















2018

SUSTAINABILITY

REPORT



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ABOUT THE REPORT

2018 SUSTAINABILITY REPORT



The Yapı Kredi Sustainability Report presents the sustainability performance of Yapı ve Kredi Bankası A.Ş. and its domestic subsidiaries between January 1 and December 31, 2018. The report includes Yapı ve Kredi Bankası A.Ş. and its domestic subsidiaries' financial, environmental and social indicators.

This report has been prepared in accordance with the GRI Standards: Core option and taking GRI Financial Services Sector Disclosures as a reference. Borsa Istanbul Sustainability Index Banking Criteria, UN Global Compact Principles, UN Sustainable Development Goals, and Women's Empowerment Principles (WEPs), of which Yapı Kredi is a signatory, were also taken into consideration in the report.

The report evaluates the sustainability performance of Yapı Kredi within the framework of integrated reporting and presents the value created by the Bank in terms of the capitals utilized. Energy, emission, environmental investment, legal compliance, finance, occupational health and safety, employee training, anti-bribery, anti-corruption and human rights indicators provided in this report have undergone a "limited" review by the independent audit firm KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The list of indicators reviewed and the scope of the review are included in the Independent Assurance Statement provided in the Appendices section.

Yapı Kredi Sustainability Report 2018 was printed in limited numbers in order to minimize its environmental impact. A PDF version of the report is available to stakeholders on www.yapikredi.com.tr. For all feedback, suggestions, inquiries and critiques, please contact us at sustainability@yapikredi.com.tr.



Dear Stakeholders,

2018 was a challenging year for the world due to global uncertainties. Yet, Turkish markets managed to enter into a rebalancing process thanks to austere fiscal policies and the collaboration between regulatory authorities and the finance sector. The country's banking sector managed to overcome this challenging period successfully and continued its growth. Likewise, Yapı Kredi remained on the growth track, increasing its total assets to TL 373.4 billion and becoming the third largest private bank in Turkey.

For Yapı Kredi, 2018 was also a time of progress in terms of sustainability. We continued to contribute to social and economic development with the financial resources we allocate. We provided financing worth TL 41.6 billion to SMEs and TL 461.6 million to agricultural banking. We secured financing for numerous major infrastructure projects that play an important role in the country's development. We extended over USD 1 billion in loans to bridge, highway and similar infrastructure development projects that are evaluated within the ESRA System, and in the field of sustainable energy, to wind power plant, biogas plant and wind power plant projects. Furthermore, we collaborated with international financial institutions such as the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), and Export Credit Agencies (ECA) to secure additional financing for renewable energy power plant investments. On our sustainability journey, as Yapı Kredi, we continue to depend on the guidance of the Sustainable Development Goals that endeavor to create solutions for global challenges.

We are part of international platforms that pioneer responsible financing and the management of the environmental and social footprint of financial institutions. In 2016, we joined to United Nations Environment Programme Finance Initiative (UNEP FI) by signing the UNEP Statement on the Environment & Sustainable Development. In 2017, we joined the ranks of signatory banks to the Global Compact Network Turkey's Declaration on Sustainable Finance. Our sustainability performance has earned us a place on the leading sustainability indices, such as FTSE4Good Emerging Index since 2017, and Borsa Istanbul Sustainability Index since 2014.

We cater to the needs of various stakeholders groups thanks to our diversified and sustainable product portfolio. We play our part in the efforts to transition Turkey into a low-carbon economy. In addition to offering agricultural loans, our bank provides resources for the agricultural sector in Turkey through collaboration with the European Union's Instrument for Pre-Accession Assistance in Rural Development (IPARD). We prioritize digital services in SME banking, and support female entrepreneurs and youth participation in finance with the Credit Guarantee Fund (KGF). Moreover, we continue to support social responsibility projects through the For My Country Fund.

As the digital bank of Turkey, we continue to utilize technology and add innovative functions and services to our digital channels to make our customers' lives easier. Through a new service model introduced in 2018, we are now able to offer a fully digital banking experience to customers from the moment they apply for an account. Today, customers no longer have to visit a branch to receive the banking services we offer, as they can simply contact Visual Transaction Assistants via Yapı Kredi Mobile application instead. At the same time, our digital service offering continues to grow, bringing even more convenience to customers' lives. Our bank branches, which have completed their digital transformation this year, feature tablets on the desks of customer representatives, offering close to 40 products and services through digital signature. We are looking to digitize rest of our product and service range by the end of 2019, reducing paper usage significantly in the process.

Since the establishment of Yapı Kredi, we have assigned great importance to improving social wellbeing and prosperity through collaborations in a wide variety of areas from education to arts. In 2018, we contributed to social programs by investing TL 18 million in this area.

I am delighted to share the economic, social, environmental and governance performance of our operations throughout the year via our Sustainability Report and in accordance with the principle of transparency. I thank our employees and all other stakeholders for their support and contributions to our sustainability journey.

Gökhan Erün
CEO

ABOUT YAPI KREDİ

Established in 1944 as Turkey’s first private national bank with a focus on retail banking, Yapı Kredi is today the third largest private bank in Turkey with a consolidated asset size of TL 373.4 billion. As one of Turkey’s 10 most valuable brands thanks to its customer-oriented banking approach and innovative solutions, Yapı Kredi aims to enhance customer satisfaction in line with its principle of sustainable profitability.

Yapı Kredi has a strong shareholding structure ensuring sustainable and profitable growth. 81.9% of the Bank’s shares are owned by Koç Financial Services A.Ş. (KFH) which is a 50%- 50% joint venture between the UniCredit Group and the Koç Group. The remaining 18.1% is publicly traded on Borsa Istanbul.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through retail banking (comprising of individual banking, Small and Medium Size Enterprises [SME] banking and card payment systems, private banking and wealth management), as well as corporate and commercial banking. The Bank’s operations are supported by domestic subsidiaries in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Netherlands, Malta and Azerbaijan.

For detailed information about Yapı Kredi’s subsidiaries, visit [our website](#).

Vision

To be the undisputed leader in the finance sector.

Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees.

Strategy

A customer centric commercial bank driven by cutting edge technology and committed workforce, delivering responsible growth.

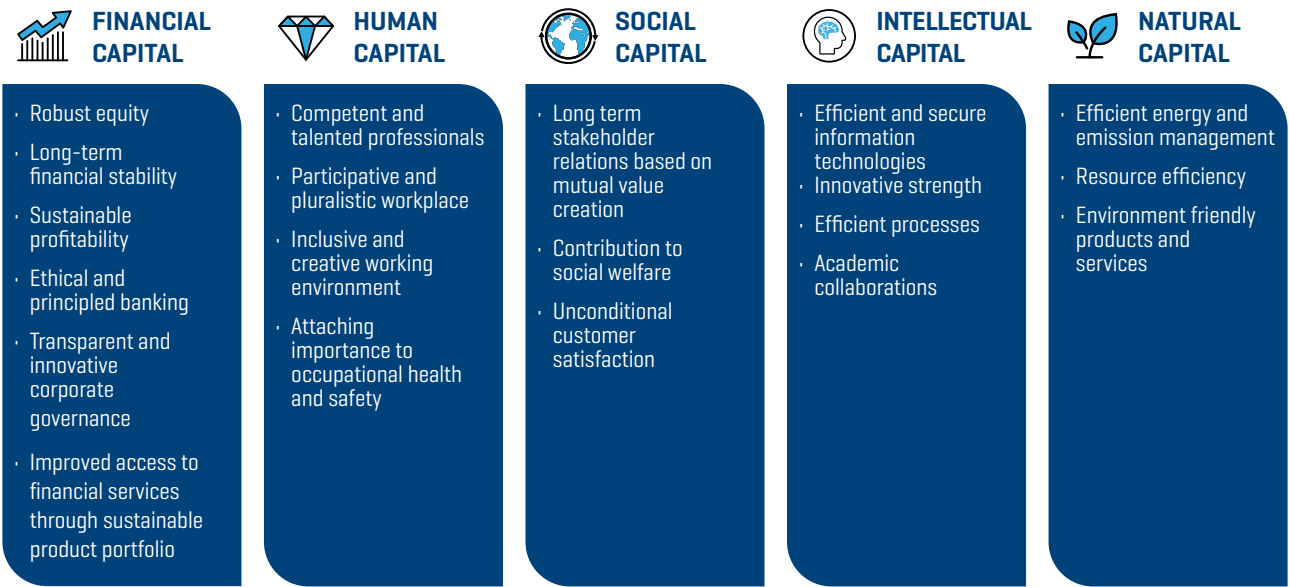
Best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns



Strategic Approach

In an era of rapidly changing economic conditions, customer expectations and regulations, the banking sector needs to be flexible and capable of responding quickly to such conditions and expectations. At Yapı Kredi, we aim to predict risks and transform these into opportunities, all the while embracing a customer-oriented, pioneering and innovative banking approach to create value for all our stakeholders. We believe that the financing we provide has a major impact on sustainable economic growth and strive to contribute to lasting social and economic prosperity.

