustainability practices. There is a dedicated Sustainability Team reporting to the Corporate Communications Director. Additionally, there are six working groups working under the guidance of the Sustainability Committee and with the coordination support of the Sustainability Team. Climate-related topics also constitute an important agenda item of the working groups related to Operational Environmental Impact and Sustainability Management of Loans.</p>

	<p>Process and Program Management Executive Vice President, who directly reports to the COO, is responsible for the process of managing environmental impacts arising from operational activities. Climate related topics such as emissions reporting and reduction initiatives are also included within the scope of the process designed for management of environmental impacts. As an example of a climate-related decision made by the Sustainability Committee, the Committee decided to reduce absolute carbon emissions of Scope 1 and Scope 2 by 76% until 2030, and by 100% until 2035 compared to 2019.</p>
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C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of our investing activities on the climate</p>	<p>Climate related topics such as management of climate related risks & opportunities linked to operational as well as lending activities and setting up strategies/defining targets with regards to reduction of emissions are part of the Sustainability Committee’s duties within the scope of its responsibilities on the environmental dimension. The following risks are assessed and monitored by the Committee on a regular basis:</p> <ul style="list-style-type: none"> • Risks related to operation (physical & legal risks) • Risks related to financing activities (physical risks of the investments/projects which might impact the environment & society, transition risk of the investments/projects which might arise due to regulatory developments) <p>Meeting twice a year to assess, monitor and guide developments with regards to sustainability, the Sustainability Committee reports annually to the Executive Committee and to the Board of Directors. Based on the Sustainability Team’s findings and suggestions, the Sustainability</p>

		<p>Committee establishes and guides a comprehensive management approach for Yapı Kredi consisting of:</p> <ul style="list-style-type: none">• Sustainability strategy• Plan of actions to be implemented• Risk management policies• Sustainability expenditures• Targets and objectives related to the sustainability performance of the Bank <p>According to the nature and the scale of impact within the Bank, some of the studies and decisions of the Committee is presented to the approval of the Board. In 2020, the Sustainability Committee convened for four times in total. Two of these meetings conducted in May and September were the regular meetings of the Committee. The Committee held additional two meetings in June and July in the form of strategy workshops.</p> <p>In addition to all these efforts, Yapı Kredi has taken and implemented new decisions in order to achieve sustainability targets including climate related issues. For this purpose, sensitive sectors have been redefined and sectoral norms for these sectors were updated with an emphasis on environmental and social risks, renewable energy and reducing carbon emissions. Besides, new decisions related to financing coal related investments were put in place by the Board such as “New coal mining and new coal fired thermal power plants will not be financed.” which also aims at reducing the risks in coal-related investments. Moreover the Sustainability Committee decided to reduce their single-use plastic consumption by 61%, and 80%, compared to 2019 and 2020 respectively by the end of September 2021.</p>
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C1.2

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

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Annually

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).

The Sustainability Committee is composed of senior leaders across every major line of business and support function.

- **Board Member (Chair):** Member of the Board of Directors carries out the duties of bringing the work conducted within the scope of the Sustainability Committee, the targets designated by the Committee and the results obtained through the work done by the Committee to the agenda of the Board of Directors. Additionally, he represents the Committee in the Board of Directors within the framework of the annual reporting performed by the Committee to the Board of Directors.

- **AGM - Credits:** AGM Credits is responsible for the execution of Yapı Kredi's Environmental and Social Risk Assessment (ESRA) System, which was established to manage Yapı Kredi's environmental and social risks and impacts (including climate change) arising from its lending and investment activities. Additionally, emerging topics such as integration of climate risks into the credit underwriting procedures, client engagement on climate related issues etc. are also followed up within the framework of the responsibilities of the AGM Credits.

- **AGM - Human Resources, Organization & Internal Services:** AGM Human Resources, Organization & Internal Services Management is responsible for the execution of environmental trainings to raise awareness of climate change and water management, develop environmentally-sensitive behavior models internally and externally and keep employees informed about the latest regulatory developments.

- **AGM (COO) - Information Technologies and Operations:** The COO contributes to integrate sustainability matters to the overall business strategy of Yapı Kredi. The COO is responsible for the execution of the relevant management and reporting systems related to Yapı Kredi's direct environmental impacts arising from its operations. One of the most important

issues addressed within the scope of environmental impacts arising from operational activities is emissions reporting and management.

• **AGM (CFO) - Financial Planning and Administration:** The CFO contributes to integrate sustainability matters to the overall business strategy of Yapı Kredi. Additionally, he carries the responsibility to review and guide the business cases/new products developed to support sustainable finance.

• **AGM - Compliance, Internal Control and Risk Management:** AGM, Internal Control and Risk Management is responsible for compliance with laws and regulations (also with the ones related to environment and climate change) and for ongoing efforts related to integration of climate risks into credit risk rating modelling so that climate related scenario analyses and stress tests can be conducted in the future.

• **AGM - Retail Banking:** AGM Retail Banking Management is responsible for the development of retail banking products which support the mitigation of climate change such as green mortgage, EV/hybrid car loans, energy efficiency credits etc. Additionally, his responsibilities in terms of Yapı Kredi's sustainability practices involves also topics such as financial inclusion and responsible lending.

• **Executive Vice President (EVP) - Corporate Banking Sales:** EVP Corporate Banking Sales is responsible for the development of corporate banking products which support the mitigation of climate change such as green loans and sustainability linked loans. Together with other members of the Committee he is also responsible for reviewing/revising Yapı Kredi's lending policies in line with climate change related issues.

• **EVP - Strategic Planning and Investor Relations:** EVP Strategic Planning and Investor Relations is mainly responsible for the alignment of Yapı Kredi's business strategy and with its sustainability strategy. From this perspective, he reviews and guides the business cases/new products developed to support sustainable finance. Additionally, he closely monitors the results of the corporate sustainability ratings of Yapı Kredi.

• **Director Corporate Communications:** Corporate Communications Director, who directly reports to the CEO, is responsible for conduction of the overall sustainability practices at Yapı Kredi. There is a dedicated Sustainability Team, consisting of three members, reporting to the Corporate Communications Management Director. The Sustainability Team coordinates all sustainability related issues. Sustainability Team's responsibilities include:

- Following and assessing global trends/developments and inducing their implementation within the company upon the approval of the Sustainability Committee,
- Coordinating the work conducted by sustainability working groups,
- Monitoring and reporting the targets set by the Sustainability Committee,
- Consolidating sustainability related data for annual reporting purposes,
- Monitoring/guiding management of direct and indirect environmental impacts,
- Conducting internal and external communication related to sustainability topics including climate related subjects.

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	No additional comment

C1.3a

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

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Other C-Suite Officer	Monetary reward	Emissions reduction target	The below stated KPI, which address energy efficiency and emission reduction, constitutes one of the KPIs set for the COO: Implementation of projects for efficiency and resource saving (energy, water, etc.) through process improvements and ensuring compliance with the norm staff target.
Executive officer	Monetary reward	Emissions reduction target	The below stated KPI, which address energy efficiency and emission reduction, constitutes one of the KPIs set for the Process and Program Management Executive Vice President: Implementation of projects for efficiency and resource saving (energy, water, etc.) through process improvements and ensuring compliance with the norm staff target.
Executive officer	Monetary reward	Portfolio/fund alignment to climate-related objectives	Development of sustainable finance products (such as Green Loans, Sustainability Linked Loans, etc.) and increasing the share of these products in corporate and commercial bank are decided to be identified as part of related staff's annual goals, achievement of these targets will be considered during the annual bonus evaluations.
Other, please specify Project Finance, Business Development, and Reporting Manager	Monetary reward	Portfolio/fund alignment to climate-related objectives	Development of sustainable finance products (such as Green Loans, Sustainability Linked Loans, etc.) and increasing the share of these products in corporate and commercial bank are decided to be identified as part of related staff's annual goals, achievement of these targets will be considered during the annual bonus evaluations.

Other, please specify Project Finance, Business Development, and Reporting Specialist	Monetary reward	Portfolio/fund alignment to climate-related objectives	Development of sustainable finance products (such as Green Loans, Sustainability Linked Loans, etc.) and increasing the share of these products in corporate and commercial bank are decided to be identified as part of related staff's annual goals, achievement of these targets will be considered during the annual bonus evaluations.
Other, please specify Manager of Technical Building Management Team	Monetary reward	Emissions reduction target	Targets related to Greenhouse Gas (GHG) emission reduction, energy efficiency projects are classified under three categories: annual, 5 year and 10 year targets. These targets are included in the performance assessment processes of the relevant team which implements, leads and monitors the relevant projects. An example for an emission reduction target: Reducing the emissions resulting from energy consumption at the Head Office buildings by 5% in 2020, compared to 2015.
Other, please specify Environmental Engineer	Monetary reward	Emissions reduction target	Targets related to Greenhouse Gas (GHG) emission reduction, energy efficiency projects are classified under three categories: annual, 5 year and 10 year targets. These targets are included in the performance assessment processes of the relevant team which implements, leads and monitors the relevant projects. An example for an emission reduction target: Reducing the emissions resulting from energy consumption at the Head Office buildings by 5% in 2020, compared to 2015.
Other, please specify Sustainability & CSR Manager	Monetary reward	Company performance against a climate-related sustainability index	There are several targets with related to sustainability, but some of them are related to climate change topics: -Alignment with the TCFD recommendations -Supporting development of sustainable finance products which support mitigation of climate change -Supporting and guiding the development of science based emission reduction targets (Scope 1,2, and 3) Achievements of these targets are being considered during the annual bonus evaluations.

<p>Other, please specify</p> <p>Sustainability & CSR Assistant Manager and Supervisor</p>	<p>Monetary reward</p>	<p>Company performance against a climate-related sustainability index</p>	<p>There are several targets with related to sustainability, but some of them are related to climate change topics:</p> <ul style="list-style-type: none"> -Alignment with the TCFD recommendations -Supporting development of sustainable finance products which support mitigation of climate change -Supporting and guiding the development of science based emission reduction targets (Scope 1,2, and 3) <p>Achievements of these targets are being considered during the annual bonus evaluations.</p>
<p>All employees</p>	<p>Non-monetary reward</p>	<p>Behavior change related indicator</p>	<p>In order to disseminate a responsible and sustainable banking concept across the organization, every year, Yapı Kredi provides a training program covering all environmental, social and governance factors, including sustainability, environmental management system, environmental and social risk assessment. Yapı Kredi backs its training activities with interactive workshops and initiatives. Furthermore, the Bank developed an internal communication plan on sustainability so that sustainability is embraced and understood by the employees. The communication media to be used for this initiative include internal mailing, internal Bizler+ platform and KoçHub, the in-Group platform of the Koç Group companies. During 2020, the Bank's employees received 157 hours of general sustainability training. During the reporting period, Environmental and Social Risk Assessment experts received 63 hours of sustainability training in total, which also covered environmental and social risk management topics.</p>
<p>All employees</p>	<p>Monetary reward</p>	<p>Behavior change related indicator</p>	<p>The employees convey the creative ideas they conceive based on their own experiences or customer feedbacks to the Bank via the Evreka (Eureka) Idea Management platform. Accessible by all employees, the platform collects ideas about various subjects including enhancement of green initiatives such as conserving natural resources, reducing waste</p>

			and promotes the conversion of employees' creative ideas into projects that will create value. Employees have been rewarded for their suggestions if their idea is the first of its kind and selected.
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C-FS1.4

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

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

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

	From (years)	To (years)	Comment
Short-term	0	1	Short-term horizon is considered as 0 to 1 year time period.
Medium-term	1	5	Mid-term horizon is considered as 1 to 5 years time period.
Long-term	5	10	Long-term horizon is considered as 5 to 10 years time period.

C2.1b

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

Yapı Kredi defines **substantive financial or strategic impact** as;

1) Financially;

Possibility of financial loss more than TRY 150 million is "very high" risk level.

Possibility of financial loss between TRY 25-150 million is "high" risk level.
Possibility of financial loss between TRY 250,000-25 million is "moderate" risk level.
Possibility of financial loss up to TRY 250,000 is "low" risk level.

- 2) Reputational loss; significant loss of reputation among all stakeholders such as customers, employees, suppliers, strategic partners, leading to massive public reactions or media / social media crisis,
- 3) Operationally; system disruptions, service interruptions or failure to sustain operations due to the significant increase in the workload driven by social or environmental hazards,
- 4) Legally; disruptive consequences such as suspension of operations, licenses revocation or senior management condemnation driven by the breach of laws and legislation.

Yapı Kredi identifies its climate related risks stemming from its operational activities based on Internal Environmental Impact Assessment method that uses L-Type Matrix method. L-Type Matrix method grades environmental risks by calculating weight ratios with a 5*5 scoring system. As a result of this assessment, any situation that falls under Yapı Kredi's substantive financial or strategic impact definition (provided above) would be considered climate related substantive financial or strategic impact resulting from Yapı Kredi's all operational activities in Turkey. The risks identified within this assessment are not based on business units but on core business activities. Any physical risks, which might occur related to extreme weather events in connection with climate related issues in the headquarter buildings and the branches, is not expected to impact the banking operations.

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

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

Risk management process

A specific climate-related risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

- Short-term
- Medium-term
- Long-term

Description of process

Risk management is carried out by 107 employees working under the Audit Committee with the purpose of measuring, monitoring, reporting and keeping under control the potential risks that the Bank may be exposed to on stand alone and consolidated bases, taking into consideration international regulatory framework and employing methods that are compliant with the national legislation. The highest ranked manager responsible for risk management is the Assistant General Manager for Compliance, Internal Control and Risk Management. Risk management takes into consideration the climate change related risks under operational risk, reputational risk, credit risk and environmental and social sustainability risk areas.

Process used to determine which risks and /opportunities could have substantive financial or strategic impact:

In line with Environmental Management System, Yapı Kredi's climate-related risks arising from its direct operations such as operational consumption are assessed in accordance with the Internal Environmental Impact Assessment method. "Planning Risk and Opportunity Determination Form" follows risks originating from environmental effects. Environmental risks are determined by the Matrix Method (L-Type Matrix) method. This method is also used in other stages of the value chain. Accordingly, the environmental risks are graded by calculating the weight ratios with a 5 * 5 scoring system and necessary actions are taken. Moreover, risk department monitors certain Key Risk Indicators (KRIs) to manage operational risks, whereas compliance department monitors all regulatory changes including the Environmental Law and related regulations.

As a result of Internal Environmental Impact Assessment and monitoring activities any incident that might financially, reputationally, operationally or legally cause disruption as defined in the question 2.1.b would be considered climate related substantive financial or strategic impact.

The Bank categorizes climate risks and opportunities in two groups: physical and transitional related. In this context, the Bank defines extreme weather, extreme temperatures, national and international regulations related to climate change, stakeholder expectations, market expectations changing with the transition to a low carbon economy, and emerging technologies as climate related risks and opportunities. The implications of these risks and opportunities with respect to Yapı Kredi are determined within the scope of the collaboration of different units within the Bank and in view of national and international regulations, trends and initiatives. Basic approaches to climate related risks are addressed also in the Reputational Risk Policy and Lending Policies, which are approved by the Board of Directors. A forward looking capital planning approach has been embraced in order to sustain the Bank's operations in the

event of losses resulting from contingencies or deterioration in the markets. The Bank monitors the number of inundation incidents, cost of physical damage resulting from extraordinary weather events, the Bank's operational GHG emissions, GHG emission intensity per employee (Scope 1 and Scope 2) and the Bank's energy consumption within the scope of climate risks. The Bank keeps a close eye on the potential risk indicators that may arise within the frame of possible regulations in the period ahead. At Yapı Kredi, potential risks that may arise from extraordinary weather events are addressed in an integrated manner, and necessary infrastructural measures related to climate change are taken on the basis of branches and regional offices. As part of the combat against climate change, Yapı Kredi calculates and obtains verification of its Scope 1 and Scope 2 GHG emissions in accordance with the ISO 14064 standard in its operational activities. The Bank obtains limited assurance statement for its Scope 1, Scope 2 and Scope 3 GHG emissions in accordance with ISAE 3410 International Standard on Assurance Engagements. Absolute carbon emissions of Scope 1 and Scope 2 are targeted to be reduced by 76% until 2030 and 100% by 2035, based on 2019. Yapı Kredi implements energy efficiency and renewable energy supply initiatives for reducing its GHG emissions resulting from its operations, and sets annual, five year and ten year targets.

Value chain stage(s) covered

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

Basic approaches to climate related risks are addressed also in the Reputational Risk Policy and Lending Policies, which are approved by the Board of Directors. Matters related to risk areas and critical sectors (non environment friendly establishments, nuclear energy, mining and thermal power plant industry, water infrastructure and dam industry, etc.) are defined by the reputational risk management guidelines and are also assessed within the scope of the Environmental and Social Risk Assessment (ESRA) system. The Bank monitors the share of fossil fuel projects in the energy portfolio and carbon footprint of the project finance energy portfolio.

Yapı Kredi aims to expand responsible and sustainable business practices across the entire value chain, and adopts responsible finance notion. Within the scope of corporate and commercial banking, the Bank assesses all new investment, project finance and

financial advisory projects with an investment amount of USD 10 million (TRY 74 million calculated by using the exchange rate as of 31 December 2020) and above within the scope of the Environmental and Social Risk Assessment (ESRA) system. At Yapı Kredi, the ESRA System is carried out by an expert team under the Corporate and Commercial Loans Department. The Assistant General Manager of Credits is responsible for the execution of the system. With this system, the risk category is determined for projects, upon which corresponding action and monitoring plans were created. Environmental and social risk categories are defined as follows:

Category A: Business activities that have an adverse environmental or social risk and/or impact that is diverse, irreversible or unforeseen, and of significant severity

Category B: Business activities that have an adverse environmental or social risk and/or impact that is limited, generally localized to the project area, largely reversible and already subject to mitigation measures

Category C: Business activities that have minimal or no environmental or social risk and/or impact.

In order to monitor all environmental and social issues associated with investments, which are categorized under Risk Category A or B, actions to be taken against the potential risks and necessary monitoring activities to be followed are determined depending on the classifications of both the customers and the project. Customers are informed about the actions to be taken according to their project risk score. Moreover, compliance department monitors all regulatory changes including the Environmental Law and related regulations. The risk assessment framework covers the short, medium and long-term effects, since these effects vary throughout the different stages of the project/investment such as the construction phase and/or the operation phase. The risks are monitored until the maturity of the loan. Yapı Kredi performs the risk assessment at the beginning of the project but continues to conduct site visits and monitor the implementation of the action and management plans of the project with the frequency that is determined by the nature of the project/investment. In majority of the cases the site visits are conducted more than once a year, but the frequency of the site visits may vary depending on the sector of investment. During 2020, 29 investments were assessed within the scope of the ESRA System. As of December 2020, these investments were allocated a total credit line of USD 1 billion 84 million (TRY 8 billion 21 million calculated by using the exchange rate as of 31 December 2020). In 2020, no projects were rejected on account of non compliance with the Environmental and Social Policy or being included in the Exclusion List.