Yapı Kredi’s approach to creating value is based on the IIRC’s <IR> Framework. We assess risks and opportunities presented by our human, financial, intellectual, natural and social capital and take into consideration their particular impacts on our strategy and future performance. With this integrated approach that brings together the five capitals, we are able to reach all our stakeholders and drive economic growth.



Yapı Kredi Sustainability Principles that shape our business processes can be found [here](#).

Material Issues

Yapı Kredi’s material issues comprise topics that influence our value-creating approach in the short, medium and long term. Material issues shape the issues covered in this report and guide our strategic capital approach. Stakeholder feedback serves as a key source of input while determining these areas.

Our material issues are reviewed regularly, and were revised in 2017 based on the stakeholder analysis, external trend analysis and four-stage impact analysis we conducted. The material issues identified through this comprehensive process were reviewed once again this year in light of our strategy, global trends and the sustainability workshop. Financial inclusion and environmental footprint were in the foreground for Yapı Kredi in 2018.

To identify the material issues for stakeholders:

- We carried out a stakeholder analysis and obtained feedback from prioritized individuals and organizations from each stakeholder group.
- We included global and sectoral trends and the priorities of international organizations and global sustainability indices through an external trend analysis.

To identify the material issues for Yapı Kredi:

- We obtained feedback from senior management.
- We took into account the Bank’s overarching strategy and sustainability approach.
- We assessed financial, legal, innovative and competitive risks and opportunities through a four-stage impact analysis.

For details on the materiality and stakeholder analyses, see the Sustainability Report 2017 pp. 14-17.

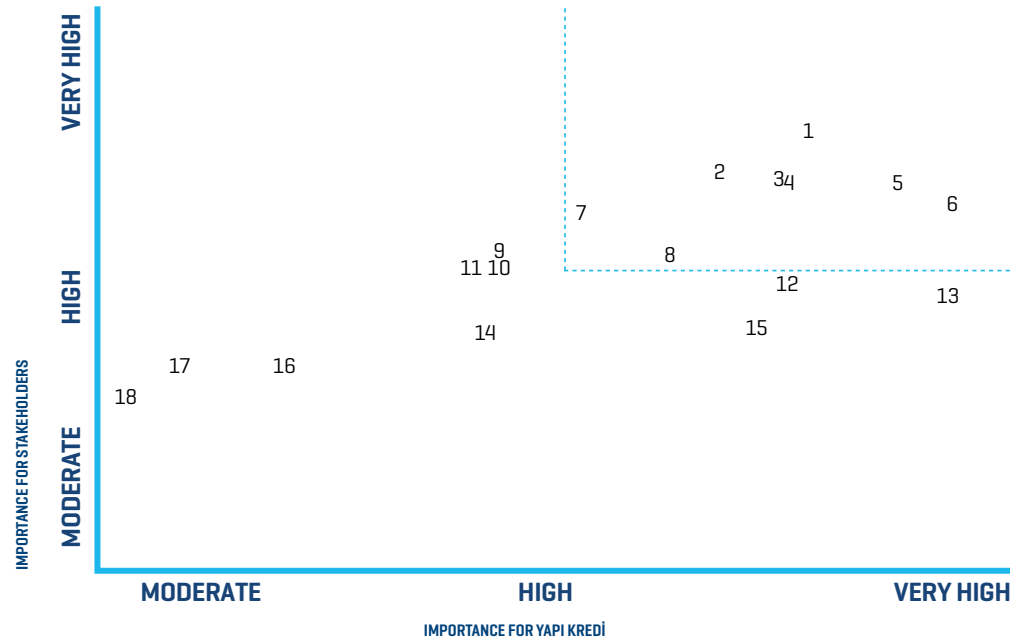
Stakeholder Relations

We believe that recognizing the impacts our business and stakeholders have on each other is essential for creating lasting value. Understanding our stakeholders’ expectations and areas they consider material for Yapı Kredi enables us to better manage risks and opportunities.

We attach great importance to building mutual and effective relationships with all stakeholders, which we categorize as employees, customers, investors, NGOs, associations, international organizations, business partners, public agencies, suppliers and universities. Our stakeholders see digital technologies and changes in customer expectations as the key trends that influence the sector and expect Yapı Kredi to sustain its pioneering role in these areas. We integrate stakeholder feedback into our decision-making processes and shape our strategy accordingly.

Detailed information on stakeholder communication channels can be found <https://www.yapikredi.com.tr/en/sustainability/stakeholders-and-collaborations/stakeholder-communications>.

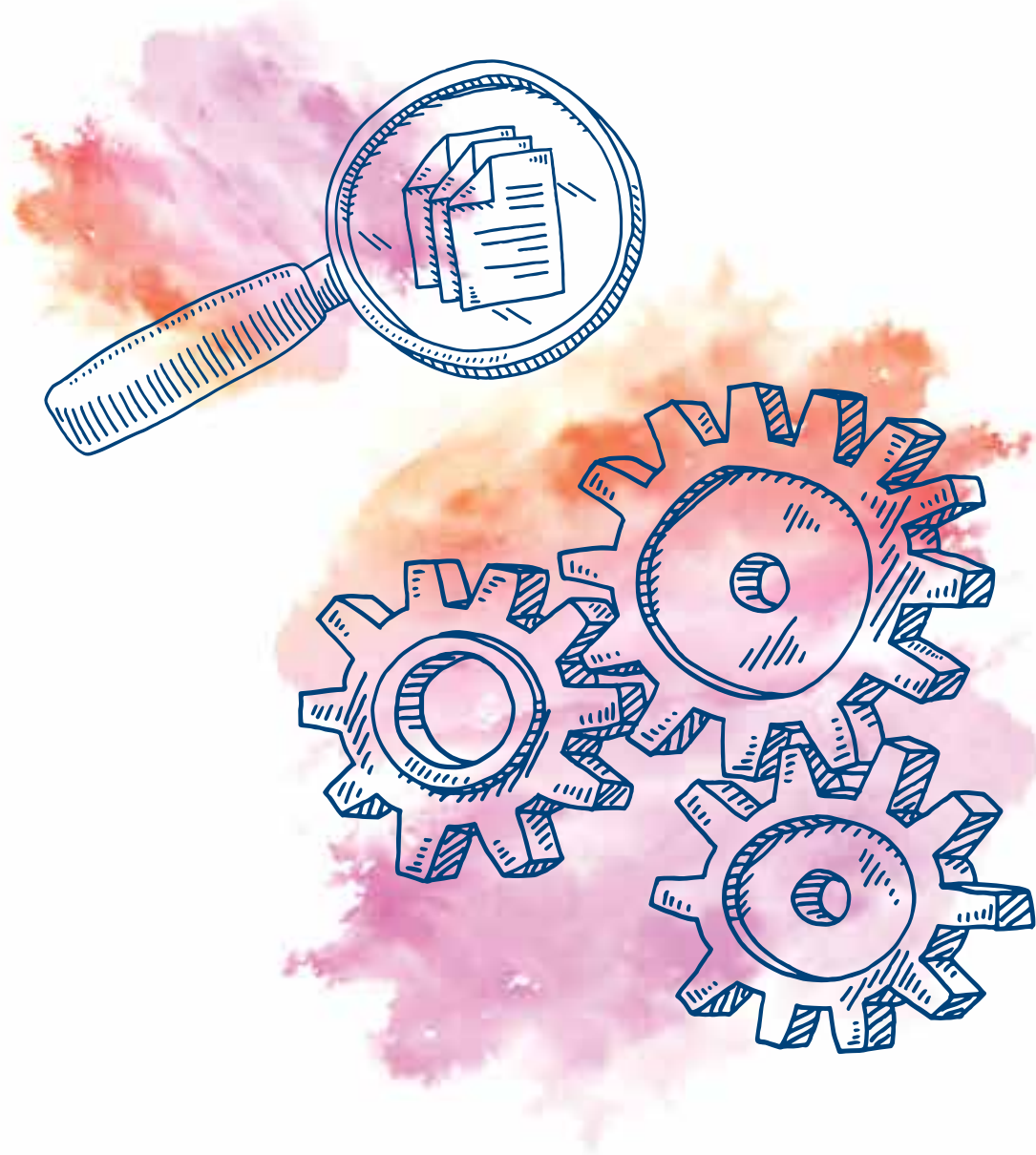
For a list of memberships and initiatives supported, see Appendix 1.