Physical Risk Case Study: As part of the credit risk assessment process, Yapı Kredi reviews technical reports of the projects including water flow trends of hydro-power resulting from environmental issues including climate change. As a result of chronic physical risks such as extreme heatwaves, water flows might be reduced and evaporation might have significant impact on the hydroelectric power production capacity. Therefore, a technical analysis report is prepared regarding water flow fluctuations for hydroelectric power plant projects. After this technical analysis Yapı Kredi conducts internal stress tests to measure the climate risks within the scope of the

credit risk. In addition, cumulative impact assessment is required in accordance with both Turkish Environmental Impact Assessment (EIA) regulation and ESRA system. Thus, project risks are determined by evaluating the cumulative effects within the region and the basin. This might effect the capacity of power generated through water flow to meet the average and the peak power demands which might lead to financial risks including further consideration of the project's viability.

Transitional Risk Case Study: Yapı Kredi, effectively managing its operational and lending activities for a sustainable future, has declared that it will not finance new coal-fired thermal power plants and new coal mining projects with its updated policies. Except for having significant environmental impacts on the environment, these kind of projects carry also transitional risks to a great extend. Additional to this sectoral approach, the approach utilized within the ESRA System also serves for identification of such risks, since this system also requests for some actions/implementations based on the sector in which the customer operates and/or to which the project belongs. As part of current/emerging regulation risks, investments in certain sectors that are carbon intensive, might be subject to national environmental regulations such as installation of filters on thermal power plants. Within the scope of ESRA System, Yapı Kredi determines whether a particular project/investment requires additional environmental precautions (such as filter installation) to comply with environmental regulations. Within the scope of the assessment conducted through the ESRA system, Environmental Impact Assessment (EIA) Regulation (EIA Report, Project Description File, opinion letters, rulings, etc.) documentation is reviewed, and Yapı Kredi's ESRA team and/or independent environmental and social consultant conduct site visits to verify environmental compliance of the projects/investment.

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>Inclusion in the climate related risk assessment: Yapı Kredi's ESRA System includes all national regulations to reduce direct or indirect risks, which are caused by client's activity. The requirements of Yapı Kredi Bank within its ESRA System are updated according to relevant regulatory frameworks.</p> <p>Company specific example: While assessing the environmental impacts of investments, the ESRA System also takes into account air emissions and air quality modeling studies. ESRA system includes Regulation on the Monitoring of Greenhouse Gas Emissions, which aims to regulate the procedures and principles regarding the monitoring, reporting and verification of the greenhouse gas emissions originating from certain activities.</p>

		<p>Non-compliance with current regulations related to climate related topics can cause risks in relation to Yapı Kredi's operations. Therefore, current regulations in relation to the operational activities of Yapı Kredi are also considered as a part of climate related risk assessment.</p> <p>Company specific example: The Regulation on Increasing Efficiency in the Use of Energy and Energy Resources covers the procedures and principles with regards to increasing energy efficiency, encouraging the use of alternative fuels and administrative sanctions through dissemination of energy efficiency services. In order to comply with this regulation a dedicated and certified energy manager is appointed at Yapı Kredi facilities. In accordance with the obligation to provide information on the use of energy use in the buildings, annually declarations are prepared and submitted through the online portal of the ministry in the required format.</p>
Emerging regulation	Relevant, always included	<p>Yapı Kredi keeps a close eye on the implications of the carbon border adjustment mechanism that will be launched under the European Green Deal announced in 2019 by the European Commission with respect to national regulations and the sectors that will be included in the Deal. Upon the introduction of the mechanism envisaged as a component of the EU Emissions Trading System (ETS), the regulatory agencies in Turkey might possibly introduce an emissions trading system or carbon tax aligned with the EU in Turkey. Under the carbon border adjustment mechanism envisaged to be launched by the Deal, the EU will determine the import price of products in selected sectors taking the relevant carbon content into consideration.</p> <p>The sectoral carbon price that Turkey's exports may be exposed to indicates that the production processes in Turkey would become more sustainable in the period ahead, in the event that the carbon border adjustment mechanism is introduced in view of the current per ton price (30 Euro/tCO₂ e*) of the carbon in the EU's Emissions Trading System (ETS). In this context, Yapı Kredi intends to support its customers' transition to low carbon economy with the financial solutions it offers and to avert the potential risks that might arise within the scope of the arrangement. Yapı Kredi has also initiated to hold workshops and informative events for its customers in relation to international environmental and social sustainability criteria, national and international regulations, and sustainability.</p> <p>Yapı Kredi will keep supporting renewable energy and energy efficiency projects also in the coming period, and will more actively interact with its customers in relation to topics including environmental</p>

		and social impact management, new regulations including the European Green Deal.
Technology	Relevant, always included	<p>Inclusion in the climate related risk assessment: Yapı Kredi gives priority to new technologies in projects within ESRA System to support mitigating climate related risks. As part of the ESRA System, Yapı Kredi requests the clients to use “good international industry practices”, which include using the latest technologies in order to support resource efficiency.</p> <p>Company specific example: An example is requesting investors to invest in latest flue gas filter systems.</p> <p>Yapı Kredi closely follows technological developments and employs them in combating climate risks by developing projects such as energy emission reduction initiatives, energy efficiency projects. These projects enable Yapı Kredi to reduce its climate related impacts arising from its operations.</p> <p>Company specific example: Studies are carried out on the use of new technological lighting systems that will provide energy efficiency, the commissioning of new generation heating boilers, and the supply of energy from renewable sources (solar).</p>
Legal	Relevant, always included	<p>Inclusion in the climate related risk assessment: Yapı Kredi follows up any legal requests in order to reduce climate related legal risks through ESRA System.</p> <p>Company specific example: ESRA System requests several legal permits such as Environmental Permit and License, and official letter and report for Environmental Impact Assessment (EIA) of clients while making decisions on loan disbursement.</p>
Market	Relevant, always included	<p>Inclusion in the climate related risk assessment: Market risks including shifting demands to certain sectors such as the renewable energy are considered in Yapı Kredi’s lending assessment activities. If deemed necessary, Yapı Kredi requests a market report before financing a specific project.</p> <p>Company specific example: A climate related market risk would be losing the market share in the renewable energy sector.</p>
Reputation	Relevant, always included	<p>Basic approaches to climate related risks are addressed also in the Reputational Risk Policy and Lending Policies, which are approved by the Board of Directors. Matters related to risk areas and critical sectors (non environment friendly establishments, nuclear energy, mining and thermal power plant industry, water infrastructure and dam industry, etc.) are defined by the reputational risk management guidelines and</p>

		<p>are also assessed within the scope of the Environmental and Social Risk Assessment (ESRA) system. A forward looking capital planning approach has been embraced in order to sustain the Bank's operations in the event of losses resulting from contingencies or deterioration in the markets. The Bank monitors the number of inundation incidents, cost of physical damage resulting from extraordinary weather events, the share of fossil fuel projects in the energy portfolio, carbon footprint of the project finance energy portfolio, the Bank's operational GHG emissions, GHG emission intensity per Bank employee (Scope 1 and Scope 2) and the Bank's energy consumption within the scope of climate risks. Yapı Kredi's Reputational Risk Policy also covers climate change related reputational risks for example a reputational damage from financing certain projects including but not limited to mining and fossil fuel power plant projects which do not comply with environmental requirements. In line with its Reputational Risk Policy, Yapı Kredi manages and monitors any reputational risk such as an environmental damage that might occur from its lending activities through the ESRA System, media scans and Key Risk Indicators. Industries with environmental and social risks are identified within the scope of the Reputational Risk Policy. For these sectors, sectoral norms are developed within the scope of the Reputational Risk Policy taking international standards and best practices into account. Sectoral norms and strategies for reducing carbon footprint and supporting renewable energy constitute components of the reputational risk management's general principles. Loan requests are evaluated within the scope of the Environmental and Social Risk Assessment system. In this context, holistic compliance with these principles, which starts from the management level and reaches the branch level, is essential.</p>
Acute physical	Relevant, always included	<p>Yapı Kredi considers acute physical risk as relevant, since Yapı Kredi conducts its operations and lending activities all over Turkey and according to the climate risk map of Turkey several cities can be identified as high risk and very high risk category in terms of climate change. As a result of this a certain part of Yapı Kredi's loan portfolio is exposed to severe climate change risks. Therefore Yapı Kredi included acute physical risk factors in its climate risk assessment. Physical risks arising through climate change can have an impact on Yapı Kredi's credit risk indirectly via its customers. Acute physical risks are mostly related to extreme weather events such as lethal heatwaves, floods, wildfires and storms, as well as extreme precipitation. The physical capital of Yapı Kredi's customers (retail and corporate customers) such as housing, inventory, property, equipment or infrastructure can be damaged or destroyed by these acute physical risk drivers.</p> <p>Example of a specific risk: Yapı Kredi utilized the historical and forward looking data sourced by the Turkish State Meteorological Services</p>

		<p>(MGM) which considers the number of occurrences of climate-related natural incidents with regards to flooding, landslides, wildfire and rock fall. Flooding constitutes one of the risks considered within the assessment of Yapı Kredi. Research studies have shown that being exposed to flooding results in decreased prices for homes. Considering Yapı Kredi's mortgage customers, decreased home prices would lead to reduced values of collateral and increased probability of default.</p> <p>Yapı Kredi assesses environmental risks including climate change-related risks such as extreme weather events using an internal risk assessment methodology.</p> <p>Yapı Kredi implements energy efficiency and renewable energy supply initiatives for reducing its GHG emissions resulting from its operations, and sets annual, five year and ten year targets. Moreover, Yapı Kredi's Business Continuity Management Policy is a guidance for minimizing operational risks. In addition to said policy, Yapı Kredi ensures business continuity through the Emergency Response Plan, and Crisis Management and Business Recovery Plans. Emergency response Team in coordination of the Emergency Response Coordinator is responsible for the actions to be taken in case of such events or disasters.</p> <p>Yapı Kredi invests in its infrastructure to manage acute physical risks such as flooding and smart water consumption in 2020.</p>
Chronic physical	Relevant, always included	<p>Yapı Kredi considers chronic physical risk as relevant, since Yapı Kredi conducts its operations and lending activities all over Turkey and according to the climate risk map of Turkey several cities can be identified as high risk and very high risk category in terms of climate change. As a result of this a certain part of Yapı Kredi's loan portfolio is exposed to severe climate change risks. Therefore Yapı Kredi included chronic physical risk factors in its climate risk assessment. Physical risks arising through climate change can have an impact on Yapı Kredi's credit risk indirectly via its customers. Chronic physical risks are mostly related to increasing temperature, rising sea levels, repeated (chronic) flood etc. Physical risks arising through climate change can have an impact on Yapı Kredi's credit risk indirectly via its customers. The physical capital of Yapı Kredi's customers (retail and corporate customers) such as housing, inventory, property, equipment or infrastructure can be damaged or destroyed by these chronic physical risk drivers.</p> <p>Yapı Kredi utilized the historical and forward looking data sourced by</p>

		<p>the Turkish State Meteorological Services (MGM) which considers the number of occurrences of climate-related natural incidents with regards to flooding, landslides, wildfire and rock fall. Flooding constitutes one of the risks considered within the assessment of Yapı Kredi. Repeated flooding could damage properties and lead to large decreases in the values of residential real estate. Yapı Kredi's credit risk may increase due to the decreased collateral values of its mortgages in impacted areas.</p> <p>Despite the Covid 19 pandemic, the climate crisis remained a critical agenda item in 2020. Although the social isolation of a large segment of the people during the pandemic produced a positive impact in terms of reducing greenhouse gas emissions, 2020 was recorded as one of the hottest years in history. Yapı Kredi assesses the potential impacts of environmental risks such as rising temperatures on its business through credit risk assessment including but not limited to its ESRA System.</p> <p>Rising temperatures could impact the outputs of hydro power projects in Turkey. Technical reports prepared as part of the credit risk assessment demonstrate that climate change might lead to changing weather conditions. At the results of this situation, capacity changes might occur at these plants leading to potential fluctuations.</p>
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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	Under the leadership of its Sustainability Committee, Yapı Kredi conducted a project to identify the climate risks of its whole portfolio. This project was carried out through an engagement with Bain & Co. The project consisted of two modules. One of the modules were dedicated to identification of climate risks of Yapı Kredi's loan portfolio. The risk analysis included two main dimensions: (i) physical risks (acute & chronic) and (ii) transition risk. Retail loans carry only physical risk in connection with the location of collaterals and the location of individual customer. Since retail loans carry only physical risk, they were not included in the transitional risk assessment. Corporate, commercial, SME and project finance loans carry both

		<p>physical risk and transition risk. The physical risk is related to the location of operations/collateral for corporate loans and the location of project for project financing. The transition risk is related to the sector / sub-sector in which corporate clients operate in. Both physical and transition risks are very important, whereas the identification of transition risks can make a great contribution to the decarbonization of the portfolio. When deciding on the transition risk categorization of different sectors, Yapı Kredi took into account different frameworks including the UNEP Finance Initiative Transition Heatmap, the Moody's Environmental Risks Heatmap as well as Bain's internal analysis leveraging international experience and multi-sectorial center of excellence. Accordingly, 5 different risk rating categories from "Very low" to "Very high" were determined for the different sectors in which Yapı Kredi has loan exposure. According to the analysis results the sum of the "high" and "very high" risk categories represented 12% of Yapı Kredi's total portfolio. According to the definition of Yapı Kredi's "substantive financial or strategic impact on its business" provided in question C2.1b, the calculated transition risk falls into the "moderate" risk level. Yapı Kredi's ultimate goal is to reduce the carbon intensity of its portfolio to support the transition to a sustainable economy, therefore Yapı Kredi has started to monitor and report its climate risks via implementation of the explained methodology.</p>
Other products and services, please specify	Not applicable	The other products or services category does not apply for our business.

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)	All of the portfolio	Qualitative and quantitative	Yapı Kredi carried out a climate change risk assessment on its loan portfolio looking specifically at two main dimensions: physical and transitional risk. The methodology utilized for this purpose involves both qualitative and quantitative tools. While calculating the transition risks, risks associated with reputation, technology, policy & legal and market are considered. The climate change risk assessment is significantly important for Yapı Kredi because it will inform Yapı Kredi's long term business strategy. In line with the long term objective of its main shareholder Koç Holding, Yapı Kredi

		<p>also aims at carbon neutrality by 2050, therefore Yapı Kredi targets to reduce the carbon intensity of its portfolio through gradually reducing lending to fossil fuel or climate-vulnerable borrowers/clients/projects.</p> <p>Yapı Kredi's climate change risk assessment approach was carried out with a stepped approach. The first step was to create a climate risk map of Turkey at city level based on historical data from the Turkish State Meteorological Services (MGM). MGM provides the number of occurrences of climate-related natural incidents between 1900-2021 for flooding, landslides, wildfire and rock fall. On top of this, again from the same source, the climate change projections with respect to climate metric averages between 1970 and 2000 of change in temperature (in oC) and change in rainfall (as %) were collected and included into the analysis. On the historic data, 5 different risk rating categories from "Very low" to "Very high" were defined based on percentile distribution of occurrences of the different categories of climate related natural incidents. On the projections of MGM (forward-looking data), again the same 5 risk categories were identified for each city based on the severity of the change in both rainfall and temperature. This meant that there was no specific scenario at country level but each city was individually assessed and assigned a risk category. MGM provides the data related to its projections based on base case and high case scenarios. These two scenarios are also provided in a very granular way at city level. Yapı Kredi's climate risk analysis was conducted for both of these scenarios. At the second step, the Bank's whole loan portfolio (retail, corporate, commercial, SME, project finance) was analyzed on a city level. For the retail loans, the main KPI was considered as the location of collateral with regards to mortgages and the location of individuals with regards to other retail loan categories. For the corporate, commercial, SME and project finance loans; collateral were again taken into account where available, especially with regards to project finance loans. Where data about the location of the collateral was not available, the location of the headquarters was utilized as a proxy. At the third and last step of the analysis the two data sets (climate risk map on the city level and the map of the portfolio on the city level) were put together to understand the overall risk level of Yapı Kredi's loan portfolio based on the risk rating of each single city. This allowed the bank to understand how much loan exposure it has in the different cities with different risk ratings. A matrix (and a notch-up / down mechanisms similar to the ones used in traditional credit ratings models) was used to determine a</p>
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			<p>final risk level for each city which incorporates also the forward-looking view on climate change.</p> <p>Yapi Kredi's transition risk assessment approach was carried out by analyzing international frameworks and external inputs to define transition risk thresholds and superimposing Yapı Kredi's company loan portfolio onto this structure. Since the retail loans carry only physical risk, they were excluded during the analysis of the transitional risks. While deciding on the transition risk categorization of different sectors, Yapı Kredi took into account different frameworks including the UNEP Finance Initiative Transition Heatmap, the Moody's Environmental Risks Heatmap as well as Bain's internal analysis leveraging international experience and multi-sectorial center of excellence. Accordingly, 5 different risk rating categories from "Very low" to "Very high" were determined for the different sectors in which Yapı Kredi has loan exposure. By making use of this data Yapı Kredi's loan book was divided up by sector and allocated a risk rating. The breakdown by sector was done at a macro sector level (i.e. utilities, construction etc.) and the Bank intends to extend this analysis to include a more granular breakdown of the portfolio to sub-sector level (i.e. renewable energy vs. traditional) to make it more accurate in the upcoming period.</p> <p>At the final stage, both of these risks (physical and transition) were included into a dashboard to demonstrate the overall profile of Yapı Kredi's loan book in terms of climate risks.</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	All of the portfolio	Yapi Kredi carried out a climate change risk assessment on its loan portfolio looking specifically at two main dimensions: physical and transitional risk. The methodology utilized for this purpose involves both qualitative and quantitative tools. While calculating the transition risks, risks associated with reputation, technology, policy & legal and market are considered. For both the physical and the transitional risk assessment,

			<p>Yapı Kredi's climate change risk assessment approach was carried out with a stepped approach. The details and the steps of the implemented methodology is explained in C-FS2.2c.</p> <p>The physical climate related risks considered within this assessment includes also water related risks such as flooding, decrease in rain fall, land slide. In order to integrate the data with regards to the aforementioned water related topics, data from the Turkish State Meteorological Services (MGM) was used. MGM provides the data related to its projections based on base case and high case scenarios. Yapı Kredi's climate risk analysis was conducted for both of these scenarios. This assessment was conducted on the Bank's whole loan portfolio including retail, corporate, commercial, SME, project finance loans.</p> <p>Yapı Kredi's transition risk assessment approach is explained in C-FS2.2c in detail. According to the definition of Yapı Kredi's "substantive financial or strategic impact on its business" provided in question C2.1b, the calculated transition risk falls into the "moderate" risk level. Yapı Kredi's ultimate goal is to reduce the carbon intensity of its portfolio to support the transition to a sustainable economy, therefore Yapı Kredi has started to monitor and report its climate risks via implementation of the explained methodology.</p> <p>At the final stage, both of physical and transitional risks were included into a dashboard to demonstrate the overall profile of Yapı Kredi's loan book in terms of climate risks.</p>
Other products and services, please specify	Not applicable		The other products or services category does not apply for our business.