- Digitalization
- Ethical issues and transparency (anti-bribery and corruption, etc.)
- Sustainable product portfolio (renewable energy finance, women entrepreneur loans, etc.)
- Risk management
- Information confidentiality and cyber security
- Customer experience
- Talent management and employee satisfaction (career management, employee rights, work-life balance, OHS)
- Corporate governance (efficient audit and management, board structure and independence, transparency of senior executive compensation)
- Equal opportunity and diversity (gender equality, anti-discrimination, etc.)
- Responsible marketing (easy-to-understand products, ethical sales, etc.)
- Financial inclusion (improved access to financial services, microloans, accessible banking)
- Environmental, ethical and social criteria in finance
- Financial performance
- Environmental footprint (climate change, waste and water management)
- Compliance
- Social investments
- Financial literacy
- Responsible procurement (environmental and social requirements for suppliers)

CAPITAL	MATERIAL ISSUES	RELEVANT STAKEHOLDER GROUP	CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS
Financial	Ethical Issues and Transparency	Investors and Business Partners	7 ENERJİLERLİ VE TESLİMLİ, 8 İNSANA YAKINLIK VE EKONOMİK BÜYÜME, 10 EĞİTİMLERİN AZALTILMASI
	Risk Management	Investors and International Organizations	12 SORUNLU TÜKETİM VE ÜRETİM, 13 İKLİM EYLEMİ, 17 HEDEFLER İÇİN ORTAKLIKLAR
	Sustainable Product Portfolio	International Organizations and Business Partners	12 SORUNLU TÜKETİM VE ÜRETİM, 13 İKLİM EYLEMİ, 17 HEDEFLER İÇİN ORTAKLIKLAR
Intellectual	Digitalization	Customers and Employees	8 İNSANA YAKINLIK VE EKONOMİK BÜYÜME, 9 SANAYİ, YENİLİKÇİLİK VE ALTYAP, 17 HEDEFLER İÇİN ORTAKLIKLAR
	Information Confidentiality and Cyber Security	Customers and Employees	8 İNSANA YAKINLIK VE EKONOMİK BÜYÜME, 9 SANAYİ, YENİLİKÇİLİK VE ALTYAP, 17 HEDEFLER İÇİN ORTAKLIKLAR
Human	Talent Management and Employee Satisfaction	Employees	5 TOPLUMSAL CİNSİYET EŞİTLİĞİ, 8 İNSANA YAKINLIK VE EKONOMİK BÜYÜME, 10 EĞİTİMLERİN AZALTILMASI
Social	Customer Experience	Customers	4 NİTELİKLİ EĞİTİM, 8 İNSANA YAKINLIK VE EKONOMİK BÜYÜME, 10 EĞİTİMLERİN AZALTILMASI, 17 HEDEFLER İÇİN ORTAKLIKLAR
Natural		NGOs and Society	12 SORUNLU TÜKETİM VE ÜRETİM, 13 İKLİM EYLEMİ, 15 KAMUSAL YAŞAM

Within IIRC's <IR> Framework and areas of priority, we make a point of contributing to United Nations Sustainable Development Goals. Accordingly, we take part in national initiatives and collaborations and monitor our contribution through specific social, environmental and economic indicators.



CORPORATE GOVERNANCE

SUSTAINABILITY REPORT 2018



CORPORATE GOVERNANCE

Our corporate governance approach built on transparency, responsibility and accountability forms the basis of the trust relationship we establish with all stakeholders. This is how we manage the value we create in our main capital areas.

Yapı Kredi Board of Directors is composed of 14 members, including three independent members and two female directors. In line with Corporate Governance Principles, different individuals hold the positions of Chair and General Manager. The Executive Committee, Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee support the Board of Directors in carrying out its tasks.

Through its dedicated efforts in corporate governance, Yapı Kredi increased its corporate governance rating, a score out of 10 granted based on the principles set by the Capital Markets Board (CMB-SPK), from 9.43 in 2017 to 9.58 in 2018. We are committed to further improve our rating, which has been on the rise since 2008.

For detailed information on the members and responsibilities of Yapı Kredi's Boards and Committees, see the 2018 [Annual Report](#) p. 68 and the [Corporate Governance Principles Compliance Report](#).

All effective Yapı Kredi policies, principles and statements can be found [here](#).

Sustainability Management

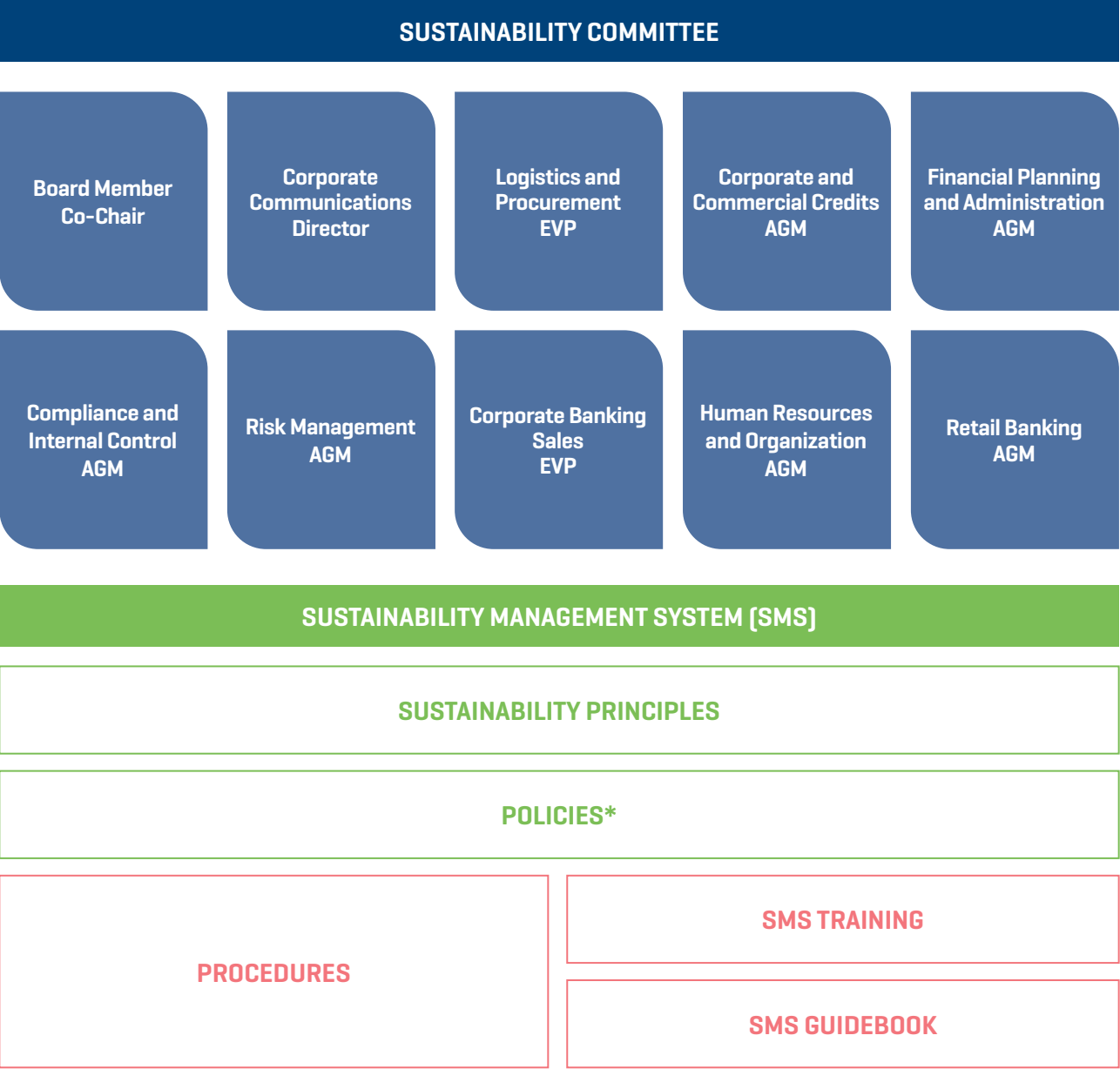
Since 2014, the Sustainability Committee has been leading Yapı Kredi's efforts to integrate sustainability into all processes. co-chaired by a Board Member and Director of Corporate Communications, the Sustainability Committee's main responsibilities include integrating the sustainability strategy into the business models and monitoring the sustainability performance of the company. Convening at least twice a year, the Committee reports its activities to the Executive Committee and the Board of Directors.