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	Minority of the portfolio	<p>Within the scope of its corporate and commercial banking segment, Yapı Kredi assesses all new investment, project finance and financial advisory projects with an investment amount of USD 10 million (TRY 74 million calculated by using the exchange rate as of 31 December 2020) and above within the framework of its ESRA System.</p> <p>As part of the ESRA System depending on the nature of the project/investment, investors are requested to provide data on forests-related issues and the investments/project's impact on forests. In such cases forestry areas impacted by the project activities, the number of trees to be cut within the scope of the investment is calculated and the customer may be requested to compensate. This data is included in the Environmental and Social Due Diligence reports that are presented to the Bank by independent environmental experts. In case of identification of forests related risks afforestation or other measures may be requested from the investor.</p>
Other products and services, please specify	Not applicable		The other products or services category does not apply for our business.

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	Understanding the issues that stakeholders consider material for Yapı Kredi and finding out their expectations enable the Bank to better manage risks and opportunities. The Bank espouses the concept of establishing mutual and effective communication with all stakeholders, which it categorizes as employees, customers, investors, non governmental organizations (NGOs), international organizations, business partners, public agencies, suppliers and universities. As part of its ESRA System, depending on the nature of the investment/project Yapı Kredi requests the investor to provide climate related data such as GHG emissions data and air

		quality/pollution reports. Yapı Kredi's ESRA System applies to all new projects, investments and financial advisory projects within its corporate banking segment with an investment amount USD 10m (TRY 74 million calculated by using the exchange rate as of 31 December 2020) and above.
Other products and services, please specify	Not applicable	The other products or services category does not apply for our business.

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?

Direct operations

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 capital expenditures

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Flooding: IPCC Changes in Climate Extremes and their Impacts on the Natural Physical Environment Report suggests that anthropogenic influence on changes in some components of the water cycle (precipitation, snow melt) affect floods. Although direct impact of climate change on floods is open for discussion, it is suggested that higher precipitation levels and snow melts that are also triggered by climate change lead to

higher potential for flooding. Warmer atmosphere levels lead to heavier precipitation and evaporation levels, triggering floods. Moreover, rising temperatures that cause snow melts in the mountains can lead to winter flooding.

According to Disaster and Emergency Management Presidency's (AFAD-Turkey) flood occurrence mapping in Turkey, Northeastern Anatolia region is more prone to reoccurrence of flooding incidents. However, when the map is analyzed it is observed that death rates are dispersed throughout all regions of Turkey, suggesting that even in the lower probability of disaster occurrence the impacts can be high. Yapı Kredi has 835 branches located in all regions of Turkey. In the case of a flooding incident Yapı Kredi's operational continuity can be effected.

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)

51,067.35

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

In 2020, material damage occurred due to following weather events: 13 branches of Yapı Kredi and Yeniköy Grove service building were flooded. Plaza D Block building was damaged due to the storm. The sign of a branch was damaged due to the hail. The total cost of the loss, which increases the capital expenditure, is TRY 46,424.86. The calculation is based on the insurance invoices. In a scenario where the probability of these disasters increases in the short term and thus causes a 10% increase in the cost of damage, this would equal to a potential financial impact of TRY 51,067.35.

$$46,424.86 * 1,1 = 51,067.35$$

Cost of response to risk

35,750

Description of response and explanation of cost calculation

Action implemented: Yapı Kredi's Business Continuity Management Policy is a guidance for minimizing operational risks. Yapı Kredi ensures business continuity through the Emergency Response Plan, and Crisis Management and Business Recovery Plans. The frequency of periodic maintenance activities such as isolation and the maintenance of drainage pumps were increased in order to be prepared and avoid such events. It is difficult to find lasting solutions to decrease the risk of flooding when a branch is located near a river, but in order to mitigate these kind of risks the branches purchased sandbags that hold back rising floodwaters.

50 sandbags are purchased per branch, 50×13 (branch number) = 650. Market price of a sandbag is around TRY 55.

$650 \times 55 =$ TRY 35,750 cost of sandbags for 13 branches.

Comment

No additional comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Chronic physical
Rising mean temperatures

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Rising mean temperatures especially during summers can lead to droughts and decreased capacity of hydroelectric power plants in the future. Moreover, due to heavier precipitation patterns triggered by high temperatures the hydroelectric power plants might also face more water capacity than they can carry. Either decreased water capacity or the risk of overflow might both lead to disruption of the operations. Yapı Kredi's lending activities are located in Turkey, which is in the Mediterranean Basin that will be greatly affected by rising mean temperatures. The potential capacity disruptions of the hydroelectric power plant projects financed by Yapı Kredi might increase the credit risk of the aforementioned projects, impacting Yapı Kredi's corporate and commercial banking activities.

Time horizon

Long-term

Likelihood

More likely than 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)

3,000,592

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Potential financial impact figure is based on a hydroelectric power plant. Average yearly electricity production of a hydroelectric power plant is nearly 56,000 MWh. In a scenario where the capacity of a hydroelectric power plant decreases by 10% in a year due to rising temperatures, it will result in an average yearly electricity production of 50,400 MWh. If the revenue generated through the electricity production for both of the aforementioned cases (full capacity and 10% decreased capacity) is calculated based feed-in tariff of electricity sales price for hydroelectric renewable energy in Turkey (USD 73 /MWh), the calculation would be as following:

$56,000 * 73 = \text{USD } 4,088,000$ (revenue from the full capacity)

$50,400 * 73 = \text{USD } 3,679,200$ (revenue from the 10% decreased capacity)

$\text{USD } 4,088,000$ (revenue from the full capacity) - $\text{USD } 3,679,200$ (revenue from the 10% decreased capacity) = $\text{USD } 408,800$ revenue loss of the investor due to decrease in the power plant's capacity in a year.

$\text{USD } 408,800 = \text{TRY } 3,000,592$

Since the projects are financed in USD Yapı Kredi has used the current conversion rate (as of 31 December 2020) to give an estimate figure where USD 1 is equivalent to TRY 7.34.

It should be noted that although this fluctuation of capacity increases the credit risk of the project, financial impact calculated is for the investor, please see "Description of response and explanation of cost calculation" for further understanding.

Cost of response to risk

110,100

Description of response and explanation of cost calculation

For each hydroelectric power plant project Yapı Kredi requests a technical analysis conducted by an external technical expert to prepare a report on water flow fluctuations taking into account long term trends (50-70 years). Once the technical report is presented Yapı Kredi conducts internal stress tests that go beyond the report's expectations in order to ensure management of credit risk in an optimum manner. The stress tests are conducted by credits team and do not require additional costs to the Bank. Moreover, Yapı Kredi ensures that both a decrease in capacity and an overflow scenario are managed during the construction phase of the project. The years where a power plant's capacity is lower than expected are compensated with cash sweep actions in the following/previous years.

Average market cost of a technical analysis by an external expert ranges from USD 10,000 to USD 20,000 (varies according to size of the project). As an average cost per project $((10,000+20,000)/2)$ Yapı Kredi took USD 15,000 into account which is converted to TRY. Since the projects are financed in USD, Yapı Kredi has used the

$$15,000 * 7.34 = 110,100$$

Comment

No additional comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation
Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

The implications of the carbon border adjustment mechanism that will be launched under the European Green Deal can cause indirect risks for Yapı Kredi with respect to its customers which will be influenced by these emerging regulations. Especially companies that carry out export activities will be greatly affected by these new legal regulations. These new regulations will impose additional costs for companies operating in carbon-intensive industries. These costs may adversely affect the financial

performance of the companies resulting in the increase of the probability of default. Consequently, the credit risk will increase. In order to eliminate these kind of transitional risks, Yapı Kredi conducted a climate change risk assessment on its portfolio. The transitional risk assessment was conducted on the corporate/commercial/SME portfolio, since retail loans carry only physical risks. This assessment will serve as a basis for the identification of the portfolio's carbon intensity. Yapı Kredi aims to measure and monitor these kind of risks through integration of climate risks into its default credit risk modelling so that the Bank can define targets to reduce the carbon intensity of its portfolio and actively manage these kind of risks.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

30,000,000

Explanation of financial impact figure

Within the scope of the climate risk assessment conducted on the corporate/commercial/SME portfolio, 5 different risk rating categories from “Very low” to “Very high” were determined for the different sectors in which Yapı Kredi has loan exposure. The potential impact figure was assumed considering the percentage of the loan portfolio corresponding to the sum of both “high” and “very high” risk categories identified within the risk assessment study.

Cost of response to risk

3,000,000

Description of response and explanation of cost calculation

In order to involve the climate risks in the default credit risk rating modelling a consultancy service needs to be received. Additionally, there can be a need for procurement of new tools to be used in the risk assessment processes. The cost of response to risk was estimated considering the current implementations in the market.

Comment

No additional comment

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

Markets

Primary climate-related opportunity driver

Use of public-sector incentives

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

It is critical for the banking sector to effectively manage the risks and to capitalize on the opportunities arising from climate change. Yapı Kredi gives priority to increasing renewable energy capacity and offering climate focused products supporting energy efficiency in order to back Turkey's transition to a low carbon economy. In 2020, the pandemic resulted in reduced investment appetite, and high volatility in exchange rates. This stagnant environment led to postponement of new projects for their reconsideration in the future. The tenders planned to increase capacity building on the renewable energy side could not be carried out due to this macroeconomic environment. Currently, Renewable Energy Resources Support Mechanism (YEKDEM) in Turkey encourages financing renewable energy projects with a feed-in-tariff scheme, until the end of 2020. After 2020, it is expected that the Turkish government will revise YEKDEM and put in place a new support/incentive mechanism for financing renewable energy projects such as Renewable Energy Resource Area (YEKA) investments. Government incentives will most likely result in further investments from the real sector to renewable energy and increased appetite for renewable energy in the finance industry. Yapı Kredi already grasped this opportunity within the current YEKDEM System, as of the end of 2020 renewable energy made 43% of Yapı Kredi's project finance energy portfolio. Yapı Kredi closely monitors the new opportunities to direct financing in renewable energy investments including solar power plants. 1,000 MW Solar YEKA tenders were originally

planned for 2020 but could not be issued due to COVID-19 Pandemic. In 2021, it is expected that these 1,000 MW of solar power projects that would be tendered under the YEKA scheme which would increase the appetite of the real sector for further investing in renewable energy.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

414,240,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

As of 2020 year-end, Yapı Kredi financed 6% of solar power projects in Turkey in terms of installed capacity. It is expected that there would be 1,000 MW solar power projects which would be tendered under the YEKA scheme in 2021 that would further increase the appetite of the real sector for further investing in renewable energy. These YEKA tenders were originally planned for 2020 but could not be issued due to COVID-19 pandemic. In a scenario where Yapı Kredi sustains its 2020 market share in the upcoming solar power plant investments supported with YEKA projects in Turkey, Yapı Kredi expects to finance solar power plants with at least 60 MW installed capacity.

Assuming that Yapı Kredi finances solar projects with 60 MW installed capacity with an investment amount of USD 60 million and assuming that financing will be with 80/20 debt/equity ratio, it is expected Yapı Kredi would allocate USD 48 million loans. If this amount would be converted to TRY according to the exchange rate as of 13 July 2021, the corresponding value equals to TRY 8.63.

$$48,000,000 * 8.63 = 414,240,000$$

Since the projects are expected to be financed in USD, Yapı Kredi has used the conversion rate as of 13 July 2021 to give an estimate figure where USD 1 is equivalent to TRY 8.63.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

Yapı Kredi has an increased appetite for renewable energy sector, therefore closely monitors the renewable energy market developments. Yapı Kredi sustains its close relationship with its existing and potential clients in order to support renewable energy investments and provide Yapı Kredi's tailor made financial solutions in the renewable energy sector.

Company specific example: Yapı Kredi's specialized teams grasped the opportunity to finance solar power projects in 2020 that led to 6% market share in terms of installed capacity. Yapı Kredi aims to continue its market share strategy and aims to increase its share if additional opportunities arise.

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

Comment

No additional comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Upstream

Opportunity type

Markets

Primary climate-related opportunity driver

Other, please specify

Climate financing opportunities from IFIs

Primary potential financial impact

Other, please specify

Increased funding opportunities from IFIs

Company-specific description

Following the Paris Agreement international investments for climate change adaptation and mitigation activities rose. In 2020 climate financing commitments by world's largest Multilateral Development Banks (MDBs) rose to USD 66 billion (TRY billion 484.4 calculated according to the exchange rate as of 31 December 2020) according EBRD's MDB Climate Finance Report. Of the total, 58 % or USD 38 billion (TRY billion 278.9 calculated according to the exchange rate as of 31 December 2020) was committed to

low- and middle-income countries. This funding opportunity creates an opportunity not only in the renewable energy sector but also in other low carbon activities such as energy efficiency, clean transportation, green buildings etc. Accordingly, Yapı Kredi's chances of accessing to funding for financing projects/investments that address climate related risks have increased.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

228,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Yapı Kredi's sustainability strategy brings competitive advantage when working with international financial institutions. As a result of Yapı Kredi's effort to integrate climate change strategy into its business strategy, Yapı Kredi is able to provide good financing options to its clients, an outstanding case, which makes the Bank favourable among other competitors and increase its chances of accessing additional funding.

Financial impact figure represents a EUR 25 million loan provided from Proparco (Groupe Agence Française de Développement) to Yapı Kredi in 2018 for financing renewable energy projects. This figure illustrates how a collaboration was made possible through Yapı Kredi's commitment to sustainable development.

$25,000,000 * 9.12 = 228,000,000$

Since the loan was in EUR, Yapı Kredi has used the current conversion rate as of 31 December 2020 to give an estimate figure where EUR 1 is equivalent to TRY 9.12.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

Strategy to realize opportunity: Yapı Kredi prioritizes offering “climate-oriented products” that support increasing the renewable energy capacity and energy efficiency in order to accelerate its collaboration with international financing institutions, thus increasing its chances of accessing to capital. For the continued collaboration Yapı Kredi ensures that it complies with the requirements of loan agreements. Yapı Kredi launched its Sustainability Management System in 2017 to ensure that it has an internationally accepted standard in place with regards to environmental and social management of its lending activities which is sufficient for its collaboration with IFIs. Moreover, Yapı Kredi is in the process of updating its IT infrastructure to better monitor the environmental and social risk management process of its lending activities.

Explanation of cost calculation: Currently Yapı Kredi's cost to realize opportunity is close to zero because Yapı Kredi's ESRA System is implemented by a full time staff of the Bank that does not require any additional costs of management and other expenses (e.g. documentation, translation) throughout the collaboration with IFIs. Therefore, the cost is considered to be negligible.

Company specific example: Yapı Kredi initiated a new collaboration with Proparco, a subsidiary of the French Development Agency (AFD), by signing a new loan agreement in 2018. In compliance with the agreement's requirements, Yapı Kredi already has an environmental and social management system in place (ESRA) that ensured the collaboration without additional costs.

Comment

No additional comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of lower-emission sources of energy

Primary potential financial impact

Reduced direct costs

Company-specific description

The Paris Agreement provides international mechanisms to promote climate-friendly finance, carbon trading, technology transfer and adaptation to climate change impacts. This situation accelerates the relevant actions of international, sub-national and private sector organizations to achieve the national emission reduction plan targets. Many governments around the world have made Nationally Determined Contributions (NDCs)

commitments to support and implement the Paris Agreement. These commitments have brought opportunities to increase investment in climate change mitigation measures such as renewable energy technologies, smart grids and energy storage. As a result of this situation, renewable energy projects have fallen to more feasible costs compared to previous years. As a result of its long-standing efforts regarding carbon, Yapı Kredi achieved a 59.49% reduction in Scope 2 emissions of Headquarters Buildings in 2020 compared to 2015.

Yapı Kredi's natural resource consumption and carbon emissions by year are presented in the Integrated Annual Report each year. Yapı Kredi has calculated greenhouse gas emissions (Scope 1 and Scope 2) of its Head Office (Plaza D Block and Banking Base) and service buildings (Bayramoğlu Training Facilities, Yeniköy Grove and Darıca Administrative Archive Building) in compliance with ISO 14064-1 Greenhouse Gas Emissions Reporting Standard since 2011. Scope 1 and Scope 2 emissions are verified by independent accredited organizations. Improvements are made to reduce greenhouse gas emissions. In this context, ISO 14064-1 certification was extended in 2020 to cover all buildings and subsidiaries of the Bank, including branches. In 2020, within the scope of combating the global climate crisis, approximately seven thousand tons of CO₂e reduction was achieved by supplying 15,000 MWh of electricity from renewable energy sources. 2.5 tons of CO₂ was saved with the transition to energy efficient lighting systems. Studies on energy efficiency and energy supply from renewable sources will continue in the coming years.

Time horizon

Long-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)

73,730,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The details of the projects to be conducted in order to reach the target within the scope of the transition plan to a low carbon economy in the next ten years and the opportunities provided by the projects are as follows:

1. The estimated saving is TRY 25,700,000 with regards to the gradual transition to

- energy efficient lighting systems (transition to LED lighting project), at the end of a 10-year period,
2. The estimated saving is TRY 12,500,000 with regards to the transition to natural gas in the heating systems of the branches heated by air conditioners, at the end of a 10-year period,
 3. The estimated saving is TRY 1,930,000 with regards to renewable energy generation by installing solar energy panels on the roofs of the Banking Base Buildings and branches , at the end of a 10-year period,
 4. The estimated saving is TRY 2,200,000 with regards to the replacement of the heating boiler located in Plaza B Block at the end of a 10-year period,
 5. The estimated saving is TRY 29,000,000 with regards to the gradual transition to hybrid vehicles in company car fleet at the end of a 10-year period,
 6. The estimated saving is TRY 2,400,000 with regards to the employment of dishwashers in branches at the end of a 10-year period.

After the implementation of all these projects, it is predicted that approximately 367,466 tons of CO₂e will be reduced at the end of a 10-year period.

Yapı Kredi will purchase carbon certificates to offset the unavoidable Scope 1 emissions generated due to the use of natural gas at buildings for heating purposes.

Cost to realize opportunity

30,120,000

Strategy to realize opportunity and explanation of cost calculation

It will continue its investments by developing and implementing new energy efficiency projects in the upcoming 10 years.

1. The estimated investment and operation cost is TRY 14,400,000 with regards to the gradual transition to energy efficient lighting systems (transition to LED lighting project), at the end of a 10-year period,
2. The estimated investment and operation cost is TRY 5,400,000 with regards to the transition to natural gas in the heating systems of the branches heated by air conditioners, at the end of a 10-year period,
3. The estimated investment and operation cost is TRY 120,000 with regards to renewable energy generation by installing solar energy panel on the roofs a branch, at the end of a 10-year period,
4. The estimated investment and operation cost is TRY 3,600,000 with regards to the employment of dishwashers in branches at the end of a 10-year period.
5. The estimated investment and operation cost TRY is 3,300,000 with regards to the supply electricity from renewable sources at the end of a 10-year period.
6. The estimated investment and operation cost TRY is 3,300,000 with regards to the purchase of carbon credits at the end of a 10-year period.

Since the implementation of the below stated projects will not require direct investment, the costs related to these projects have not been specified. After the implementation of all these projects, it is predicted that approximately 367,466 tons of CO₂e will be

reduced at the end of 10 years.

- Establishment of a solar energy power plant at the Banking Base facility
- The replacement of the boiler at the Plaza D Block building
- Gradual transition of the Bank's vehicles in its pool to hybrid vehicles

Comment

No additional comment

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Other, please specify
Plastic Waste Reduction

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

Plastic usage is among the most important environmental problems in the 21st century, along with climate change. It damages human health, environment and economy. Abandoning single-use plastics is considered the first step towards reducing plastic consumption and related pollution.

In this context, Global Compact Turkey, Business Council for Sustainable Development (BCSD Turkey) and Turkish Industry and Business Association (TUSIAD) took the fight against plastic pollution one step further and established the "The Business Plastics Initiative". Responding to the call of the initiative, companies that want to be part of the solution, announced that they will set their plastic commitments by 2021. The plastic commitments of the companies included in the initiative will be reviewed regularly and the progress will be shared with the public every year. As part of this initiative, Yapı Kredi aims to reduce their single-use plastic consumption by 61%, and 80%, compared to 2019 and 2020 respectively by the end of September 2021.

Time horizon

Long-term

Likelihood

Very likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

5,500,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The purchase of single-use plastics will be terminated across all of the bank's locations and its subsidiaries. With this project, it is predicted that there will be a saving of TRY 5,500,000 in operating costs after termination of purchase of water with plastic carboys and single use plastics.

Cost to realize opportunity

11,300,000

Strategy to realize opportunity and explanation of cost calculation

Within the scope of the project, it is aimed to install drinking water units instead of purchasing drinking water in plastic carboys. Employees will be supplied with mugs/thermoses in order to eliminate single use plastics. The total estimated investment and operation cost corresponds to TRY 11,300,000 at the end of a 10 year period.

Comment

No additional comment

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	Intention to include the transition plan as a	Comment
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	transition plan	scheduled resolution item at Annual General Meetings (AGMs)	
Row 1	Yes, in the next two years	Yes, we intend to include it as a scheduled AGM resolution item	In line with the long term objective of its main shareholder Koç Holding, Yapı Kredi also aims at carbon neutrality by 2050, therefore Yapı Kredi targets to reduce the carbon intensity of its portfolio through gradually reducing lending to fossil fuel or climate-vulnerable borrowers/clients/projects. This year, Yapı Kredi conducted its first climate risk assessment on its whole loan portfolio. This analysis constituted Yapı Kredi's first step to develop an understanding of its existing climate risks in terms of physical and transitional risks. It will serve as a basis for Yapı Kredi to build its future strategy and targets. It is aimed that in the next step climate risks are integrated into the default credit risk rating models. Additionally, Yapı Kredi also takes part in the Carbon Transition Program, which has been initiated by Koç Holding. Thus, Yapı Kredi will develop a climate action plan within the scope this project. Moreover, Yapı Kredi submitted its commitment to the Science Based Targets Initiative. Yapı Kredi will reduce its absolute carbon emissions of Scope 1 and Scope 2 by 76% until 2030, and by 100% until 2035 in line with the goals of the Paris Agreement that pursues efforts to limit warming to 1.5°C (base year: 2019). Yapı Kredi has also started to work for determining its Scope 3 emission reduction targets accordingly.

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)	Scenario identified with reference to the input, assumption and analytical methods used: Yapı Kredi relies on Turkey's Intended Nationally Determined Contribution (INDC) submitted on 30 September 2019 for its

	<p>scenario analysis. Turkey's INDC puts into perspective Turkey's current situation with regard to its climate change performance including its energy consumption. This scenario's target is cutting 21% GHG emissions from Business as Usual (BAU) level by 2030, which will be compatible with the long term objective of below 2 degrees scenario. The methodology used in INDC set this target relies on IPCC 2013 KP Supplement and IPCC's 4th Assessment Report. While taking into consideration the INDC document, Yapı Kredi relies on the updated IPCC's 5th Assessment Report for Global Warming Potential values and its conversion factors to calculate its emissions.</p> <p>Time horizon: The implementation period for the INDC is 2021-2030. While taking into consideration the 2030 objective Yapı Kredi has been closely monitoring and implementing the regulatory and market trends arising from Turkey's approach to combat climate change since Turkey's submission of INDC in 2015.</p> <p>Organizational areas in scope: The scope of Turkey's INDC includes energy, industrial processes and product use, agriculture, land use, land use change and forestry, and waste sectors. In line with this scope, Yapı Kredi considers these sectors' impact in its corporate and commercial banking activities. Moreover, Yapı Kredi takes necessary measures in its real estate to comply with the future requirements of this scenario.</p> <p>Company specific description summary of the results of the conducted scenario analysis and how results of the scenario analysis have informed Yapı Kredi's business objectives and strategy: In line with the scenario analysis conducted, Yapı Kredi has an objective to reduce its emissions stemming from its direct and indirect operations. In 2017, Yapı Kredi put in place its Sustainability Management System, wherein an Environmental Management System for its direct operations and an Environmental and Social Risk Assessment System for its lending activities were established. Moreover, in line with this scenario Yapı Kredi has a strategy to expand its sustainable product portfolio that contribute to the transition to the low carbon economy in Turkey. Also, Yapı Kredi continuously invests in its infrastructure to ensure energy efficiency in its direct operations.</p> <p>A study/case example: In accordance with INDC scenario Yapı Kredi further diverted its business to renewable energy projects. In 2020, renewable energy made 43% of its project finance energy portfolio.</p>
<p>Other, please specify The Turkish State Meteorological Services (MGM) Base and High Case Scenario</p>	<p>Yapı Kredi carried out a climate change risk assessment on its loan portfolio looking specifically at two main dimensions: physical and transitional risk. The methodology utilized for this purpose involves both qualitative and quantitative tools. While calculating the transition risks,</p>

	<p>risks associated with reputation, technology, policy & legal and market are considered. The climate change risk assessment is significantly important for Yapı Kredi because it will inform Yapı Kredi's long term business strategy. In line with the long term objective of its main shareholder Koç Holding, Yapı Kredi also aims at carbon neutrality by 2050, therefore Yapı Kredi targets to reduce the carbon intensity of its portfolio through gradually reducing lending to fossil fuel or climate-vulnerable borrowers/clients/projects.</p> <p>Yapı Kredi's climate change risk assessment approach Yapı Kredi's transition risk assessment approach with regards to climate related risks is explained in C-FS2.2c in detail.</p> <p>Yapı Kredi's transition risk assessment approach was carried out by analyzing international frameworks and external inputs to define transition risk thresholds and superimposing Yapı Kredi's company loan portfolio onto this structure. Since the retail loans carry only physical risk, they were excluded during the analysis of the transitional risks. While deciding on the transition risk categorization of different sectors, Yapı Kredi took into account different frameworks including the UNEP Finance Initiative Transition Heatmap, the Moody's Environmental Risks Heatmap as well as Bain's internal analysis leveraging international experience and multi-sectorial center of excellence. Accordingly, 5 different risk rating categories from "Very low" to "Very high" were determined for the different sectors in which Yapı Kredi has loan exposure. By making use of this data Yapı Kredi's loan book was divided up by sector and allocated a risk rating. The breakdown by sector was done at a macro sector level (i.e. utilities, construction etc.) and the Bank intends to extend this analysis to include a more granular breakdown of the portfolio to sub-sector level (i.e. renewable energy vs. traditional) to make it more accurate in the upcoming period.</p> <p>At the final stage, both of these risks (physical and transition) were included into a dashboard to demonstrate the overall profile of Yapı Kredi's loan book in terms of climate risks.</p>
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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	Following the substantial growth rate in the sustainable/green finance sector which creates new

		<p>opportunities for the banking sector, Yapı Kredi decided to expand its sustainable/green product offering. Yapı Kredi's lending activities including Corporate and Commercial Banking, and Retail Banking will be influenced by this opportunity especially in the renewable energy, green building, green transportation and energy efficiency areas.</p> <p>Capitalizing on the opportunities in sustainable finance proactively, Yapı Kredi carried out its first green bond issuance in January 2020. The 5 year maturity fund in the amount of USD 50 million (TRY 298,500,000 - calculated by using the exchange rate as of 31 January 2020) that can be used towards renewable energy financing will contribute to investments in sustainability area, including renewable energy projects.</p> <p>In 2021 Yapı Kredi aims to broaden its sustainability linked loan portfolio in corporate and commercial banking segments by providing new sustainability linked loan (SLL) utilization.</p> <p>Yapı Kredi aims to continually invest in products and services that generate value for the economy, people and planet at the same time. However in line with Turkey's INDC scenario the imminent time horizon for this strategy is 2030.</p> <p>During the reporting period, Yapı Kredi continued to cooperate with international financial institutions including the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and Proparco, a subsidiary of the French Development Agency, within the framework of sustainable finance. Having carried out its first green bond issuance in compliance with the International Capital Market Association (ICMA) Green Bond Principles (2018) early 2020, the Bank thus diversified the funds it extends to green projects.</p> <p>By year end 2020, the Bank's renewable energy volume amounted to approximately USD 2.4 billion (TRY 17.6 billion calculated by using the exchange rate as of 31 December 2020) and accounted for 43% of the project finance energy portfolio. In the period ahead, Yapı Kredi intends to broaden and diversify its sustainable product portfolio in line with the market and customer expectations.</p>
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Supply chain and/or value chain	Yes	<p>In its first report prepared in line with the United Nations Principles for Responsible Banking, of which it has become a signatory in 2019, Yapı Kredi used the Portfolio Impact Analysis Tool developed in cooperation with UNEP FI, and defined inclusive and healthy economy and resources security/efficiency areas as its priorities. The associated areas of impact are compatible with the Bank's sustainability strategy. As one of the principle requirements of the UN PRB, Yapı Kredi committed to engage with its value chain regarding climate related issues and report on its progress annually on this matter. Yapı Kredi will continually engage with its value chain on environment and climate related issues. However as per the requirements of the UN PRB, Yapı Kredi has a time horizon of 3 years (2023) to fully comply with the Principles.</p> <p>In order to better align with the UN PRB and raise awareness on climate related issues within its value chain, Yapı Kredi works on an online curriculum on Environmental Management System and climate change to share with its suppliers and other relevant stakeholders. Moreover, Yapı Kredi also prepares social media campaigns on climate change to further inform its retail customer base and the general public. In addition, Yapı Kredi organizes capacity building activities (mainly in form of webinars) for its customers in terms of existing and emerging national and international regulations with regards to climate change and sustainable finance products. In this context, the Bank administered customer questionnaires to identify its customers' sustainability priorities in 2020 in order to understand its corporate customers' needs and to offer them customized solutions.</p> <p>The Bank also proactively capitalizes on climate related opportunities that arise within the scope of market, regulatory and stakeholder expectations. Within the frame of sustainable finance, during the reporting period Yapı Kredi continued to cooperate with international financial institutions including the European Investment Bank , European Bank for Reconstruction and Development (EBRD) and Proparco, a subsidiary of the French Development Agency. Having carried out its first green bond issuance in compliance with the International Capital Market Association (ICMA) Green Bond Principles (2018) early 2020, the Bank thus diversified the funds it extends to green projects.</p>
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Investment in R&D	Evaluation in progress	<p>Description of the evaluation process: Since 2015 Yapı Kredi has a strategic plan to digitalize its banking activities and has been investing heavily on R&D including an on-site R&D Center. The pandemic that broke out in 2020 triggered a gigantic transformation for the whole world, one that is still ongoing. In this new world, user behaviors also changed, and it has become a necessity for customers to perform their transactions in contactless manner. Along this line, the already rising digitalization gained momentum. In line with the new and controlled normal life in Turkey, Yapı Kredi continues to offer all services out of its branches, in addition to comprehensive digitalization efforts. With a customer centric and innovative approach to banking, the Bank focuses on digitalization, and works hard and committedly to offer the best to its customers. Investments in digitalization and R&D will continue at an increasing extent in the future, and solid collaborations in this area will go on. Innovative investments and digital processes offered to employees and customers at Yapı Kredi help eliminate the paper used for numerous transactions. Digitalization process will continue to contribute reducing paper consumption which means decreasing Scope 3 emissions of the Bank as well. Thanks to the paperless transacting and digitalization initiatives that started in 2018 and still continue, 54 million sheets of paper was saved annually in 2020, preventing 4,590 trees from being cut. The steps taken within the target of reducing A4 paper consumption was included in the Bank's environmental goals and the actions taken within the scope of this target has resulted in the reduction of paper consumption by 33.4%.</p> <p>Time Horizon: The time horizon of this climate related opportunity is until 2050, the target date of the projects eligible for the aforementioned funding.</p>
Operations	Yes	<p>Description of how your strategy in this area has been influenced by climate related risks and opportunities: In order to better manage its climate related risks from its operations Yapı Kredi annually reports on its emissions data in line with ISO 14064 standards. Aiming to make a strategic progress on its operations' impact on climate, Yapı Kredi decided to invest in renewable energy and energy efficiency in its buildings.</p> <p>Time horizon: In line with Turkey's INDC scenario the imminent time horizon for this strategy is 2030. Yapı Kredi increasingly incorporates climate change issues into its resilience and operational scenario planning. As part of its</p>

		<p>efforts to support innovation which can help Yapı Kredi rethink how energy and transportation is used today, Yapı Kredi has implemented the Physical Simplicity Project in its HQ buildings, creating a safe working environment for its employees in their home environment under pandemic conditions, as well as providing significant reductions in emissions from energy and transportation. Yapı Kredi has planned road map in the short, medium and long term with the determined strategies to achieve its environmental goals. Case study of decision made in this area that have been influenced by climate related risks and opportunities: As one of the important operational strategy decisions, targets in line with the Paris Climate Agreement have been determined to minimize the direct impact of Yapı Kredi's operational activities on the climate. Within the scope of these targets there are annual targets as well as mid and long term targets. Within the framework of long-term goals, it is aimed to reduce scope 1 and scope 2 absolute carbon emissions by 76% until 2030 and by 100% until 2035, compared to the base year 2019. The Bank aimed to obtain 15% of its total electricity consumption from renewable sources in 2020 and it has achieved this goal successfully by sourcing 16.6% of its electricity consumption from renewable energy sources in 2020. Thus, a green energy purchase above the target was achieved (In 2019, the Bank's renewable energy supply corresponded to 10% of the Bank's total electricity consumption.)</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	Direct costs	Yapı Kredi takes into account its direct impact while managing its operational costs. For this purpose, Yapı Kredi determines the budget to be allocated to the procurement of renewable energy and the costs of energy efficiency projects in its financial planning every year. In this context, possible future renewable energy investments for self-consumption such as energy efficient office materials, lighting, renewable electricity purchases, solar panels are considered as direct operating costs in the financial planning.

		<p>Case Study: In 2020, Yapı Kredi increased the budget allocated to green investments in operational costs and continued the gradual transition to energy efficient lighting systems that it had started in the previous years. Within the scope of the Bank's target of obtaining 15% of its total electricity consumption in 2020 from renewable sources, 16.6% of its electricity consumption was obtained from renewable energy sources.</p> <p>Time Horizon Covered: Yapı Kredi aims to continually direct its operational costs towards renewable energy and energy efficient products and services. Nevertheless in line with its scenario analysis based on Turkey's INDC for Paris Climate Agreement, the imminent time horizon is 2030.</p>
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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).

We do not have additional information

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
Bank lending (Bank)	Credit policy Other, please specify Environmental and Social Policy	Minority of the portfolio	Description of Credit Policy: Yapı Kredi implements its ESRA System that necessitates certain environmental criteria to be met as part of the credit allocation process including but not limited to environmental requirements regarding climate change. This system applies to all new investment, project finance and project finance advisory services with an investment amount of USD 10 million (TRY 74 million calculated by using the exchange rate as of 31 December 2020) or above. The Credit Policy, which is an internal policy, gives reference to ESRA System for Yapı Kredi's lending activities. USD 10 million (TRY 74

		<p>million calculated by using the exchange rate as of 31 December 2020) limit covers minority of corporate and commercial banking investments but majority of project finance loan requests. It should be noted that Retail Banking including Business and SME Banking are not taken into account when referring to the portfolio in the Credit Policy. Additional to the Credit Policy, there is an Environmental and Social Policy which determines the basic principles implementation of the ESRA System and also includes the “Exclusion List”. All credit requests are assessed against the Exclusion List included in the Environmental and Social Policy. Under no circumstances Yapı Kredi grants loans for activities included in the Exclusion List. In line with its climate related goals, Yapı Kredi aims to decrease the carbon intensity of its portfolio which will also serve for reduction of its climate related risks. As part of this goal, Yapı Kredi has declared not to finance new coal mining projects and new coal fired thermal power plants. Therefore, these two items are also added to the Exclusion List as part of Yapı Kredi’s Environmental and Social Policy. Furthermore, an environmental and social risk screening/evaluation is also planning to be implemented for the loans supplied from IFIs and will be disbursed by the customers of the Bank in order to monitor the E&S impacts of funded customers/projects.</p> <p>Coverage Explanation: The coverage of the system and the threshold (USD 10 million – TRY 74 million calculated by using the exchange rate as of 31 December 2020) above which the projects/investments will be subject to the ESRA System is determined by taking the context in Turkey with regards to project finance as well as international standards such as Equator Principles. Project Finance Advisory Services, Project Finance, and Project-Related Corporate Loans are subject to a USD 10 million threshold within the scope of the Equator Principles just like the ESRA System. Additionally, a bank’s biggest impact lies within these projects compared to the impact associated with its retail customers and SMEs.</p>
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Other products and services, please specify			There are no other products and services
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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 (location-based)

Base year

2019

Covered emissions in base year (metric tons CO₂e)

58,587

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

100

Target year

2030

Targeted reduction from base year (%)

76

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

14,060.88

Covered emissions in reporting year (metric tons CO2e)

48,877

% of target achieved [auto-calculated]

21.807424496

Target status in reporting year

Revised

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

Yapı Kredi aimed to reduce the sum of Scope 1 and Scope 2 emissions of the Head Office buildings (Plaza D Block and Banking Base) and three service buildings (Darıca Archive Building, Bayramoğlu Training Facilities, Yeniköy Grove) by 15% in 2025 compared to 2015. In this target, total emissions were reduced by 59.49% in 2020, compared to the base year. In 2020, Yapı Kredi updated its 10-year target as stated above within the scope of its low carbon transition plan. This update was performed due to three reasons. The first reason is that the target has been revised in line with the commitment to reach the goal of 1.5 degrees Celsius with science based targets. Yapı Kredi is the first company in Turkey, committed to Business Ambition for 1.5. The second reason is that the previous target only covers the Head Office buildings and three service buildings. The scope of the new target has been expanded to include all locations which are branches, ATMs located in branches and ATMs within the region of branches, and subsidiaries in addition to headquarters buildings and service buildings. The last reason is that the base year for Scope 1 and Scope 2 emissions of all locations verified in accordance with the ISO 14064 standard has been changed from 2015 to 2019.