The Sustainability Management System launched in 2017 manages operations in line with the sustainability policy and sustainability strategy. The Sustainability Management System also guides assignment of duties and responsibilities regarding the sustainability efforts within the company.

Working under the Corporate Communications Management, the Corporate Social Responsibility and Sustainability Unit is responsible for overseeing the activities of the Sustainability Working Group and subgroups. Accordingly, the Unit is responsible for monitoring the groups' performance and progress on targets, consolidating sustainability data, assessing all activities with regard to sustainability goals and communicating Yapı Kredi's sustainability performance to all stakeholders.

At Yapı Kredi, we train our employees on sustainability in order to improve their contributions to our sustainability efforts. By doing so, we help employees better integrate our sustainability goals into all processes. In 2018, our employees received a total of 167 hours of training on sustainability.

Our enduring efforts in sustainability have placed Yapı Kredi into prestigious sustainability indices. Since 2017, we have been listed in FTSE4Good Emerging Markets Index, the sustainability index of the Financial Times Stock Exchange [FTSE]. We have also been in the Sustainability Index of Borsa Istanbul since 2014.



*The policies can be found on our [website](#).

Risk Management

Ensuring compliance with the ever-changing banking regulations and identifying risks accurately and in advance are critical for the banking sector. These risks are managed effectively at Yapı Kredi with the Risk Management Unit, which operates with 123 employees and reports directly to the Audit Committee.

Yapı Kredi’s risk management efforts are essentially based on the Risk Management Policies and the Credit Policies Regulation. These documents are regularly reviewed, revised and implemented across the company upon the approval of the Board of Directors. All cases of policy violations are reported both to the Board of Directors and the Executive Committee.

As part of risk management, we closely monitor national and international developments. We group risks into two main categories, namely financial and non-financial risks. Non-financial risks cover environmental, social and ethical risks including but not limited to operational risk, financing risk, information technologies risk, reputational risk, corruption risk, human rights risk, strategic risk, legal compliance risk and regional risk.

For detailed information on the Bank’s definitions of risks, the responsibilities of the Board of Directors and committees on risk management, see the 2018 Annual Report pp. 92-95.

Operational Risks

We work with the goal of minimizing operational risks in accordance with the Business Continuity Management Policy. In addition to the said policy, we ensure business continuity through the Contingency Plan, Crisis Management and Business Recovery Plans. We employ lost data, key risk indicators, scenario analysis modeling and self-assessment methods to analyze operational risks.

Credit Risks

We support our customers through a variety of financing options. Credit risk management aims to identify, measure and mitigate credit risk, and take the necessary measures with the help of effective and well-functioning rating models, strategies and processes.

In addition to financial credit risks, we also assess the potential environmental and social risks of investments, such as any associated environmental, human rights, ethical, and corruption risks. All prospective projects are assessed within the Environmental and Social Risk Assessment (ESRA) System. For detailed information about the management of loans granted with regard to environmental and social risks, see the report’s section titled [Our Financial Performance](#).

Information Technology Risks

While we offer our customers a faster banking experience through digital banking applications, we also analyze the risks introduced by digitalization, which we define as Information Technologies Risks. Going above and beyond regulatory requirements, as part of Information Technologies Risk Management we have established an Information Technologies Risk Management Framework in accordance with the Bank’s objectives to define threats against critical assets and processes, identify weaknesses, protect confidential data and prevent losses. Within the context of Information Technologies Risk Management, we carry out annual risk assessments. The resulting risk map and action plans are monitored throughout the year and the progress on the action plans is regularly reported to senior management. We continuously perform tests, conduct analyses and make investments to minimize technological risks. We also employ Cyber Security Insurance to mitigate technology-related risks.

Bribery and Corruption Risks

As part of our Anti-Bribery and Corruption Program that aims to identify and mitigate potential bribery and corruption risks, we meticulously assess all our processes with regards to bribery and corruption risks. We identify areas with corruption risk and analyze related processes through our risk assessment methodology. We have identified offers received/given regarding gifts and hospitality, donations and sponsorships, business conducted with third parties, business offers, mergers,

acquisitions and key investments, and relations with public officials to be activities presenting the highest risk of corruption. We regularly review all operations, identify potential risks and revise business processes accordingly. Assessment results are reported on a regular basis to the Audit Committee to and necessary measures are taken.

The Anti-Bribery and Corruption Policy is the foremost regulatory policy on this issue. We attach great importance to ensure that all employees uphold the policy. Accordingly, in 2018, we gave 26.7 hours of training on this subject to 89 managers and 706.5 hours of training to 2,355 employees. Policy violations may result in disciplinary action up to and including termination of employment, depending on the motives for the incident. In 2018, there were no confirmed cases of bribery or corruption reported to the Anti-Bribery and Corruption Whistleblowing Channel, and no employees faced disciplinary action for acting against the Anti-Bribery and Corruption Policy.

The Anti-Bribery and Corruption Policy can be found [here](#).

Human Rights Risks

Human rights risks are among the most important social risks we assess. We account for risks related to all forms of modern slavery including but not limited to child labor, forced labor and human trafficking. We also work towards reducing overtime work across the Bank. We organize training activities throughout Yapı Kredi to raise employees’ awareness on human rights issues. In 2018, a total of 452 hours of training were given to 1,507 employees.

Ethical Banking

As Yapı Kredi, we manage trust-based relationships with all stakeholders, most notably our customers, in line with our ethical banking approach that is built on openness, transparency and accountability. We attach great importance to our ethical and transparent banking philosophy, a sentiment shared by our stakeholders.

The main reference point for our efforts in this area is the [Code of Ethics and Business Conduct Principles](#), with regard to which we evaluate all business processes. Yapı Kredi regularly reviews the effectiveness of the Code of Ethics and Business Conduct Principles. We employ whistleblowing hotlines for reporting violations and related internal communications.

Yapı Kredi operates confidential Whistleblowing and Reporting Hotlines for both internal and external reporting, with a focus on five main areas, namely internal audit, anti-bribery and corruption, ethics, sanctions violations, and conflicts of interest. The Ethics Reporting hotline receives reports via e-mail to etik@yapikredi.com.tr or anonymously by phone call to +90 212 339 7353. In 2018, the ethics hotline received 91 reports, all of which have been resolved.

The Whistleblowing Statement can be found [here](#).

In 2018, we have given 3,177 hours of training to approximately 4,858 employees to raise awareness on the Code of Ethics and Business Conduct Principles.

We provide in-class training courses to new recruits and digital training to current employees on the Code of Ethics and Business Conduct Principles. In addition to these, we offer in-class training particularly for managers throughout the year. This year, 55 in-class training sessions were organized across the Bank. Furthermore, in 2018, 17 announcements were shared with all Bank employees and domestic and international subsidiaries on the Code of Ethics and Business Conduct Principles.

The Code of Ethics and Business Conduct Principles can be found [here](#).

All of Yapı Kredi’s operations are assessed on a regular basis with regard to human rights and corruption risks.

We were named “Turkey’s Most Ethical Company” for the seventh consecutive year at the ETIKA Turkey Ethics Awards organized by the Ethical Values Center Society [EDMER].

Bizler Plus – Compliance Page

The Compliance Page launched in 2018 on Bizler Plus, the Yapı Kredi employee portal allows company employees convenient access to documents, updates and announcements regarding compliance. The interactive platform provides a communication channel for corporate management on various issues, most notably Prevention of Financial Crimes, Ethics, Anti-Corruption, Conflict of Interest, Banking and Capital Markets Board of Turkey (CMB-SPK) Regulations. The videos featured on the Compliance Page help communicate to employees updates and reminders on issues of high importance to Yapı Kredi. This helps increase employee awareness and improve the company culture.

Responsible Procurement

At Yapı Kredi, we work to promote our environmental and social awareness, including first and foremost our anti-bribery and corruption, human rights and ethical values, across our entire value chain. To this end, and in line with our Responsible Procurement Policy, we monitor the performance of our suppliers in these areas. We make a point of increasing the share of local suppliers within our overall procurement. Local suppliers constituted 93% of our overall suppliers in 2018.

We assign great importance to the compliance of our suppliers with Yapı Kredi’s Anti-Bribery and Corruption Principles. We carry out training and awareness-raising activities on this subject and evaluate potential suppliers prior to signing contracts. Yapı Kredi tolerates no forms of bribery or corruption in its dealings with third parties. In the event that violations are identified with contracted suppliers, the suppliers are warned and contracts are terminated when necessary. In 2018, there were no confirmed cases of bribery or corruption with regard to third parties, and no supplier contracts were terminated on such grounds.

The Responsible Procurement Policy can be found [here](#).



OUR FINANCIAL CAPITAL

SUSTAINABILITY REPORT 2018

We are Turkey's
3rd biggest
private bank



TL 306.3 billion
contributed to
the economy

45% growth in total revenue,
29% growth in net income



Provided the national economy
TL 41.6 billion
in SME Banking

Provided a total of
TL 461.6 million
in Agricultural Banking



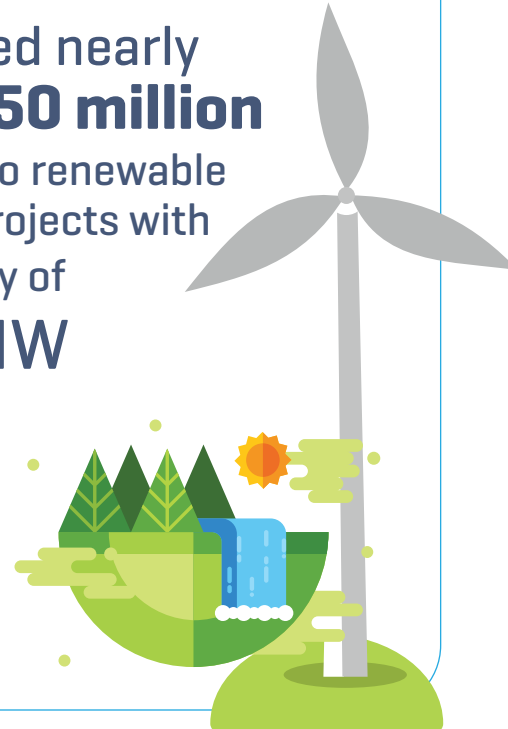
Provided over
TL 65 million to
325 projects
by women entrepreneurs

Allocated over
US\$ 1 billion

in loans to projects assessed
within the **ESRA** system



Allocated nearly
US\$ 250 million
in loans to renewable
energy projects with
a capacity of
470 MW



OUR FINANCIAL CAPITAL

Since its inception, Yapı Kredi has contributed to Turkey's growth with its customer-oriented banking approach and business model that is continuously improved with the latest technologies and dedicated human resources. We boost our support to the national economy with products and services offered to customers on the principle of long-lasting stability and sustainable profitability. With our "Dedication to Deliver," we move forward with a vision to achieve excellence in the customer experience.

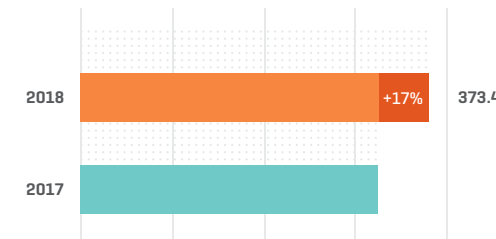
Our Financial Performance

Backed by our robust balance sheet and our best-in-its-class profitability, we aim to provide our shareholders sustainable returns. Despite the market fluctuations throughout the year, we managed to grow our assets to TL 373.4 billion in 2018 and improve our ranking among private banks to become Turkey's third largest private bank. This year, as we further strengthened our capital and balance sheet structure, we continued supporting the national economy by contributing TL 306.3 billion.

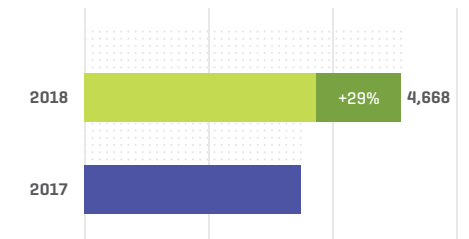
In 2018, thanks to our performance in generating income and controlled cost management resulting in a below inflation increase rate at 13%¹, we achieved significant improvement in profitability and efficiency. As a result of our improved efficiency, our cost-to-income ratio was at 34.2%.

Within the last year, we achieved 45% growth in total revenue and 29% growth in net income. Recording a 17% growth in asset size, we improved our ranking among private banks to become Turkey's third largest private bank.

Total Assets (TL billion)



Net Profit (TL million)



¹Excluding pension fund provisions.

Contribution to the Economy

306.3

TL billion

As per its 2020 vision announced in 2018, Yapı Kredi aims to grow its average return on tangible equities to 17% by 2020 and place itself among the most profitable banks in the sector. In 2018, Yapı Kredi completed TL 4.1 billion of rights issue and the Bank’s issued capital increased to TL 8.447 billion from TL 4.347 billion.

	2017	2018	CHANGE
Net income (million TL)	3,614	4,668	29%
Asset size (billion TL)	320.1	373.4	17%
Cash and non-cash loans (billion TL)	278.7	306.3	10%
Loans (billion TL)	199.9	220.5	10%
Deposits (billion TL)	173.4	210.3	21%
Equity (billion TL)	30.1	39.0	30%
Cost/income ratio	42%	33%	-887 bps*
Return on tangible equity	13.6%	14.2%	58 bps
NPL ratio	4.4%	5.3%	95 bps
Cost of risk	1.07%	2.57%	151 bps

*bps (basis points) indicate thechange inpercentage results.

For detailed information on Yapı Kredi’s financial performance in 2018, see the [2018 Annual Report](#). Yapı Kredi’s credit ratings from international agencies can be found [here](#).

Responsible Financing

Yapı Kredi assumes responsibility for potential risks and negative impacts that may be caused by projects it finances. With a responsible and sustainable financing approach that supports Turkey’s development and that is based on risk assessments, we effectively manage potential risks of projects that may affect stakeholders, the environment, natural resources, local communities and public health.

Yapı Kredi’s sustainable profitability and responsible banking principles are summed up under the [Responsible Lending Statement](#) that covers all personal and consumer lending activities. While offering our customers financial products and services that make their lives easier and contribute to their prosperity, we are dedicated to doing so by accurately and transparently informing our customers with a clear language, without misleading them. We also aim to increase the financial literacy within the society and develop solutions to facilitate disadvantaged groups’ access to financial services.

In 2016, Yapı Kredi joined the “United Nations Environment Programme Finance Initiative” (UNEP FI) by signing the Statement of Commitment by Financial Institutions on Sustainable Development. This worldwide cooperation plays a significant role in developing policies and tools to manage the environmental and social impacts of the finance sector. In 2017, we became a signatory to Global Compact Turkey’s Declaration of Sustainable Finance, thereby contributing to raising awareness across Turkey about integrating sustainability criteria into loan allocation policies and the importance of responsible financing.

Environmental and Social Risk Assessment (ESRA) System

Yapı Kredi prioritizes carrying out its activities in an environmentally and socially conscious manner. To this end, we systematically manage lending processes to minimize resulting environmental and social impacts and potential risks. Since 2017, we started using the ESRA System, based on local legislations and the International Finance Corporation’s (IFC) Environmental and Social Performance Standards, to assess projects to finance and to identify, prevent or minimize related environmental and social risks.

As part of the system, all loan requests are first assessed against our lending policies, the [Environmental and Social Policy](#) and its Exclusion List. Under no circumstances will Yapı Kredi finance activities that do not comply with the aforementioned policies or that are included in the Exclusion List.

Within the reporting period, investment and project financing loan requests with a loan amount above US\$ 20 million and a maturity of at least three years that passed the initial screening according to our policies and the Exclusion List, have been assessed on environmental and social aspects according to our “Assessment of Environmental and Social Risks of Credit Activities” process. Depending on the result of the process, we determine project risk categories and prepare appropriate action and monitoring plans.

We plan to extend the scope of our ESRA System in 2019 to cover all investment and project financing loan requests with a loan amount above US\$ 10 million regardless of maturity and include “Project Financing Consultancy” services within the ESRA System.

Meeting environmental and social standards well beyond the regulatory requirements, the ESRA System classifies projects into high, moderate, and low risk categories; respectively Category A, B, and C.