Yapı Kredi aims to reduce its Scope 1 and Scope 2 absolute carbon emissions by 76% until 2030, compared to 2019. In the reporting year, a 17% reduction rate is achieved in total of Scope 1 and Scope 2 emissions with implementing LED lighting systems, and offsetting its Scope 2 emissions of 6,991.5 tCO2e with I-REC in 2020. In order to achieve this target Yapı Kredi will be gradually transitioning to energy efficient lighting systems in all locations. It is planned to perform a transition on the heating systems of the branches which are currently using air conditioners for their heating purposes. The heating system in these branches will be switched to natural gas heating systems. Additionally the following actions are planned to be taken in the upcoming years in order to meet the designated target:

- Changing the heating boiler located in Plaza D Block with a more energy efficient boiler

- Supplying electricity from renewable sources
- Scope 3 emissions are not covered by the designated target yet, but Yapı Kredi has initiated a study for calculation of its Scope 3 emissions related to its portfolio.

Target reference number

Abs 2

Year target was set

2020

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)

58,587

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

100

Target year

2035

Targeted reduction from base year (%)

100

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

0

Covered emissions in reporting year (metric tons CO₂e)

48,877

% of target achieved [auto-calculated]

16.573642617

Target status in reporting year

Revised

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

Yapı Kredi aimed to reduce the sum of Scope 1 and Scope 2 emissions of the Head Office buildings (Plaza Building D and Banking Base) and three service buildings (Darıca Archive Building, Bayramoğlu Training Facilities, Yeniköy Grove) by 15% in 2025 compared to 2015. In this target, total emissions were reduced by 59.49% in 2020, compared to the base year. In 2020, Yapı Kredi updated its 15-year target as stated above within the scope of its low carbon transition plan. This update was performed due to three reasons. The first reason is that the target has been revised in line with the commitment to reach the goal of 1.5 degrees Celsius with science based targets. Yapı Kredi is the first company in Turkey, committed to Business Ambition for 1.5. The second reason is that the previous target only covers the Head Office buildings and three service buildings. The scope of the new target has been expanded to include all locations which are branches, ATMs located in branches and ATMs within the region of branches, and subsidiaries in addition to headquarters buildings and service buildings. The last reason is that the base year for Scope 1 and Scope 2 emissions of all locations verified in accordance with the ISO 14064 standard has been changed from 2015 to 2019.

Yapı Kredi aims to reduce its Scope 1 and Scope 2 absolute carbon emissions by 100% by 2035, compared to 2019. In the reporting year, a 17% reduction rate is achieved in total of Scope 1 and Scope 2 emissions with implementing LED lighting systems, and offsetting its Scope 2 emissions of 6,991.5 tCO₂e with I-REC in 2020. In order to achieve the zero emission target, it is planned to perform a transition on the heating systems of the branches which are currently using air conditioners for heating purposes. Projects are being developed to enable renewable energy generation at the Banking Base and some branches through installing solar energy panels on the roofs of these buildings. Additionally, the following actions are planned to be taken in the upcoming years in order to meet the designated target:

- Gradually switching to hybrid vehicles in company car fleet
 - Purchasing carbon certificates to offset for unavoidable Scope 1 emissions
- Scope 3 emissions are not covered by the designated target yet, but Yapı Kredi has initiated a study for calculation of its Scope 3 emissions related to its portfolio.

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

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Metric tons CO2e per unit revenue

Base year

2019

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

0.000000142

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

100

Target year

2035

Targeted reduction from base year (%)

100

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

0

% change anticipated in absolute Scope 1+2 emissions

-100

% change anticipated in absolute Scope 3 emissions

0

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

0.0000001

% of target achieved [auto-calculated]

29.5774647887

Target status in reporting year

New

Is this a science-based target?

No, but we are reporting another target that is science-based

Target ambition

Please explain (including target coverage)

Yapı Kredi set an emission intensity reduction target within the scope of compliance with Koç Holding strategies. Yapı Kredi has offset its Scope 2 emissions of 6,991.5 tCO₂e with I-REC in 2020. The target includes a 100% reduction in total Scope 1 and 2 emissions per unit revenue starting from 2019 until 2035. The base year was selected as 2019 in these calculations, since the scope of the data verified in 2019 through ISO 14064 Standard covers the data from all locations of the Bank. The emission intensity is decreased by 30% compared to 2019 which was designated as the base year within the scope of this target. The reduction of the emission intensity was obtained through the following actions:

- Calculation, reporting and verification of GHG emissions within the scope of ISO 14064 standard. This certification effort has been extended to cover all locations of the Bank since 2011.
- Energy efficiency studies
- Physical simplicity studies

Scope 1 GHG emissions data covers the Bank's natural gas and fuel oil consumption (GHG emissions associated with stationary combustion), fuel (fuel oil and gas) consumption of vehicles owned by the Bank (GHG emissions associated with mobile combustion) and refrigerant gases (HCF-134a, HCF-407c, HCF-410a, HCF-404a, HCF-227ea, Aerosol (Butane-Propane Blend) and CO₂)(fugitive emissions).

Scope 2 emission data covers consumption of purchased electricity for the operations conducted in Turkey (indirect emissions from energy). Grid emission factor for Turkey has been calculated according to the IEA 2020 report. A confirmation letter was obtained from the electricity supplier in relation to the use of renewable energy. The GHG emission factor for electricity sourced from renewable resources was used as "0" (zero) in the emission calculations.

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
Net-zero 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

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Base year

2019

Figure or percentage in base year

10

Target year

2030

Figure or percentage in target year

71

Figure or percentage in reporting year

16.6

% of target achieved [auto-calculated]

10.8196721311

Target status in reporting year

New

Is this target part of an emissions target?

Yes, as outlined in the C4.1a Yapı Kredi aims to decrease its scope 1 and scope 2 emissions by 76 % in 2030.

Is this target part of an overarching initiative?

Science-based targets initiative

Please explain (including target coverage)

The short term environmental target of Yapı Kredi was obtaining 15% of the Bank's total electricity consumption in 2020 from renewable sources. In 2020, 16.6% of the total electricity consumption was supplied from renewable energy resources. Accordingly, 15,000 MWh electricity has been supplied from renewable sources, which resulted in a CO₂ e reduction of 7 tons.

Within the scope of the studies conducted for determination of science based targets, Yapı Kredi designated a target to reduce its Scope 1 and Scope 2 absolute carbon emissions by 76% until 2030, compared to 2019 in all locations which comprise of branches, ATMs located in branches and ATMs within the region of branches, subsidiaries (Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Portfolio, Yapı Kredi Investment) in addition to headquarters buildings and service buildings. As part of this goal, Yapı Kredi aims to increase the amount of its renewable electricity supply to 71% by 2030.

Target reference number

Low 2

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Base year

2019

Figure or percentage in base year

10

Target year

2035

Figure or percentage in target year

100

Figure or percentage in reporting year

16.6

% of target achieved [auto-calculated]

7.3333333333

Target status in reporting year

New

Is this target part of an emissions target?

Yes, as outlined in the C4.1a Yapı Kredi aims to decrease its scope 1 and scope 2 emissions by 15% in 2025.

Is this target part of an overarching initiative?

Science-based targets initiative

Please explain (including target coverage)

The short term environmental target of Yapı Kredi was obtaining 15% of the Bank's total electricity consumption in 2020 from renewable sources. In 2020, 16.6% of the total electricity consumption was supplied from renewable energy resources. Accordingly, 15,000 MWh electricity has been supplied from renewable sources, which resulted in a CO₂ e reduction of 7 tons.

Within the scope of the studies conducted for determination of science based targets, Yapı Kredi designated a target to reduce its Scope 1 and Scope 2 absolute carbon emissions by 100% until 2035, compared to 2019 in all locations which comprise of branches, ATMs located in branches and ATMs within the region of branches, subsidiaries (Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Portfolio, Yapı Kredi Investment) in addition to headquarters buildings and service buildings. As part of this goal, Yapı Kredi aims to increase the amount of its renewable electricity supply to 100% by 2035.

C4.2c

(C4.2c) Provide details of your net-zero target(s).

Target reference number

NZ1

Target coverage

Company-wide

Absolute/intensity emission target(s) linked to this net-zero target

Abs1
Abs2
Int1

Target year for achieving net zero

2035

Is this a science-based target?

Yes, and we have committed to seek validation of this target by the Science Based Targets initiative in the next 2 years

Please explain (including target coverage)

Yapı Kredi aims to reduce its Scope 1 and Scope 2 absolute carbon emissions in its direct operations by 76% until 2030, and by 100% until 2035, taking 2019 as the base year, in line with the target of a maximum temperature increase of 1.5 degrees defined in the Paris Agreement. Yapı Kredi is the first company in Turkey which has committed to Business Ambition for 1.5 degrees.

In order to reach the net zero target with regards to its Scope 1 emissions, Yapı Kredi plans to conduct energy efficiency studies at its locations with natural gas-based fuel consumption and to gradually switch to hybrid vehicles in its vehicle pool. It plans to purchase carbon credits for the residual Scope 1 emissions after conducting energy efficiency projects and transitioning to new/energy efficient technologies. Yapı Kredi aims to increase the amount of its renewable electricity supply to 71% by 2030.

In order to reach the net zero target with regards to Scope 2 emissions, it is planned to switch to energy efficient lighting systems, optimize building-facility operating conditions to ensure energy efficiency, and supply energy from renewable sources for 100% of the remaining Scope 2 emissions to reach its zero emission target.

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	809

To be implemented*	5	2,219
Implementation commenced*	1	710
Implemented*	2	6,994
Not to be implemented	0	0

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings
Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

2.5

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

8,079

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

17,720

Payback period

1-3 years

Estimated lifetime of the initiative

Ongoing

Comment

The investment is TRY 17,720.78 which is required for LED lighting systems in Plaza Building D in 2020.

Initiative category & Initiative type

Low-carbon energy consumption
Other, please specify
Supplying of green electricity

Estimated annual CO2e savings (metric tonnes CO2e)

6,991.5

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

0

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

0

Payback period

<1 year

Estimated lifetime of the initiative

Ongoing

Comment

The short term environmental target of Yapı Kredi was obtaining 15% of the Bank's total electricity consumption in 2020 from renewable sources. In 2020, 16.6% of the Bank's total electricity consumption was obtained from renewables. (6,994 ton CO2e)

Within the scope of the studies conducted for determination of science based targets, Yapı Kredi designated a target to reduce its Scope 1 and Scope 2 absolute carbon emissions by 76% until 2030 and by 100% until 2035, compared to 2019 in all locations which comprise of branches, ATMs located in branches and ATMs within the region of branches, subsidiaries (Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Portfolio, Yapı Kredi Investment) in addition to headquarters buildings and service buildings. As part of this goal, Yapı Kredi aims to increase the amount of its renewable electricity supply to 71% by 2030 and to 100% by 2035.

C4.3c

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

Method	Comment
Compliance with regulatory requirements/standards	Full compliance with environmental (including climate change and energy) regulations and related laws is among Yapı Kredi's environmental management principles. In this regard, Yapı Kredi's specialists constantly track legislation changes and proactively render our implementations compatible with changing conditions. Besides, ISO 14001, ISO 14064 management standards are

	<p>subjected to the internal audit process conducted annually and to the environmental audits conducted by Koç Holding every two years. The achieved performance results are reported to the executive management through yearly reports. Compliance with the local legislation such as Energy Performance of Buildings and Law on Energy Efficiency is a driving force for Yapı Kredi to conduct energy efficiency studies in buildings. Details of projects with regards to energy efficiency are provided in section C4.1a.</p>
Employee engagement	<p>Yapı Kredi values contribution of all of its employees and individuals to improve environmental performance. The Bank believes that it is important to create awareness and drive changes in behavior in this respect. In keeping with this understanding, Yapı Kredi offered environmental training on several topics, which also addressed ISO 14001 Environmental Management System, climate change and water stress. In addition, communication aimed at raising awareness of environmental and sustainability issues were carried out during the reporting period through internal portal, e mail and social networks. The employees convey the creative ideas they conceive based on their own experiences or customer feedbacks to the Bank via the Evreka (Eureka) Idea Management platform. Accessible by all employees, the platform collects ideas about various subjects including enhancement of green initiatives such as conserving natural resources, reducing waste and promotes the conversion of employees' creative ideas into projects that will create value. Employees have been rewarded for their suggestions if their idea is the first of its kind and selected.</p>
Dedicated budget for other emissions reduction activities	<p>In order to achieve Yapı Kredi's overall emission reduction target, a budget has been dedicated for reduction of emissions through investments to be made in renewable energy procurement.</p> <p>The study performed within Koç Group Environmental Board to determine the examinations and evaluations that need to be conducted regarding environmental issues before deciding on going forward with new investments of Group companies. As a result of the study, "Environmental Guide for New Investments" and "New Investment Environmental and Energy Impact Evaluation Form" were constituted. The examination of current environmental impacts of the location of the investment and its impact area, identification of the major environmental impacts of the project and the measures to be taken, determining the requirements of national and international regulations, the revision of new projects with regards to environment and energy, examination of energy identity file and identification of standard documents are issues dealt with as part of environmental examinations and evaluations. The required budget allocation for foreseen activities is revised by related departments, presented to the</p>

	top management for approval, every year.
Internal price on carbon	<p>Potential regulations on emissions trading system and studies that might form the basis of such regulations are followed up by Yapı Kredi. The Bank keeps a close eye on the implications of the carbon border adjustment mechanism that will be launched under the European Green Deal announced in 2019 by the European Commission with respect to national regulations and the sectors that will be included in the Deal. Upon the introduction of the mechanism envisaged as a component of the EU Emissions Trading System (ETS), the regulatory agencies in Turkey might possibly introduce an emissions trading system or carbon tax aligned with the EU in Turkey. Under the carbon border adjustment mechanism envisaged to be launched by the Deal, the EU will determine the import price of products in selected sectors taking the relevant carbon content into consideration. Yapı Kredi intends to support its customers' transition to low carbon economy with the financial solutions it offers and to avert the potential risks that might arise within the scope of the arrangement. Yapı Kredi will also started to hold workshops and informative events for its customers in relation to international environmental and social sustainability criteria, national and international regulations, and sustainability. Yapı Kredi will keep supporting renewable energy and energy efficiency projects also in the coming period, and will more actively interact with its customers in relation to topics including environmental and social impact management, new regulations including the European Green Deal.</p>
Internal incentives/recognition programs	<p>Since 2011, Yapı Kredi has been calculating its GHG emissions (Scope 1 and Scope 2) of its head office buildings (Yapı Kredi Plaza Building D, Banking Base) and facility buildings (Bayramoğlu Training Facilities, Yeniköy Grove Building, and Darıca Archive Building) in accordance with ISO 14064 1 GHG Emissions Reporting Standard, verified and certified by independent accredited institutions. The Bank makes improvements for reducing GHG emissions. In this context, the coverage of the ISO 14064-1 certification was expanded to include all locations/buildings of the Bank including branches and subsidiaries.</p>
Dedicated budget for energy efficiency	<p>Energy efficiency and reduction of greenhouse gas emissions works constitute the most important part of Yapı Kredi's activities for combating climate change. In order to reach net zero target, Yapı Kredi plans to conduct energy efficiency studies which are switching to led lighting systems and procurement of renewable electricity. The total investment made for energy efficiency projects was TRY 814,220.78 in 2020. This amount corresponds to the investment made for a project in relation to the transition to energy efficient lighting systems and installment of additional LED lighting systems which did</p>

	not exist in Plaza Building D Block before. With this project, 2.5 tons of CO2 were reduced.
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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

Product

Description of product/Group of products

Yapı Kredi has provided Turkey's first Green Project Finance Loan to finance Akfen Yenilenebilir Enerji A.Ş.'s project to build four wind energy plants with a projected installed capacity of 275 MW. Along with Yapı Kredi, a total of six national and international banks are involved in the finance agreement, where loan pricing will be based on the performance assessment as per the Environmental and Social Assessment report to be prepared. This will encourage a high sustainability performance for the project over the lifetime of the loan.

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

Vigeo-EIRIS ESG Score Performance

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

0.55

% of total portfolio value

0.54

Asset classes/ product types

Bank lending

Corporate Loans

Comment

The percentage includes Green Project Finance Loan's share in the Project Finance Portfolio for 2020 and its revenue share in project finance revenues.

Level of aggregation

Product

Description of product/Group of products

Guided by the United Nations Sustainable Development Goals (SDGs), Yapı Kredi aims to increase and expand its sustainable product portfolio, strengthen green industries and manage its environmental and social impacts. In that regard, in 2020, Yapı Kredi diversified its funding sources made available to renewable energy projects by carrying out its first green bond issuance in the amount of USD 50 million (TRY 298,500,000 calculated by using the exchange rate as of 31 January 2020 – the bond issuance took place in January 2020), which is compliant with the Green Bond Principles of the International Capital Market Association (ICMA) and market standards. Proceeds of this Green Bond are allocated to six solar power plants and one wind power plant with a total installed capacity of 177 MW. The bond will mature on December 10th 2024.

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

Low-carbon product and avoided emissions

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

Green Bond Principles (ICMA)

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

% of total portfolio value

0.61

Asset classes/ product types

Bank lending
Corporate Loans

Comment

The percentage includes the share of green bond proceeds allocated to total loans in the Project Finance Portfolio for 2020.

USD 50 million is converted to TRY as 298,500,000 by using the exchange rate as of 31 January 2020 (USD 1= TRY) ($50,000,000 * 5.97 = 298,500,000$)

Specific confidentiality constraints prohibited the disclosure of “% revenue from low carbon product(s) in the reporting year”.