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

Category B: Business activities that have an 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

Depending on the classification, actions to be taken and monitoring activities for projects in Categories A and B are as follows:

- The investor will complete project documentation as part of the Environmental Impact Assessment (EIA) Regulation (EIA Report, Project Presentation File, opinion letters, rulings, etc.) and obtain all temporary environmental and social permits.
- Throughout the investment, the investor will ensure successful implementation of environmental and social measures as defined and approved in the EIA Report or the Project Presentation File and prove consistent implementation of such measures through supporting documents.

²For projects in Category B (moderate-risk), the Environmental and Social Sustainability Risk Specialist(s) from the Corporate and Commercial Credits Management team determines whether the project necessitates an “Action and Monitoring Plan.” If the services of an external independent Environmental and Social Consultant/Expert are not required, environmental and social monitoring efforts during the investment and operation phases are carried out by the Environmental and Social Sustainability Risk Specialist(s). In such cases, the monitoring process involves field visits, which are held at least once a year throughout the investment phase, and once after the investment is completed.

- An external independent Environmental and Social Consultant/Expert will prepare an Environmental and Social Status Assessment/Action and Monitoring Plan that complies with IFC’s Environmental and Social Sustainability Performance Standards to ensure that all environmental and social aspects of the investment are monitored and reported regularly.
- An external independent Environmental and Social Consultant/Expert will monitor the investment via field visits to be held at least once a year. After the investment is completed, a follow-up visit is conducted during the operations phase to monitor the investment. The loan contract will include a provision that obligates the investor to comply with the Action and Monitoring Plans.

For projects in the low-risk category, we check whether the investor has obtained all necessary environmental and social permits and examine the temporary permits. Environmental and social findings, if any, concerning the customer and the facility subject to the loan are followed up in credit review meetings at least once a year.



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.

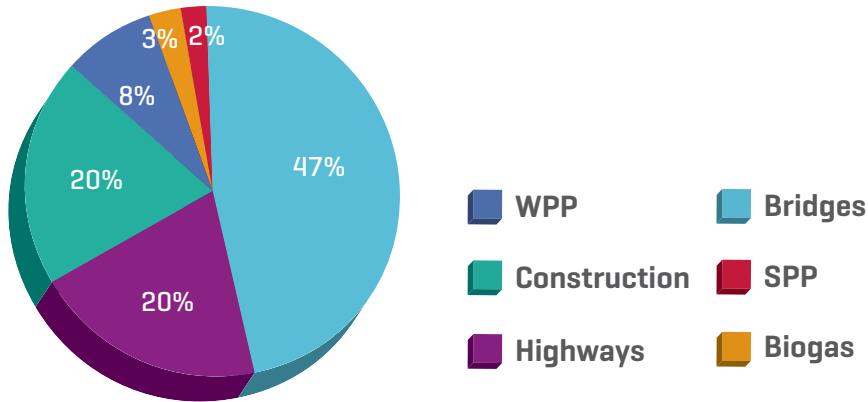
Results from implementation of the ESRA System are reported on an annual basis and results are disclosed within a year after the end of the reporting period. Implementation results are presented at the annual Sustainability Management System Evaluation Meeting. We report on:

- The number of projects that are rejected directly without being put through the ESRA System due to noncompliance with the Environmental and Social Policy or its Exclusion List;
- The number of projects evaluated by the system, the total limit of loans allocated, and disbursed;
- And the risk category distribution of the projects evaluated within the scope of the system.

In 2018, we have not directly rejected any projects due to noncompliance with the Environmental and Social Policy or its Exclusion List. We assessed 18 projects within the ESRA system and allocated a total of US\$ 1,165.5 billion in loans to 11 projects. Loans have been disbursed for the first 10 projects. The renewable energy projects among the 18 projects we assessed have a total capacity of 815 MW.

In 2018, we allocated over US\$ 1 billion in loans to projects we assessed within the ESRA System.

PROJECTS FINANCED THROUGH ESRA IN 2018		
Sectoral Breakdown		Loans Allocated (millions US \$)
Infrastructure	Bridges	548.7
	Highways	236
	Construction	236
Wind Power Plants [WPP]		94
Biogas		28.3
Solar Power Plants [SPP]		22.5
Total		1,165.5



The projects assessed by the system throughout the year are categorized as follows:

Risk category based on customer	Total assessed	Loan allocated	Disbursed
Category A	8	7	7
Category B	9	4	3
Category C	1	0	0

Risk category based on project	Total assessed	Loan allocated	Disbursed
Category A	9	7	7
Category B	7	4	3
Category C	2	0	0

Sustainable Product Portfolio

In its efforts to create lasting economic value for all stakeholders, Yapı Kredi develops environmentally and socially conscious, innovative products. We aim to address the changing needs of society with our sustainable product portfolio built upon the philosophy of our Sustainability Principles and the Sustainable Development Goals. As we expand the range of our sustainable products, we help Turkey’s economy become increasingly more inclusive, egalitarian, efficient and robust.

Climate-Oriented Products

It is critical for the banking sector to effectively manage climate change-related risks and take advantage of emerging opportunities. At Yapı Kredi, we prioritize offering “climate-oriented products” that support increasing the renewable energy capacity and energy efficiency in order to help Turkey’s transition to a low carbon economy. We also aim to contribute to the Sustainable Development Goals by expanding the volume and range of our climate-oriented products.

Financing renewable energy investments is strategically critical to help support both our sector and the growth of the national economy. To finance such projects, we collaborate with international financial organizations such as European Investment Bank (EIB), European Bank for Reconstruction and Development (ERBD) and Export Credit Agencies (ECA) and generate additional financial resources. In 2018, we initiated a new collaboration with the French Development Agency (AFD) subsidiary Proparco by signing a new €25 million loan agreement with a 10 year maturity. Furthermore, we secured TL 100 million in funding from the Turkish Residential Energy Efficiency Financing Facility (TuREEFF) program to support enterprises that sell highly energy-efficient products.

Supporting SMEs

In the framework of SME Banking we contributed TL 41.6 billion to the national economy in 2018.

Yapı Kredi works to create value for SMEs, the lifeblood of Turkey’s economy, and to support their sustainable development. Accordingly, we continue to develop products that best meet the needs of SMEs operating in various sectors. We aim to facilitate SMEs’ daily operations and enable them to swiftly access all financial services wherever and whenever they need. To this end, we continuously expand the selection of products and transactions offered via alternative channels and further improve our high-quality customer experience. Through our digitally oriented service model, in 2018 24% of our commercial loans were disbursed to SMEs via alternative channels.

In order to facilitate SMEs’ access to financial resources, we generate new sources of financing for SMEs through collaborations with domestic and international finance organizations. Our collaboration with the Credit Guarantee Fund [CGF] has the highest volume in financing support we offer to SMEs.

With an additional loan of TL 8.5 billion, we increased our market share in CGF-backed loans from 5.8% in 2017 to 7.3% in 2018. In terms of programs opened under CGF, we reached a market share of 11.6% in 2018.

Within the scope of our collaboration with the Union of Chambers and Commodity Exchanges of Turkey [TOBB], we offered SMEs loans with highly favorable interest rates through the “SME Support (Respite) Loan Program” where CGF is a guarantor. Within the reporting period, we allocated over TL 330 million in loans to nearly 3,000 customers as part of the SME Respite Loan program.

Supporting Agriculture

In line with our sustainable growth vision, in order to support Turkey’s financial development we develop solutions to provide actors in the agriculture sector easy access to modern manufacturing technologies and financial services. Under the umbrella of Agricultural Banking we offer special products and services tailored for the sectoral needs, including agriculture credit cards, agricultural insurance, grants and supports.

In addition to over 20 different loans that facilitate the lives of farmers and agricultural manufacturers, we provide financing for Turkey as part of our cooperation with the European Union Instrument for Pre-Accession Assistance for Rural Development [IPARD] program, developed by the European Union to support rural development. Agri Card users benefit from advantages such as maturity and interest-free payment shopping in the purchase of agricultural inputs

In 2018, we provided over TL 200 million funding to 522 projects as part of CGF’s agricultural business limit and a total of TL 461.6 million within the scope of Agricultural Banking.

Supporting Female Entrepreneurs

Yapı Kredi contributes to various women’s empowerment projects that address gender equality and employment of women. In addition to these efforts, we support women’s participation in the workforce and the economy through the Female Entrepreneur Loan. This product offers favorable terms for female customers’ short- and medium-term floating capital needs.

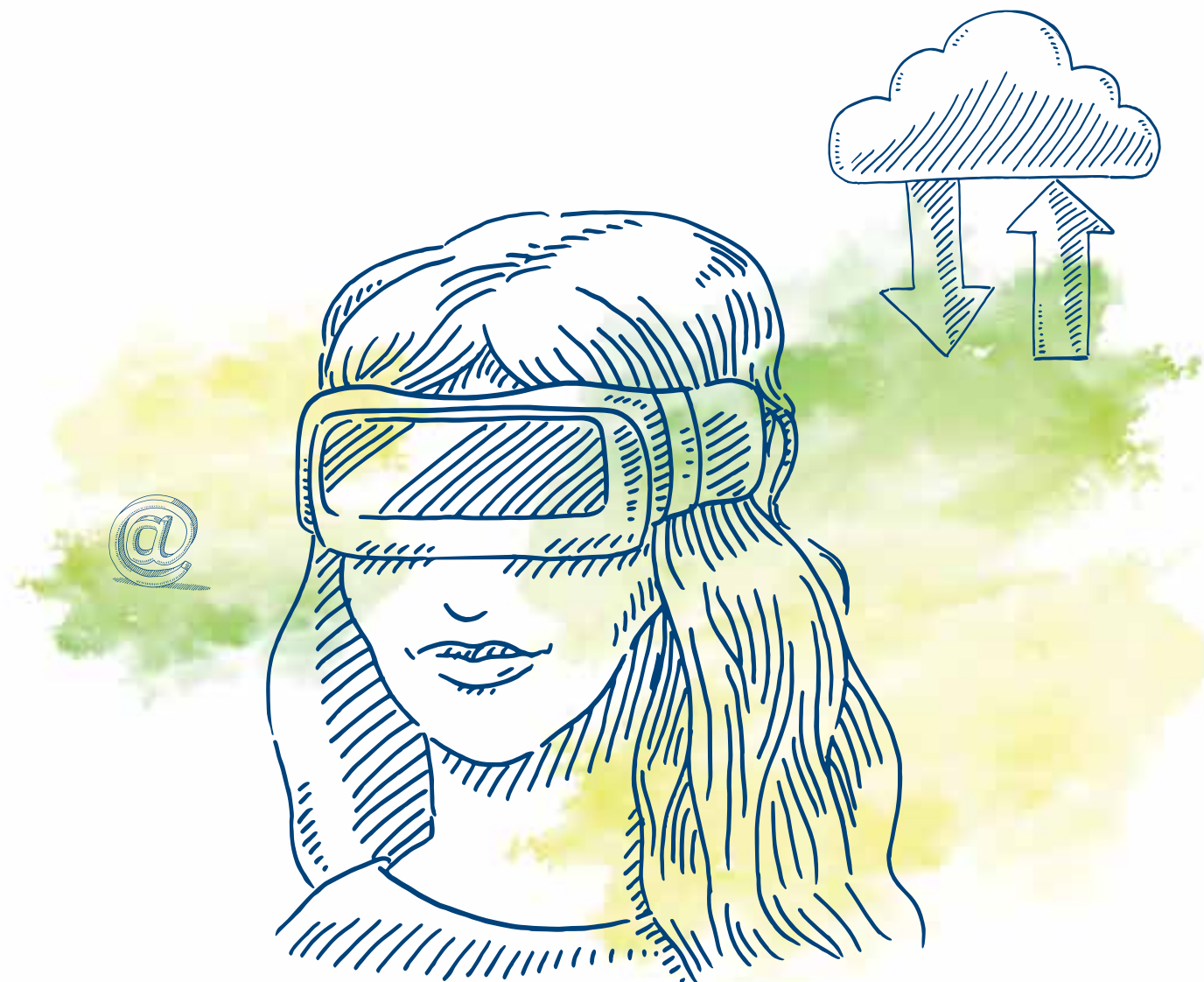
Within the reporting period, we provided over TL 65 million in loans to 325 projects by women entrepreneurs as part of the CGF

For My Country Fund

In order to support the “For My Country” project by Koç Holding, the umbrella project that aims to promote social responsibility among the Koç Group companies, employees, dealers and suppliers, we launched the “For My Country Fund” [Yapı Kredi Asset Management Third Variable Fund]. The fund enables Yapı Kredi to offer a tool for socially conscious and responsible investors. A certain portion of the revenues we obtain from the investments in the fund is used for social responsibility activities in the field of education within the scope of the “For My Country” project. We also continue to support Turkish Educational Foundation [TEV] and provide scholarships to five university students through the revenues from the fund.

Supporting the Youth

In addition to our programs that encourage young talent, Yapı Kredi supports young people’s education and participation in economic life through products that cater to their needs. Yapı Kredi Play Card, tailored specifically for young people, continues to offer them exclusive opportunities. Furthermore, we aim to contribute to developing financial awareness early on by informing youth about banking products and services. To this end, we share relevant posts and inform youth via the [Tips on Using a Credit Card](#) section on the Play Card website.



OUR INTELLECTUAL CAPITAL

SUSTAINABILITY REPORT 2018

<code.
yapi
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250 people
trained
via Code.YapiKredi program

Increase in
active mobile
customers
31%

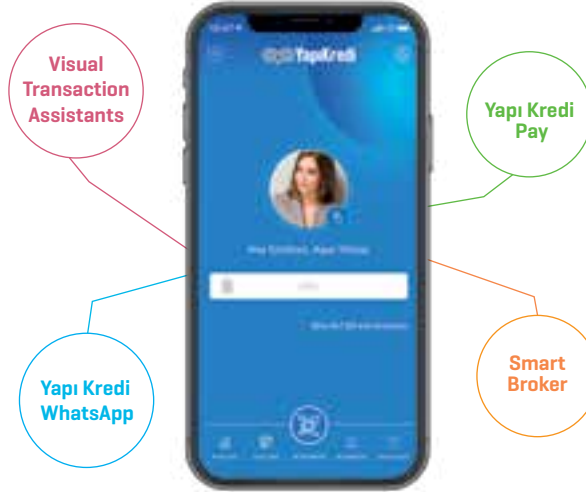
Increase in
active digital
customers
26%

40 awards
in Digital
Banking
from international
and local
organizations



“We develop innovative solutions
to make our customers’ lives easier”

In 2018,
through applications we developed,
we offered Yapi Kredi customers
various new digital conveniences.



ideas
brought to life via
Evreka Idea
Development Center



OUR INTELLECTUAL CAPITAL

Recent technological developments and digitalization are key trends that transform not only the finance sector but also the entire world. Technologies such as industry 4.0, cloud technologies, big data, Internet of Things (IoT), and artificial intelligence also affect the banking sector. The digitalization of banking activities offers many opportunities in effective customer relations, personalized products and services, operational efficiency, popularization of banking services and reducing dependence on branches. We focus on improving our intellectual capital in order to make the best use of opportunities offered by digitalization, meet our stakeholders’ expectations, ensure high levels of customer satisfaction, data and information safety and confidentiality.

We define our intellectual capital as our knowledge and competence in innovation and information technologies. We create value for our stakeholders by continuously improving our competence in these areas. Intrapreneurship, creativity and innovation are the most essential components of the Bank’s culture. We invest in the improvement of our intellectual capital; every year we allocate significant funds to R&D activities and the information technologies infrastructure, through which we develop products and services that make our customers’ lives easier.

Evreka

Evreka Idea Development Center was established to promote culture of innovation and encourage intrapreneurship across the Bank. Ideas on many different subjects including improvement of customer and employee experience, improving diversity of products and services, operational efficiency, and cost optimization are collected and actualized through this platform, which is open to all employees. In 2018, 51 ideas were put into action. 91 ideas collected throughout the year fulfilled the Evreka criteria. Accepted ideas were submitted to relevant departments for evaluation.

Digital Banking

As the digital bank of Turkey, we continue to invest in digital channels, particularly in mobile. We utilize technology to make customers’ lives easier and introduce innovative features and services. We strive to touch and add value to human life in every innovation we introduce. As part of our strategy to position mobile banking as the Bank’s remote control we offer a richer selection of applications that facilitate customers’ lives; by doing so, we aim to increase our sales and operational efficiency, boost digital innovation and improve the customer experience. We believe in the innovative and transformative power of digitalization and see it as the key to sustainable success.

Visual Transaction Assistants

Taking into account changing customer needs, for our digital channels we re-designed the initial experience of opening an account and becoming a customer. This new service model allows users to become Yapı Kredi customers without having to visit a branch, by simply contacting Visual Transaction Assistants via Yapı Kredi Mobile.