Level of aggregation

Group of products

Description of product/Group of products

Yapı Kredi gives importance to Turkey's transition to low carbon economy. In that respect in 2020 Yapı Kredi extended additional USD 98 million ($98,000,000 * 7.34 = 719,320,000$) which equals to TRY 719,320,000 (calculated by using the exchange rate as of 31 December 2020) (loans to renewable energy projects with a total installed capacity of 104 MW. The financing Yapı Kredi provided to renewable energy projects amounted to USD 2.4 billion at year- end 2020 (TRY 17.6 billion calculated by using the exchange rate as of 31 December 2020) which constituted 25% of its project finance portfolio. Revenue share of this group for the reporting year is 32%. Total installed capacity of Yapı Kredi renewable energy portfolio is 6,931 MW. Yapı Kredi's market share in renewable energy becomes prominent with %14. Financing renewable energy projects allows Yapı Kredi's customers to avoid emissions. Avoided GHG Emissions is 4,077,445 tCO₂e with renewable energy projects financed as at year-end 2020. This value is verified with limited assurance. The avoided emission value is verified by an external independent audit company (PwC Turkey).

The Bank used the following conversion factors for calculating its GHG emissions:
GHG emissions avoided through renewable energy projects financed (tCO₂ e) = Annual energy generation quantity of the renewable energy plant (MWh)* International Energy Agency (IEA) 2020 Report grid emission factor for Turkey * Yapı Kredi's financing share percentage (Pro rata Share) (%).

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

Bank Specific Taxonomy

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

32

% of total portfolio value

25

Asset classes/ product types

Bank lending

Corporate Loans

Comment

Renewable energy financing constituted Yapı Kredi's 25% of loans in the total project finance portfolio and revenue share of this group in the reporting year is 32%.

Level of aggregation

Product

Description of product/Group of products

Working to remove the limits for a sustainable future that is friendly to the society and nature, Yapı Kredi has added a new one to its innovative products in this field. Supporting its customers' sustainability journeys with its new product called the Nature-Friendly Vehicle Loan, Yapı Kredi offers attractive interest rates for the financing of electric and hybrid vehicles, and a 50% discount on the fees.

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
Bank Specific Taxonomy

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

15

% of total portfolio value

Asset classes/ product types

Bank lending
Corporate Loans

Comment

Since this product is a new product, it has not yet created a revenue. However, considering the sharp increase in electric and hybrid vehicle sales, this product is expected to generate 15% of car loan revenue in the coming years.

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, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO2e)

17,249

Comment

The base year Scope 1 emissions are 17,249 ton CO2e. The base year was 2015 in Yapı Kredi's greenhouse gas inventory in the previous year. The base year covers the

Scope 1 greenhouse gas emissions of the headquarter buildings (Plaza D Block, Banking Base) and service buildings (Darıca Archive Building, Bayramoğlu Training Facilities, Yeniköy Grove). In 2019, greenhouse gas emission calculations were extended to all Yapı Kredi locations and subsidiaries, expanding the inventory limits. Therefore, 2019 was taken as the base year. Scope 1 emissions in 2019 have been verified and certified in accordance with the ISO 14064 Standard.

Scope 2 (location-based)

Base year start

January 1, 2019

Base year end

December 31, 2019

Base year emissions (metric tons CO₂e)

41,338

Comment

The base year Scope 2 emissions are 41,338 ton CO₂e. Yapı Kredi has offset its Scope 2 emissions of 4,711 tCO₂e with I-REC in 2019.

The base year was 2015 in Yapı Kredi's greenhouse gas inventory in the previous year. The base year covers the Scope 2 greenhouse gas emissions of the Headquarters (Plaza Building D, Banking Base) and service buildings (Darıca Archive Building, Bayramoğlu Training Facilities, Yeniköy Grove). In 2019, greenhouse gas emission calculations were extended to all Yapı Kredi locations and subsidiaries, expanding the inventory limits. Therefore, 2019 was taken as the base year. Scope 2 emissions in 2019 have been verified and certified in accordance with the ISO 14064 Standard.

In 2019, 4,711 tons of CO₂e was reduced by renewable energy supply and thanks to this purchase, Scope 2 emissions were decreased to 41,338 tons of CO₂e. Detailed information on carbon reduction is given in Chapter 8.2.

Yapı Kredi consumes electricity from the interconnected system. There is no any market- based electricity usage.

Grid emission factor for Turkey has been calculated according to the IEA 2020 report. A confirmation letter was obtained from the supplier company in relation to the use of renewable energy, and GHG emission factor for electricity was taken as "0" (zero).

Yapı Kredi, purchases electricity from the main grid.

- Turkish Electricity Grid's RECs certification (In 2020 Yapı Kredi supplied 16.6% percent of its total electricity consumption from renewable energy. This purchase was made official through its I-REC certificate.)
- Direct contracts (low-carbon, renewable etc.)
- Residual mix total attributes are not available and that is why our market-based Scope 2 emissions are the same as our location-based Scope 2 emissions.

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

There is no any market- based electricity usage.

C5.2

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

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

ISO 14064-1

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

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

13,731

Comment

Scope 1 GHG emission data covers the Bank's natural gas and fuel oil consumption (GHG emission associated with stationary combustion), fuel (fuel oil and gas) consumption of vehicles owned by the Bank (GHG emission associated with mobile combustion) and refrigerant gases (HCF-134a, HCF-407c, HCF-410a, HCF-404a, HCF-227ea, Aerosol (Butane-Propane Blend) and CO₂) (fugitive emissions) in all locations.

C6.2

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

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

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

Comment

Yapı Kredi consumes electricity from the interconnected system. There is no any market-based electricity usage. Yapı Kredi reports its location based figure for our Scope 2 emissions. Yapı Kredi has offset its Scope 2 emissions of 4,711 tCO₂e with I-REC in 2019. In 2020, 6,991.5 tons of CO₂e was reduced by renewable energy supply.

Grid emission factor for Turkey has been calculated according to the IEA 2020 report. A confirmation letter was obtained from the supplier company in relation to the use of renewable energy, and GHG emission factor for electricity was taken as "0" (zero).

Yapı Kredi, purchases electricity from the main grid.

- Turkish Electricity Grid's RECs certification (In 2020 Yapı Kredi supplied 16.6% percent of its total electricity consumption from renewable energy. This purchase was made official through its I-REC certificate.)
- Direct contracts (low-carbon, renewable etc.)
- Residual mix total attributes are not available and that is why our market-based Scope 2 emissions are the same as our location-based Scope 2 emissions.

C6.3

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

Reporting year

Scope 2, location-based

42,137.35

Comment

Scope 2 emissions include all locations which are branches, ATMs located in the branches and ATMs within the regions of the branches, subsidiaries (Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Portfolio, Yapı Kredi Investment) in addition to headquarter buildings and service buildings.

Global Warming Potential Values are based on "IPCC Fifth Assessment Report, 2014 (AR5)". (IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Grid emission factor for Turkey has been calculated according to the IEA 2020 report. A confirmation letter was obtained from the electricity supplier in relation to the use of renewable electricity. The GHG emission factor for electricity sourced from renewable resources was used as "0" (zero) in the emission calculations.

In 2020, 6,991.5 tons of CO₂e was reduced by renewable energy supply and thanks to this purchase, Scope 2 emissions were decreased to 35,146 tons of CO₂e. Detailed information on carbon reduction is given in Chapter 8.2.

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?

Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source

Natural gas consumption in the Banking Base cafeteria are not included because these are paid and controlled by the subcontractors which provides its services at the Banking Base building of Yapı Kredi.

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)

Emissions are not relevant

Explain why this source is excluded

Natural gas consumption in the Banking Base cafeteria are not included because these are paid and controlled by the subcontractors. Yapı Kredi's reporting boundary coincides with the boundary of its ISO 14064 reporting (excluding Yapı Kredi Culture and Arts). It was confirmed during the ISO 14064 certification by the auditors that this data is not relevant for Yapı Kredi's impact.

Source

R134 (HFC-134a) gases in the water dispensers are not included because these are controlled and maintained by the subcontractors.

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)

Emissions are not relevant

Explain why this source is excluded

R134 (HFC-134a) gases in the water dispensers are not included because these are controlled and maintained by the subcontractors. Yapı Kredi's reporting boundary coincides with the boundary of its ISO 14064 reporting (excluding Yapı Kredi Culture and Arts). It was confirmed during the ISO 14064 certification by the auditors that this data is not relevant for Yapı Kredi's impact.

Source

Electricity consumption of in the lodgements in Bayramoğlu Training Facility is not included as it is paid by the personnel, living there.

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)

Emissions are not relevant

Explain why this source is excluded

Electricity consumption of the lodgements in Bayramoğlu Training Facility is not included as it is paid by the personnel, living there.

Yapı Kredi's reporting boundary coincides with the boundary of its ISO 14064 reporting (excluding Yapı Kredi Culture and Arts). It was confirmed during the ISO 14064 certification by the auditors that this data is not relevant for Yapı Kredi's impact.

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

465

Emissions calculation methodology

Conversion factors for paper consumption in Scope 3 GHG emissions calculations were based on the emission factors in the “DEFRA (Department for Environment, Food and Rural Affairs) 2020 Emission Factors. Emission factors in Scope 3 - Material Use” study (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) were used.

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

100

Please explain

The calculated Scope 3 emissions cover the total paper consumption of the Bank. The overall paper consumption associated with the banking operations was nearly 465 tCO₂e. Within the scope of its environmental goals the Bank has set a target with regards to reduction of A4 paper consumption. Thanks to the paperless transacting and digitalization initiatives, a reduction of 33.4% was achieved in the total paper consumption. The emissions avoided due to the reduction of paper consumption were audited and as a result of this audit limited assurance statement was received from an independent audit firm (PwC). This assurance is realized on an annual basis within scope of the annual integrated reporting process regularly.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi is in the financial sector, therefore capital goods can only be defined as electricity generation from our service buildings that is reported within the Scope 2 emissions data.

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

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi is in the financial sector, therefore this data is not relevant for Yapı Kredi.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi is in the financial sector, therefore this data is not relevant for Yapı Kredi.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

259.03

Emissions calculation methodology

Conversion factors for waste in Scope 3 GHG emission calculations were based on “DEFRA 2020 Emission Factors. Scope 3 - Waste Disposal” (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) published by the UK government.

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

100

Please explain

In 2020 reporting period, hazardous waste, non-hazardous waste, medical waste and household waste generated at the Banking Base building, Plaza D Block and Darıca Archive facility are included in Scope 3 GHG emissions. The total weight of waste generated corresponded to 1,629 ton. The emission value of waste generated during operations is calculated for the first time in 2020. The emissions arising from generation of waste were audited and as a result of this audit limited assurance statement was received from an independent audit firm (PwC). This assurance is realized on an annual basis within scope of the annual integrated reporting process regularly.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

487

Emissions calculation methodology

Air travel distances in Scope 3 GHG emissions calculations were based on International Civil Aviation Organization (ICAO) Carbon Emissions Calculator (<https://applications.icao.int/icec>) of ICAO. Conversion factors for business flights in Scope 3 GHG emissions calculations were based on “DEFRA 2020 Emission Factors. Scope 3 Business Travel-Air” (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) published by the UK government. In air travel, short-haul is defined as (>=150km and =500 km and 1,600 km). RF (radiative forcing) is included in calculations, and GHG emission factor caused by an average passenger was taken as the basis. The total flight distance of business travel of the Bank in 2020 corresponded to 2,665,547 km.

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

100

Please explain

In this calculation, only business flights are considered, since the emissions related to the company's vehicles is calculated within Scope 1 emissions. Scope 3 emission data covers domestic and international air travels of all employees of the Bank. Emission reduction is approximately 83%, compared to the previous year. The main reason for this decrease is the business travel restrictions related to COVID19 precautions. The emissions arising from business travel were audited and as a result of this audit limited assurance statement was received from an independent audit firm (PwC). This assurance is realized on an annual basis within scope of the annual integrated reporting process regularly.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

5,301

Emissions calculation methodology

Conversion factor for employee commuting vehicles in Scope 3 GHG emissions was based on the IPCC data. (IPCC 2006 Guidelines for National Greenhouse Gas Inventories)

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

100

Please explain

Scope 3 emission data covers fuel consumption for employee commuting at the Bank's selected locations (Head Office and service buildings, regional offices and branch buildings). Emission reduction is approximately 47%, compared to previous year. The main reason for this decrease is that the number of employees working at the offices decrease due to the transition to a hybrid work model which introduces remote working in addition to route optimization .The limited assurance statement is received for these data from an independent audit firm (PwC) every year.

We used the "Lower Thermal Values of Energy Resources and Conversion to Oil Equivalents" table prepared by the Ministry of Energy and Natural Resources. The total emissions from employee commuting based on the IPCC 2006 Guidelines for National Greenhouse Gas Inventories were found to be nearly 5301 tCO2e.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi's emissions from leased assets are covered in Scope 1 and Scope 2 emissions data.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi conducts its activities in the financial sector, therefore this data is not relevant for Yapı Kredi.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi conducts its activities in the financial sector therefore this data is not relevant for Yapı Kredi.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi conducts its activities in the financial sector therefore this data is not relevant for Yapı Kredi.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi conducts its activities in the financial sector therefore this data is not relevant for Yapı Kredi.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi's emissions from leased assets are covered in Scope 1 and Scope 2 emissions data.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Yapı Kredi does not have franchises, therefore this data is not relevant for Yapı Kredi.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

Upstream emissions, which are relevant for the manufacturing sector, are not relevant for Yapı Kredi, since Yapı Kredi conducts its activities in the financial services sector for which upstream emissions are not relevant.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

Downstream emissions, which are relevant for the manufacturing sector, are not relevant for Yapı Kredi, since Yapı Kredi conducts its activities in the financial services sector for which downstream emissions are not relevant.

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

0.0000021635

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

55,869

Metric denominator

unit total revenue

Metric denominator: Unit total

25,823,305,000

Scope 2 figure used

Location-based

% change from previous year

28

Direction of change

Decreased

Reason for change

Gross global combined Scope 1 and Scope 2 emissions have decreased in 2020 from 63,298 tCO₂e to 55,869 tCO₂e.

The intensity figure decreased at a rate of 28% . Yapı Kredi increased its total revenues by 22% with a strong income generation performance in 2020 thanks to sustainable loan deposit spread and positive performance in net interest income and fees and commissions, despite the challenging operating environment and regulatory framework. In addition, the number of employees working at the offices were decreased due to the transition to a hybrid working model which introduced remote working. Supplying 15,000 MWh of green electricity in total, 16.6% of the Bank's total electricity consumption was obtained from renewable sources in 2020. Additionally, as part of its energy efficiency activities, Yapı Kredi changed its lighting to LED lighting systems at Plaza D Block which allowed Yapı Kredi to decrease its Scope 2 emissions.

Intensity figure

3.37

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

55,869

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

16,563

Scope 2 figure used

Location-based

% change from previous year

9

Direction of change

Decreased

Reason for change

The intensity figure Scope 1 and Scope 2 emissions have slightly decreased in 2020

from 3.7 to 3.37 with the reduction of 9%. The intensity figure for 2019 has been updated as 3.7 using the gross global combined Scope 1 and Scope 2 emissions.

The verified emission intensity figure was calculated by dividing the net combined Scope 1 and Scope 2 emissions by the number of employees in previous year. Then, the net combined Scope 1 and Scope 2 emission figure was used when calculating the intensity figure for the last year. According to this calculation; the verified emission intensity figure has decreased 3.39 to 2.95 with the reduction of 13 % in 2020.

Web Link (Page 511):

https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

The number of employees working at the offices were decreased due to the transition to a hybrid working model which introduced remote working. Yapı Kredi has offset its Scope 2 emissions of 4,711 tCO₂e and 6,991.5 tCO₂e with I-REC in 2019 and 2020 respectively. Supplying 15,000 MWh of green electricity in total, 16.6% of the Bank's total electricity consumption was obtained from renewable sources in 2020. Additionally, as part of its energy efficiency activities, Yapı Kredi changed its lighting to LED lighting systems at Plaza D Block which allowed Yapı Kredi to decrease its Scope 2 emissions.

Intensity figure

0.0000001148

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

55,869

Metric denominator

Other, please specify

Billion currency assets under management

Metric denominator: Unit total

486,489,679,000

Scope 2 figure used

Location-based

% change from previous year

25

Direction of change

Decreased

Reason for change

The intensity figure has decreased in 2020 from 0.0000001148 to 0.0000001539 with the reduction of 25%.

Yapı Kredi consolidated total assets increased by 18% on an annual basis and reached TRY 486 billion in 2020. The number of employees working at the offices were decreased due to the transition to a hybrid working model which introduced remote working. Yapı Kredi has offset its Scope 2 emissions of 4,711 tCO₂e and 6,991.5 tCO₂e with I-REC in 2019 and 2020 respectively. Supplying 15,000 MWh of green electricity in total, 16.6% of the Bank's total electricity consumption was obtained from renewable sources in 2020. Additionally, as part of its energy efficiency activities, Yapı Kredi changed its lighting to LED lighting systems at Plaza D Block which allowed Yapı Kredi to decrease its Scope 2 emissions.

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.

	Change in emissions (metric tons CO ₂ e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	2,281	Decreased	3.604	Supplying 15,000 MWh of green electricity in total, 16.6% of the Bank's total electricity consumption was obtained from renewable sources in 2020. Scope 2 emissions have been reduced with purchased renewable energy. 2,281 tons of CO ₂ e were reduced by purchasing renewable energy. The total of Scope 1 and Scope 2 emissions in the previous year was 63,298 tCO ₂ e, therefore the obtained decrease was 3.604%. The calculation was made as the following: $(-2,281/63,298) * 100 = -3.604\%$.

Other emissions reduction activities	33.5	Decreased	0.053	As part of Yapı Kredi's energy efficiency activities, Yapı Kredi changed its lighting to LED lighting at Plaza D Block systems which allowed Yapı Kredi to decrease its Scope 2 emissions. 33.5 tons of CO ₂ e were reduced by implementing LED lighting system, and the total Scope 1 and Scope 2 emissions in the previous year was 63,298 tCO ₂ e, therefore the obtained decrease was 0.053%. The calculation was made as the following: $(-33.5/63,298) * 100 = -0.053 \%$.
Divestment				There is no divestment in 2020.
Acquisitions				There is no acquisitions in 2020.
Mergers				There is no mergers in 2020.
Change in output	2,193	Decreased	3.465	With the transition to remote working model, energy consumption is decreased by 4,665,530 kWh. 2,193 tons of CO ₂ e is reduced. The calculation was made as the following: $(2,193/63,298)*100$
Change in methodology	144.65	Increased	0.228	Grid emission factor for Turkey has been calculated according to the IEA 2020 report. The emission factor based on the most recent IEA data available in 2020 was used to calculate Scope 2 emissions. In the calculation of Scope 2 emissions, the emission factor based on the most recent IEA Turkey data available in 2020 has been used. In 2020, there was a slight increase of 0.3% in the IEA Turkey grid emission factor. If we had used the previous year's emission factor, total Scope 2 emissions in 2020 would have been 144.65 tCO ₂ e more. This resulted in a total artificial increase in 2019 total Scope 1+2 emissions $(144.65/63,298)*100=0.228$
Change in boundary	330	Decreased	0.521	There were 846 branches, covering all regions of Turkey in 2019. With the closure of 12 branches in 2020, the number of branches reached 834. With

				the closing of 12 branches, 330 tons of CO2e decreased. The calculation was made as the following: $(330/63,298)*100$
Change in physical operating conditions				There is no change in physical operating conditions.
Unidentified				There is no unidentified reason.
Other				There is no any other reason.

C7.9b

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

Location-based

C8. Energy

C8.1

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

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

C8.2

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

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	3,588	3,588
Consumption of purchased or acquired electricity		15,000	75,404	90,404
Consumption of purchased or acquired heat		0	32,329	32,329
Total energy consumption		15,000	111,321	126,321

C9. Additional metrics

C9.1

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

Description

Waste

Metric value

1,629

Metric numerator

tons

Metric denominator (intensity metric only)

% change from previous year

11

Direction of change

Decreased

Please explain

In 2020, a certain amount of domestic waste, which was not included within the reporting scope last year, was added to the reporting scope this year. The whole waste data included within this year's reporting scope was verified with a limited assurance statement in accordance with ISAE 3000 and ISAE 3410 International Assurance Audit Standard by an independent third party auditor (PwC Turkey). Despite this increase in the reporting scope, there was an 11% decrease in the absolute amount of waste. Yapı Kredi attaches great importance to ensure that its hazardous waste resulting from its operations is recycled employing the correct methods. Within this framework in 2020, 291.53 tons of hazardous and 941.33 tons of non hazardous waste have been recovered and recycled corresponding to a total of 1,232.9 tons of waste. During 2020, more than 856,792 kg of paper and paper packaging, more than 11,325 kg of plastic and plastic packaging, more than 8,330 kg of glass and glass packaging, and more than 46,809 kg of metal were collected for recycling across all the locations of the Bank. . In addition, 396 tons of domestic waste was collected.

In 2020, recycling bins in compliance with the Zero Waste Regulation created by the Ministry of Environment and Urbanization, were provided to the headquarter buildings, and the waste was effectively sorted at its source. Waste labels at the waste storage area were revised in compliance with the regulation. In 2020, the Banking Base building was awarded the Zero Waste Certificate within the scope of Zero Waste Project. In addition, Zero Waste system has been implemented at the Plaza D Block and Zero Waste Certificate application was performed for this building. It is aimed to expand the Zero Waste Project to all Yapı Kredi locations in the next 5 years. The use of selected single-use plastics in the headquarter buildings, service buildings, regional buildings and branches was terminated through the implementation of the "Reduction of Single-Use Plastics" project.

Description

Other, please specify
Water Consumption

Metric value

208,558

Metric numerator

Cubic meters

Metric denominator (intensity metric only)

% change from previous year

24

Direction of change

Decreased

Please explain

Water consumed by Yapı Kredi is supplied by the municipalities in Turkey, which mainly source their water from open rivers and reservoirs. Yapı Kredi requests, monitors and provides measures to manage its indirect water footprint and reduce water consumption. Water consumption decreased from 273,569 m3 to 208,558 m3 in 2020.

In 2019, the Bank obtained ISO 14046 Direct Water Footprint Certificate for its head quarter buildings and service buildings, and has become the first financial institution complying with this standard in Turkey. Within the frame of its environmental goals for 2020, the Bank has renewed its ISO 14046 Direct Water Footprint Certificate.

Since 2018, Yapı Kredi has been reporting its water security and management strategy, performance and targets within the scope of CDP Water Program. Having received CDP Turkey 2019 Water Leader award, the Bank was assigned A (Leadership) score also in the CDP 2020 Water Program, and thus remained within the leadership category.

Hence, Yapı Kredi has been the only firm from the Turkish financial services sector to be included in the leadership category under the CDP Program.

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

Limited assurance

Attach the statement

-  CDP_Verification_Statement_2020_Yapı Kredi Portfolio.pdf
-  CDP_Verification_Statement_2020_Yapı ve Kredi Bankası A.Ş.pdf
-  Yapı Kredi Investment_S12-14064_2020.pdf
-  Yapı Kredi Factoring_S12-14064_2020.pdf
-  CDP_Verification_Statement_2020_Yapı Kredi Leasing.pdf
-  Yapı Kredi Portfolio_S12-14064_2020.pdf
-  CDP_Verification_Statement_2020_Yapı Kredi Investment.pdf
-  Yapı Kredi Leasing_S12-14064_2020.pdf
-  CDP_Verification_Statement_2020_Yapı Kredi Factoring.pdf
-  Yapı Kredi Bankasi_S12-14064_2020.pdf

Page/ section reference

All pages of attached pdf file.

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

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

-  EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf
-  EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/ section reference

All pages of attached pdf file. The assurance letter was provided on pages 524 to 531 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/ section reference

All pages of attached pdf file. The assurance letter was provided on pages 524 to 531 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE 3410

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

Limited assurance

Attach the statement

-  CDP_Verification_Statement_2020_Yapı Kredi Portfolio.pdf
-  CDP_Verification_Statement_2020_Yapı ve Kredi Bankası A.Ş.pdf
-  Yapı Kredi Investment_S12-14064_2020.pdf
-  Yapı Kredi Factoring_S12-14064_2020.pdf
-  CDP_Verification_Statement_2020_Yapı Kredi Leasing.pdf
-  Yapı Kredi Portfolio_S12-14064_2020.pdf
-  CDP_Verification_Statement_2020_Yapı Kredi Investment.pdf
-  Yapı Kredi Leasing_S12-14064_2020.pdf
-  CDP_Verification_Statement_2020_Yapı Kredi Factoring.pdf
-  Yapı Kredi Bankası_S12-14064_2020.pdf

Page/ section reference

All pages of attached pdf file.

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

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

Limited assurance

Attach the statement

-  EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/ section reference

All pages of attached pdf file. The assurance letter was provided on pages 524 to 531 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

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

Limited assurance

Attach the statement

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 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/ section reference

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Relevant standard

ISAE 3410

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: 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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/section reference

All pages of attached pdf file. The assurance letter, including Scope 3 GHG Emissions (tCO₂ e) was provided on pages 524 to 531 in 2020 Integrated Report. The coverage of Scope 3 GHG Emissions was also provided on page 534 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE3000

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/section reference

All pages of attached pdf file. The assurance letter, including Scope 3 GHG Emissions (tCO₂e) was provided on pages 524 to 531 in 2020 Integrated Report. The coverage of Scope 3 GHG Emissions was also provided on page 534 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE3000

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/section reference

All pages of attached pdf file. The assurance letter, including Scope 3 GHG Emissions (tCO₂e) was provided on pages 524 to 531 in 2020 Integrated Report. The coverage of Scope 3 GHG Emissions was also provided on page 534 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE3000

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

Page/section reference

All pages of attached pdf file. The assurance letter, including Scope 3 GHG Emissions (tCO₂ e) was provided on pages 524 to 531 in 2020 Integrated Report. The coverage of Scope 3 GHG Emissions was also provided on page 534 in 2020 Integrated Report.

Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE3000

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

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Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE 3410

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

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Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE 3410

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

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Relevant standard

ISAE 3410

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

 EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

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Please see report in web site:

Web: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

Relevant standard

ISAE 3410

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?

 EFR_YKB_ENG_2020.pdf


Disclosure module verification relates to	Data verified	Verification standard	Please explain
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<p>C1. Governance</p>	<p>Other, please specify Sustainability Governance System</p>	<p>Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.</p>	<p>Structure of sustainability management was verified to demonstrate executive level management of climate related issues within Yapı Kredi. The scope of the assurance is the organization, members and meetings of the Sustainability Committee, which is the highest body within the Sustainability Management System of Yapı Kredi. Sustainability Governance is mentioned in the Sustainability Management Section on pages 44-45 of 2020 Integrated Annual Report. The assurance was provided for 2020.</p> <p> 1, 2</p>
<p>C1. Governance</p>	<p>Other, please specify Compliance with environmental laws and regulations</p>	<p>Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.</p>	<p>Monetary value of fines received on account of non-compliance with the Environmental Law and regulations was verified. The scope of the assurance is amount of administrative fines imposed by the Republic of Turkey Ministry of Environment and Urbanization on account of failure to achieve compliance in the Bank's operations with the Environmental Law no. 2872 and ancillary regulations. No administrative fines were received on account of non-compliance with the Environmental Law and ancillary regulations in 2020. The assurance was provided for 2020.</p> <p> 1, 2</p>
<p>C6. Emissions data</p>	<p>Year on year emissions intensity figure</p>	<p>Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.</p>	<p>Intensity is calculated by dividing Scope 1 and Scope 2 emissions by the total number of the Bank's employees as of year-end. Since Scope 3 emissions, by definition, refers to greenhouse gas emissions resulting from energy resources owned or controlled by other organizations as a result of the Bank's operations, it was not included in the Bank's emission intensity calculation. GHG emissions intensity by Full Time Equivalent (FTE) number was verified because absolute</p>

			<p>data may sometimes be misleading taking into account the number of employees. Therefore, Yapı Kredi chose to verify both absolute data and intensity data. Verification takes place annually and the sum of Scope 1 and Scope 2 data, which is already verified, is divided by Full Time Equivalent (FTE) employee number in line with the GRI Standards. The scope of the verified data is same as CDP's reporting scope.</p> <p>The assurance was provided for 2020.</p> <p> 1, 2</p>
C8. Energy	Energy consumption	Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.	<p>Energy consumption which corresponds to the total energy purchased by the Bank during the reporting period, was verified. Energy consumption data include the electricity, natural gas and fuel oil consumption for the Bank's electrical installations, heating, lighting, ventilation, generator etc.</p> <p>The assurance was provided for 2020.</p> <p> 1, 2</p>
C9. Additional metrics	Other, please specify Waste by type and disposal method	Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.	<p>Quantity of collected, recycled and disposed waste was verified by type and disposal method as part of Yapı Kredi's environmental management efforts. Waste generation is another contributor to the climate change. Therefore, it is of the highest importance to follow up and verify this data. The assurance was provided for 2020.</p> <p> 1, 2</p>
C9. Additional metrics	Other, please specify Water consumption by source	Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.	<p>Water consumption by source (m3) was verified as part of environmental management efforts. Climate change will have significant impact on water resources, therefore Yapı Kredi closely follows its water consumption and takes necessary actions if possible to enable effective management of water resources. The assurance was provided for 2020.</p> <p> 1, 2</p>

C14. Portfolio impact	Renewable energy products	Limited assurance was provided by PwC, the standard used was ISAE 3000 (Revised) and ISAE 3410.	Quantity of GHG emissions avoided during the reporting period through the financing of renewable energy projects as of the 2020 year end (tCO ₂ e), total volume of lending provided by Yapı Kredi to renewable energy projects and capacities of renewable energy projects financed by Yapı Kredi were verified as at year-end 2020. Yapı Kredi as a financial institution transparently discloses and verifies this data to demonstrate its positive impact to Turkey's transition to low carbon economy. Also, the quantity of GHG emissions avoided during the reporting period through the electricity generated by renewable energy projects financed by Yapı Kredi is verified. The quantity of GHG emissions avoided is calculated based on the quantity of GHG emissions that would have occurred, if the amount of electricity generated by these renewable energy projects would have been supplied from Turkey's electricity grid. The assurance was provided for 2020.  ^{1, 2}
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 ¹EN_PRB_YKB - 2020 UN PRB Independent Assurance_Final EN_Signed.pdf

 ²EN_IR_YKB Independent Assurance Report 2020_EN_Signed.pdf

C11. Carbon pricing

C11.2

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

No

C11.3

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

Yes

C11.3a

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

Objective for implementing an internal carbon price

- Navigate GHG regulations
- Stakeholder expectations
- Change internal behavior
- Drive energy efficiency
- Drive low-carbon investment

GHG Scope

- Scope 1
- Scope 2

Application

Yapı Kredi applies shadow carbon price in evaluating renewable energy investments and renewable electricity purchasing of operational activities. In order to reach net zero target, Yapı Kredi designs a target to reduce its Scope 1 and Scope 2 absolute company-wide carbon emissions. As a first step, Yapı Kredi's aim is to offset the Scope 2 emissions with renewable energy projects. The price is reviewed and updated regularly.

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

273.6

Variance of price(s) used

Potential regulations on emissions trading system and studies that might form the basis of such regulations are followed up by Yapı Kredi. The business community and regulators started working on the potential impacts of the European Green Deal, upon Turkey, who ships half of its exports to the European Union (EU). Under the carbon border adjustment mechanism envisaged to be launched by the Deal, the EU will determine the import price of products in selected sectors taking the relevant carbon content into consideration.

There is no carbon pricing system in Turkey. Yapı Kredi uses a voluntary pricing method for carbon pricing. Yapı Kredi expects that the carbon border adjustment mechanism is introduced the current per ton price (30 Euro/tCO₂e) of the carbon in the EU's Emissions Trading System (ETS) in view of internal studies and national&international reports. When the carbon border adjustment mechanism comes into effect, Yapı Kredi expects a cost of around 50 Euros, which is expected to rise. Yapı Kredi's internal carbon price represents EUR 30 (TRY 273.6 calculated by using the exchange rate as of 31 December 2020) per ton CO₂e.

Type of internal carbon price

Shadow price

Impact & implication

The financial impact of the internal carbon price is low, so it will not impact Yapı Kredi's business. Carbon related risks are managed to measure and mitigate risks with the help of efficient and smooth rating/scoring models, strategies and processes, and reacting and taking the necessary measures accordingly and in a timely manner. To this end, rating/scoring systems continue to be updated/upgraded regularly. Validation activities are carried on in parallel with modelling studies.

Yapı Kredi has set and publicly disclosed short- and long term targets in specific areas under the ESG policies. In order to reach net zero target, Yapı Kredi plans to conduct energy efficiency studies which are already mentioned in C4.1a, C4.2a and C4.3a at its locations. Energy Efficiency Projects Investment is TRY 814,220.78 in 2020.

C12. Engagement

C12.1

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

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

C12.1a

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

Type of engagement

Compliance & onboarding

Details of engagement

Included climate change in supplier selection / management mechanism

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

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

100

Rationale for the coverage of your engagement

All Suppliers and contractors are urged to operate responsibly in relation to environmental and social rights including human rights within the scope of Yapı Kredi Responsible Procurement Policy.

Therefore the coverage is 100%. All suppliers from which Scope 3 emissions are provided have to comply with Yapı Kredi's Responsible Procurement Policy.

https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf

Impact of engagement, including measures of success

As part of Yapı Kredi's Responsible Procurement Policy Yapı Kredi's suppliers are expected to comply with the criteria set below and all the criteria detailed in Yapı Kredi's Responsible Procurement Policy.

(https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf)

YapıKredi:

- Gives priority to the selection of suppliers in the procurement processes who are competitive and offer high quality services, have a high reputation in the market and the ability to determine and manage their own risks,
- Shows maximum effort to minimize the environmental and social effects of the products and services it purchases throughout their life cycle,
- Encourages all its suppliers to comply with Yapı Kredi's environmental, social and human rights criteria.

Yapı Kredi's climate related impact of engagement is to incentivize all of its suppliers to comply with minimum climate related criteria and good climate conscious practices.

Yapı Kredi measures the success of its Responsible Procurement Policy by the number of suppliers that complied (not failed to comply) with it in a given reporting year. In cases of non-compliance, Yapı Kredi asks the concerned suppliers to take corrective actions. If required Yapı Kredi may terminate the commercial relations with suppliers that do not embrace the compliance process and/or fail to make the necessary changes within the specified period. In 2020, there were no suppliers who failed to comply with our Responsible Procurement Policy and hence no contracts were terminated.

Comment

Yapı Kredi's Responsible Procurement Policy:

https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf

Type of engagement

Other, please specify

Education/Information Sharing

Details of engagement

Other, please specify

Run an engagement campaign to educate suppliers about climate change

% of suppliers by number

1

% total procurement spend (direct and indirect)

0

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

0

Rationale for the coverage of your engagement

The coverage is limited to the subcontractors, which work at Yapı Kredi's facilities. The rationale for the covering these personnel is that they are working at Yapı Kredi buildings and their impact on Yapı Kredi would be higher compared to other suppliers.

Impact of engagement, including measures of success

Yapı Kredi believes that it is important to create awareness and drive changes in behavior in this respect. In keeping with this understanding, Yapı Kredi offered 10.5 hours of environmental training, which also addressed ISO 14001 Environmental Management System, climate change and water stress to 35 employees of subcontractors in 2020. The measure of success for the training is completion of the training by all parties invited and receiving ISO 14001 certification. Due to the pandemic in 2020, the number of the subcontractor employees at Yapı Kredi facilities decreased to a minimum, therefore the total hours training provided decreased compared to the last year.

Comment

ISO 14001 certification system covers 30% of Yapı Kredi's operations.

C12.1b

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

Type of engagement

Engagement & incentivization (changing customer behavior)

Details of engagement

Engage with customers on measuring exposure to climate-related risk

% of customers by number

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

0

Portfolio coverage (total or outstanding)

Minority of the portfolio

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

All new investments, project finance loans and projects entailing financial advisory services falling under corporate and commercial loans and having an investment amount of USD 10 million (74 million TL calculated by using the exchange rate as of 31 December 2020) and above are assessed within the scope of the Environmental and Social Risk Assessment System (ESRA). The coverage of the system and the threshold (USD 10 million – TRY 74 million calculated by using the exchange rate as of 31 December 2020) above which the projects/investments will be subject to the ESRA System is determined by taking the context in Turkey with regards to project finance as well as international standards such as Equator Principles. Project Finance Advisory Services, Project Finance, and Project-Related Corporate Loans are subject to a USD 10 million threshold within the scope of the Equator Principles just like the ESRA System. Additionally, a bank's biggest impact lies within these projects compared to the impact associated with its retail customers and SMEs.

Impact of engagement, including measures of success

The impact of the climate related engagement strategy is customers' compliance with the requirements of the ESRA System, which minimizes negative environmental and social impacts including climate related impacts. Measures of success are determined during the site visits to in-progress moderate-high-risk projects and relevant follow-up documentations are prepared. Results from implementation of the ESRA System are reported on an annual basis and disclosed within a year after the end of the reporting period. Implementation results are presented at the annual Sustainability Management System Evaluation Meeting. Impact of engagement is compliance with Yapı Kredi's Environmental and Social Risk Assessment System which is based on Equator Principles and IFC Performance Standards. Measures of success is assessed by the financing allocated to the projects assessed within the scope of ESRA System in the reporting year. In 2020 Yapı Kredi assessed 29 projects under the scope of its ESRA System.

C12.1d

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

Partners: Yapı Kredi actively takes part in sectoral initiatives and non-governmental organizations, and heeds multi-stakeholder communication and cooperation. The Bank spends efforts to become a member of, and contribute to, international standards and initiatives on sustainability. In addition to its engagement with its suppliers and clients, Yapı Kredi also engages with NGOs and the banking sector on climate related issues.

Yapı Kredi's climate related engagement strategy with these stakeholders: Yapı Kredi's climate related engagement strategy consist of collaborations with other banks and NGOs on sustainability issues that will allow Yapı Kredi to send a stronger message and create a larger impact on sustainability. In that regard Yapı Kredi is part of multiple NGO's working groups where it contributes to experience sharing, preparation of reports and studies. The Bank works, carries out projects and collaborates with numerous organizations and initiatives, including the UNEP FI, United Nations Principles for Responsible Banking, Turkish Industry and Business

Association (TÜSİAD), Global Compact Network Turkey, and Natural Life Protection Foundation (WWF-Türkiye), Turkish Marine Environment Protection Association / TURMEPA, Integrated Reporting Turkey Network/ ERTA, The Banks Association of Turkey (BAT). These platforms also allow Yapı Kredi to engage with civil society but also with its counterparts in the banking sector.

Case Study: Yapı Kredi engaged with the Turkish Marine Environment Protection Association / TURMEPA in order to develop a climate change themed investment fund. The method of engagement in this case was a collaborative project.

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
- Other

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
Other, please specify Green Deal	Support	As an active member of Turkish Industry and Business Association's (TÜSİAD) Environment and Climate Change Working Group, Yapı Kredi also participates in the said working group's Climate Change and Low Carbon Economy, Financing Models and Incentives, and Partnership for Market Readiness (PMR) Sub Working Groups. The coordination of the issue of Green Deal is performed by Koç Group Environmental Board Leader in Turkish Industry and Businessmen Association (TUSIAD).	Yapı Kredi keeps a close eye on the implications of the carbon border adjustment mechanism that will be launched under the European Green Deal announced in 2019 by the European Commission with respect to national regulations and the sectors that will be included in the Deal. Upon the introduction of the mechanism envisaged as a component of the EU Emissions Trading System (ETS), the regulatory agencies in Turkey might possibly introduce an emissions trading system or carbon tax aligned with the EU in Turkey. In this context, Yapı Kredi intends to support its customers' transition to low carbon economy with the financial solutions it offers and to avert the potential risks that might arise within the scope of the arrangement. Yapı Kredi also holds

			workshops and informative events for its customers in relation to international environmental and social sustainability criteria, national and international regulations, and sustainability trends.
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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

The Banks Association of Turkey (TBA)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Yapı Kredi's CEO is a board member of the Banks Association of Turkey (TBA). The purpose of the association is to preserve the rights and benefits of banks, to carry on studies for the growth of the banking sector, for its robust functioning and the development of banking profession, strengthening of competition power, to take the decisions/ensure that they are taken to prevent unfair competition, to implement and demand implementation of these decisions, in line with the principles of open market economics and perfect competition and the regulations, principles and rules of banking.

Sustainability is incorporated in TBA's working areas

(<https://www.tbb.org.tr/en/research-and-publications/sustainability/288>). "Role of the Financial Sector in Sustainable Growth" Working Group at TBA aims to create a general framework for banks to consider the environmental and social dimensions of their lending activities and other services. The Working Group has issued a sustainability guidance manual, which is publicly available to all financial institutions in Turkey in Turkish and English for Banks to integrate climate change management into their governance structure. To achieve its aim to disseminate best practices among its members on sustainability the Working Group works towards providing research, guidance, best practices and trainings.

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

As an active member of Role of the Financial Sector in Sustainable Growth Working Group, Yapı Kredi is involved in the activities of the Working Group in order to set a sectoral framework considering environmental and social dimensions of the sector's activities, accordingly Yapı Kredi also provides input for the research conducted within the Working Group.

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

Turkish Industry and Business Association (TUSIAD): TUSIAD is a voluntary based civil society organization established by Turkish industrialists and business persons in 1971 in order to represent the business world. TUSIAD aims to encourage and develop a unity of thought and action on behalf of the Turkish business world in line with these objectives through the direct and indirect dissemination of its views and recommendations to the Turkish parliament, government, other states, international organizations and public opinion through the media and other means. Yapı Kredi is part of TUSIAD's Climate Change Working Group including its sub-working groups; Climate Change and Low-Carbon Economy, Financing Models and Incentives, and Partnership for Market Readiness (PMR). In these working groups Yapı Kredi provides its feedback for TUSIAD's position papers, research and publications.

Global Compact Network Turkey: In 2017, Yapı Kredi became a signatory to the Global Compact Network Turkey's Declaration of Sustainable Finance, thereby taking a significant step towards integrating sustainability criteria into its loan allocation policies and raising awareness about responsible financing. The Declaration was launched in an event with the participation of the then-Deputy Prime Minister of Turkey as the keynote speaker and several other policy making actors. Since then, Yapı Kredi is contributing to the update and dissemination of the Declaration.

Support for WWF-Türkiye "Turkey's Life Small Grant Program": Yapı Kredi establishes partnerships in the field of sustainability with various stakeholders including civil initiatives, NGOs, universities, and public agencies. In this context, Yapı Kredi has been supporting the WWF-Turkey's "Turkey's Life Small Grant Program" campaign since 2014, which aims to raise awareness on Turkey's bio-diversity and generate funds for projects aiming to preserve natural resources. The campaign includes a grant fund created by donations from individuals and organizations, and channeled towards NGOs for implementing their projects on environmental preservation. As an important stakeholder in civil society, WWF-Turkey is a key player in influencing policies with regard to environmental conservation in Turkey.

Internal Engagement Activities: Yapı Kredi conducts internal engagement activities in order to raise awareness of its employees with regards to climate related issues. Some examples of the performed engagement activities are provided below:

As part of the April 23 National Sovereignty and Children's Day, Yapı Kredi asked the children of its employees aged 6-12 to draw or explain their ideas on how water resources should be used for a livable world. The pictures and texts from the children were shared at the Yapı Kredi

Volunteers page on the intranet, and on the social media. In addition, Yapı Kredi contributed to keeping 81,600 liters of sea water clean by donating to Turkish Marine Environment Protection Association (TURMEPA) on behalf of the children who participated in the project.

As part of June 5 World Environment Day, the song "Nature is My Future", the lyrics and composition of which were specially prepared with the inspiration taken from Yapı Kredi's values, was performed by the children of Yapı Kredi employees between the ages of 6-14. In the project, which was prepared by finalizing the audio and video recordings taken by phone due to the pandemic conditions, in the studio environment, it is aimed to instill the awareness of sustainability in the axis of environmental and social impact, especially in the new generations. In addition, Yapı Kredi contributed to keeping 32,000 liters of sea water clean by donating to Turkish Marine Environment Protection Association (TURMEPA) on behalf of the tiny Yapı Kredi employees who participated in the project.

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?

Description of a Process That Ensures a Consistent Approach to Climate Change: Yapı Kredi attaches great importance to the alignment of its engagement with policy makers with its climate change strategy. In order to ensure this alignment, Yapı Kredi's activities are required to be consistent with its corporate policies and **Yapı Kredi's Sustainability Management System**. Under the Sustainability Management System all operations including Yapı Kredi's direct and indirect environmental impacts are conducted in compliance with the principles of sustainability and its corporate governance strategy is shaped under this system. As a part of this system, its direct and indirect activities are monitored and managed in terms of their environmental risks and impacts by responsible teams. This procedure is a part of the Bank's overall sustainability strategy that includes climate change strategy as well.

Yapı Kredi's Sustainability Management System is monitored by Yapı Kredi's Sustainability Committee. Within the scope of the monitoring efforts, direct and indirect activities are evaluated in terms of their consistency with the overall climate change strategy. Yapı Kredi's Sustainability Team coordinates the activities of the working groups which are focused on different topics in relation to Yapı Kredi's sustainability practices. The Sustainability Team works in cooperation with other departments is responsible for the sustainability related data consolidation, goal and performance follow up and compliance of the Bank's operations with the corporate sustainability strategy. Any noticed inconsistency are directly reported to the Sustainability Committee so that preventive measures are taken.

C12.4

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


Publication

In mainstream reports

Status

Complete

Attach the document

 EFR_YKB_ENG_2020.pdf

Page/Section reference

The page numbers in the integration report of the following sections are indicated.

Governance: 175-217

Strategy: 46

Risks & opportunities:70-77

Emissions figures & other metrics: 84-87 / 511

Emission targets: 87

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Other metrics

Comment

The page numbers in the integration report of the following sections are indicated.

Governance: 175-217

Strategy: 46

Risks & opportunities:70-77

Emissions figures & other metrics: 84-87 / 511

Emission targets: 87

C-FS12.5

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

Industry collaboration	Comment
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Reporting framework	UNEP FI Principles for Responsible Banking	Yapı Kredi is a founding signatory to the United Nations Principles of Responsible Banking (UN PRB) initiative. All UN PRB signatories are required to report their alignment and their annual progress on the 6 principles of the initiative.
Industry initiative	UNEP FI Principles for Responsible Banking UNEP FI Other, please specify Global Compact Network Turkey Declaration on Sustainable Finance	Yapı Kredi is a member of the UNEP FI that is representative of the finance sector in general on sustainability related issues and the UN PRB that is a banking only initiative on sustainability. Yapı Kredi is also a founding signatory to the Turkish banking sector's initiative "Global Compact Network Turkey Declaration on Sustainable Finance".
Commitment	Other, please specify Global Compact Network Turkey Declaration on Sustainable Finance	As a founding signatory to the "Global Compact Network Turkey Declaration on Sustainable Finance" initiative Yapı Kredi commits to the environmental and social risk assessment standards outlined in the document. It should be noted that each year the document is updated in line with national market standards on sustainability related issues. The Bank contributes to the annual updates of this declaration.

C14. Portfolio Impact

C-FS14.1

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

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Other, please specify Environmental and Social Risk Assessment (ESRA) System, Lending Policies, Reputational Risk Policy, Environmental & Social Policy, Climate Change Risk Assessment (physical & transitional risks), UNEP FI Portfolio Impact Analysis Tool	Yapı Kredi implements a multi-component system to manage the climate impacts arising from its portfolio. Yapı Kredi's climate related risks stemming from its financing activities are determined by credit risk assessment process including Yapı Kredi's Environmental and Social Risk Assessment (ESRA) System that

		<p>is based on IFC Environmental and Social Performance Standards, Equator Principles, and local legislation. Additional to the ESRA System, Lending Policies, the Reputational Risk Policy and the Environmental & Social Policy also define industries with environmental and social risks and set some strict criteria with regards to providing finance to these sectors.</p> <p>Additionally, Yapı Kredi assessed the potential impacts of its retail, corporate, commercial and SME banking activities by the use of UNEP FI's Portfolio Impact Analysis Tool. The Bank took place in the Impact Analysis Working Group of the United Nations Principles for Responsible Banking. The Bank's areas of potential impact were defined in the Impact Analysis Tool in line with the data entered within the scope of Consumer, Business and Corporate Banking and Turkey's sustainable development needs.</p> <p>Furthermore, Yapı Kredi carried out its first climate change risk assessment on its loan portfolio and assessed its portfolios physical and transitional risks. Through this analysis Yapı Kredi measured its exposure to carbon-related assets through in financial terms and this analysis enabled Yapı Kredi to create a risk/heat map of its portfolio thanks to the rating scheme utilized within the scope of the assessment.</p> <p>Moreover, Yapı Kredi aims to integrate climate risks into its default credit risk rating models and also to calculate its Scope 3 emissions related to its portfolio. As being the first company in Turkey to support the "Business Ambition for 1.5 degrees" and having committed to get its</p>
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			emission reduction targets validated by the Science Based Targets Initiative, Yapı Kredi has initiated a study to calculate its Scope 3 emissions arising from its portfolio according to the Financial Sector Science-Based Targets Guidance.
Other products and services, please specify	Not applicable		The other products or services category does not apply for our business.

C-FS14.1a

(C-FS14.1a) What are your organization’s Scope 3 portfolio emissions? (Category 15 “Investments” total emissions)

Category 15 (Investments)

Evaluation status

Relevant, not yet calculated

Please explain

Yapı Kredi was waiting for Science Based Targets Initiative (SBTi) to develop and publish a methodology for the calculation of the Scope 3 emissions stemming from its portfolio. Since the Financial Sector Guidance of the SBTi was published in April 2020, Yapı Kredi has initiated its studies in this field. As being the first company in Turkey to support the “Business Ambition for 1.5 degrees” and having committed to get its emission reduction targets validated by the Science Based Targets Initiative, Yapı Kredi has initiated a study to calculate its Scope 3 emissions arising from its portfolio according to the Financial Sector Science-Based Targets Guidance.

C-FS14.1b

(C-FS14.1b) What is your organization’s Scope 3 portfolio impact? (Category 15 “Investments” alternative carbon footprinting and/or exposure metrics)

Metric type

Exposure to carbon-related assets

Metric unit

Scope 3 portfolio metric

Portfolio coverage

More than 70% but less than or equal to 80%

Percentage calculated using data obtained from clients/investees

100

Calculation methodology

Yapı Kredi believes that the most significant impact with regards to climate change arises from financing activities related to the corporate commercial segment which also includes the project financing. Therefore, while replying to the question Yapı Kredi excluded its retail segment which only carries physical risks in terms of climate change. As a result of that the implementation of the transitional risk assessment is explained here.

The transition risk is related to the sector / sub-sector in which corporate clients operate in. Yapı Kredi aims to understand the climate risks of its portfolio better in order to be able to manage them effectively. Both physical and transition risks are very important, whereas the identification of transition risks can make a great contribution to the decarbonization of the portfolio.

Yapı Kredi's transition risk assessment approach was carried out by analyzing international frameworks and external inputs to define transition risk thresholds and superimposing Yapı Kredi's company loan portfolio onto this structure. While deciding on the transition risk categorization of different sectors, Yapı Kredi took into account different frameworks including the UNEP Finance Initiative Transition Heatmap, the Moody's Environmental Risks Heatmap as well as Bain's internal analysis leveraging international experience and multi-sectoral center of excellence. Accordingly, 5 different risk rating categories from "Very low" to "Very high" were determined for the different sectors in which Yapı Kredi has loan exposure. By making use of this data Yapı Kredi's loan book was divided up by sector and allocated a risk rating.

According to the analysis results the sum of the "high" and "very high" risk categories represented 12% of Yapı Kredi's total portfolio, whereas the "Utilities" sector category, which includes several sub-sectors with varying transition risk levels, might be broken down to additional subsectors in future in order to increase the accuracy of the analysis, since the "Utilities" sector category has a significant share in Yapı Kredi's portfolio. Yapı Kredi's ultimate goal is to reduce the carbon intensity of its portfolio to support the transition to a sustainable economy, therefore Yapı Kredi has started to monitor and report its climate risks via implementation of the explained methodology.

Please explain

As mentioned in C-FS14.1a, Yapı Kredi has initiated a study to calculate its Scope 3 emissions arising from its portfolio according to the Financial Sector Science-Based

Targets Guidance. While this study is in progress, a climate change risk assessment including both physical and transitional risk levels were performed in order to understand the carbon intensity/carbon exposure of the current portfolio. The results provided in the "calculation methodology" refers to the results of the aforementioned climate change risk assessment.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	None of the above, but we plan to do this in the next 2 years	Yapı Kredi was waiting for Science Based Targets Initiative (SBTi) to develop and publish a methodology for the calculation of the Scope 3 emissions stemming from its portfolio. Since the Financial Sector Guidance of the SBTi was published in April 2020, Yapı Kredi has initiated its studies in this field. As being the first company in Turkey to support the "Business Ambition for 1.5 degrees" and having committed to get its emission reduction targets validated by the Science Based Targets Initiative, Yapı Kredi has initiated a study to calculate its Scope 3 emissions arising from its portfolio according to the Financial Sector Science-Based Targets Guidance. Once Yapı Kredi has finalized the calculation of its Scope 3 emissions, it will be able to provide a breakdown.

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	Yapı Kredi submitted its commitment to the Science Based Targets Initiative and became the first company in Turkey to support the "Business Ambition for 1.5 degrees". In that respect, Yapı Kredi has set a target to reduce its absolute carbon emissions of Scope 1 and Scope 2 by 76% until 2030, and by 100% until 2035 in line with the goals of the Paris Agreement that pursues efforts to limit warming to 1.5°C (base year: 2019). Since the Financial Sector Science-Based Targets Guidance is published by the SBTi recently, Yapı Kredi has started to work for determining its Scope 3 emission reduction

		targets according to the disclosed methodology in order to meet the requirements of the SBTi. Yapı Kredi's ultimate goal is to reduce the carbon intensity of its portfolio to support the transition to a sustainable economy, therefore Yapı Kredi conducted a climate risk assessment on its portfolio. At the next stage, Yapı Kredi aims to integrate climate risks into its default credit risk rating modelling in order to ensure effective management of climate related risks and to be able to determine targets for the reduction of its portfolio's carbon intensity.
Other products and services, please specify	Not applicable	The other products or services category does not apply for our business.

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)	No, but we plan to do so in the next two years	Yapı Kredi submitted its commitment to the Science Based Targets Initiative and became the first company in Turkey to support the "Business Ambition for 1.5 degrees". Since the Financial Sector Science-Based Targets Guidance is published by the SBTi recently, Yapı Kredi has also started to work for calculating its Scope 3 emissions arising from its portfolio. After completion of the Scope 3 emissions calculation, Yapı Kredi will determine Scope 3 emission reduction targets. As a consequence of that, Yapı Kredi will also start to assess its clients/investees in terms of their alignment with climate scenarios such as well below 2 degree and limiting global warming to 1.5 degree. Yapı Kredi assumes that its clients/investees business strategies in terms of climate change will affect its business decisions.

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)	No, but we plan to do so in the next two years	Yapı Kredi submitted its commitment to the Science Based Targets Initiative and became the first company in Turkey to support the "Business Ambition for 1.5 degrees". Since the

		Financial Sector Science-Based Targets Guidance is published by the SBTi recently, Yapı Kredi has also started to work for calculating its Scope 3 emissions arising from its portfolio. After completion of the Scope 3 emissions calculation, Yapı Kredi will determine Scope 3 emission reduction targets. As a consequence of that, Yapı Kredi will also start to encourage its clients/investees to set science-based targets because their performance in terms of emissions reduction will also impact Yapı Kredi's emissions management performance and its performance in terms of achieving the set targets.
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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	CEO	Chief Executive Officer (CEO)

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