Yapı Kredi WhatsApp

As technology continues to make its way into all aspects of our lives, smart devices have become indispensable. This also drives certain changes in customers’ habits in the banking sector. Yapı Kredi is the first bank in Turkey to provide support services to customers via a verified corporate WhatsApp account. Through the WhatsApp powered by artificial intelligence-powered Banking Bots, users easily receive support on services and products and access all information they need via instant messaging. In addition, users can also contact customer representatives when needed.

Yapı Kredi Pay

In 2018 we expanded the scope of Yapı Kredi Pay services with three new payment solutions. When shopping online, customers can now complete payments by scanning QR codes via Yapı Kredi Mobile. Thanks to the Pay from Your Vehicle feature, customers buying fuel from Opet gas stations can easily pay without having to leave their vehicles. Lastly, payments from account on gib.gov.tr can now be made swiftly and conveniently using the password for Retail Internet Banking.

Smart Broker

The Smart Broker service available via Yapı Kredi Mobile and the Internet Branch offers customers quick investment opportunities with easy-to-understand stock market tips. Thanks to Foreign Exchange Savings and Gold Savings, customers can now perform regular savings transactions via Yapı Kredi Mobile and the Internet Branch.

Furthermore, we have integrated the **Near-Field Communication** (NFC) technology into our mobile banking application, a first in Turkey. Customers can simply open Yapı Kredi Mobile, tap the card icon on the login screen and hold their cards near the NFC reader behind their Android phones. Yapı Kredi Mobile recognizes the credit card, prompts users to enter their card PIN on the login screen. This way, users can log into the application without any other steps. This feature allows customers to log into Yapı Kredi Mobile and receive passwords by holding their credit card near their NFC-enabled phones. We added the Jet Transactions menu on the Yapı Kredi Mobile login screen enabling payments, cash deposits and withdrawals via QR code to be carried out swiftly. On customers’ birthdays, Yapı Kredi welcomes customers with an interactive Yapı Kredi Mobile login screen and a customized birthday-themed application icon.

In 2018, we continued to develop applications to improve the sales experience in order to build on the rich selection of products, features and sales available via our digital channels; help customers easily access the products they need and offer them proactive solutions.

We began offering both individual and corporate customers Findex packages via Yapı Kredi Mobile and the Internet Branch. To protect our customers against digital risks, we offer a new product in collaboration with Allianz called Digital Protection Insurance, which our customers can easily apply to via Yapı Kredi Mobile and the Internet Branch. Furthermore, we allow customers to get automobile insurance offers and policies for themselves and other persons in a swift and convenient manner.

Via Yapı Kredi Mobile, we enable corporate customers to perform quick cash withdrawals and deposits via QR code, Swift transfers to domestic and overseas foreign currency accounts, tax payments, stock exchange transactions and promissory note payments. Customers can also use POS receivables for payments without having to wait for the due date with a single order via POS Avans on Yapı Kredi Mobile and the Internet Branch. Yapı Kredi customers can instantly apply for a “business card” via Corporate Internet Banking. Furthermore, Corporate Internet Banking now features concessional loan, cheques/notes payment, dividing customs duty payments into installments, automatic SSI and tax payment orders, and Vodafone TL top-up functions. We also continued our branch digitalization efforts. Through our customer facing screens at branches, we expanded our digitally approved product portfolio; allowing us to improve the customer experience while also saving paper.

Our innovations in Digital Banking earned us 40 awards from international and local organizations in 2018.

Code.YapıKredi

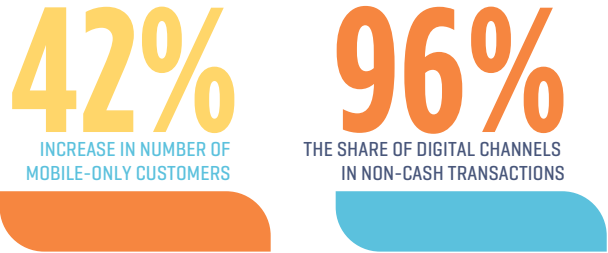
In 2016 we launched Code.YapıKredi with a vision to help equip the new generation with digital and algorithmic skills and support the growth of the Fintech ecosystem. Through this project, we aim to provide everyone free access to learn coding, an essential skill in today’s world. We organized various events at conferences and universities to inform interested participants, as well as face-to-face coding training. Over 250 people attended our in-class training sessions. In-class training sessions were complemented with further content offered via code.yapikredi.com.tr.

In 2018, we also launched Code.YapıKredi Accelerator Program for entrepreneurs. Through the program, entrepreneurs selected by Yapı Kredi get to grow their already existing products and services. During the 6-month program they receive training, consulting and mentoring.

You can access free online coding training courses via <https://code.yapikredi.com.tr/anasayfa>.

Open Banking API

In order to support developers’ product development processes, we offer 54 different banking programming interfaces [Open Banking API] that are open to everyone. In addition to this platform, which has been used more than 12,000 times so far, through the comprehensive training courses we provide on code.yapikredi.com.tr open to everyone, we make programming and product development content accessible to a wider audience



Technological Risks and Cyber Security

Developments such as Internet of Things [IoT], increasing use of cloud platforms and Industry 4.0 are moving the financial world into the digital sphere. This trend also results in cyber security and personal data security risks for institutions.

Digital transformation has led the banking sector to develop effective risk management tools to ensure security and confidentiality of customer data and manage cyber threats. As part of Information Technologies [IT] Risk Management, we have established the IT Risk Management Framework to identify threats against critical assets and processes, reveal and eliminate vulnerabilities, and prevent or mitigate losses in accordance with the Bank’s strategic objectives. As a result of annual risk assessments, we prepare an IT risk map and action plans, monitor processes and regularly report on the progress to the senior management. As part of Business Continuity Management at the Bank, we conduct analyses and tests to minimize the impact of technological risks.

Our innovative approach, customer oriented banking philosophy and vision to lead the banking sector in digital transformation assigns us great responsibility. Our corporate policies such as Rules to Protect Confidentiality of Customer Information, Code of Ethics and Business Conduct, Corporate Policy Regarding Protection and Processing of Personal Data and Information Security Policy go well beyond obligations and requirements as per the Banking Law and other relevant legislation. We regularly inform our customers on these corporate policies and measures they can take to ensure cyber security. All Yapı Kredi employees are obliged to comply with corporate policies and rules, and they are regularly notified of amendments to relevant legislation or rules. Every year we conduct tests to measure relevant staff’s level of awareness on these risks and threats. Based on the test results, we identify the strengths and weaknesses of our employees, organize training and awareness-raising activities to help them improve themselves and avert current threats. In 2018, we provided Information Security Training to 8,694 employees and achieved a 99% success rate among those who received the training. We assign great importance to data security, and accordingly, ensure that only authorized employees have restricted access to customer information, with all instances of access logged.

R&D and Collaborations

We aspire to become the first company that comes to mind in the banking sector regarding artificial intelligence and mobile banking technologies. To achieve this, we invest in R&D activities and technology. We develop projects in collaboration with universities. Furthermore, Yapı Kredi employees are invited to lectures as field experts to share their experiences in the industry. In 2018, we applied to the Ministry of Industry and Technology for the certification of Yapı Kredi R&D Center. We also invested TL 13 million in R&D and innovation through Yapı Kredi Technology.

Identity Verification Based on Behavioral Pattern Check [DAKOTA]

As part of this project carried out under the partnership of Galatasaray University and Yapı Kredi Technology, customers’ behavioral patterns in mobile banking are examined. The goal is to identify behavioral patterns and fraudulent behaviors; and to introduce features such as not requiring a password for transaction approval when user identity is verified; pre-warning on potential fraudulent behavior when differences in behavioral patterns are detected. These features are expected to operate on mobile devices with minimal battery use.

Deep Learning Based Document Classification and Information Retrieval System [SEDEF]

Customer orders are submitted via various channels such as fax and e-mail. The ordered transactions are then manually entered into system by banks’ central operations teams. The data entries are checked by the authorized personnel and approved if there are no errors, thus completing the transaction.

The artificial intelligence based SEDEF system automatizes the manual order classification and data entry steps, saving on manpower and time. SEDEF is developed by Yapı Kredi Technology with the consultancy of Istanbul Technical University [ITU], using deep learning techniques. The project is funded by Scientific and Technological Research Council of Turkey [TUBITAK].

Automated Processing and Analysis of Financial Documents Project [FOÇA]

The FOÇA project aims for retrieving information from corporate financial documents in different formats such as trial balances, balance sheets and income certificates. To goal is to combine data from financial documents submitted by different companies at various intervals to form charts depicting relations between customers and make sectoral and company-based financial inferences. The FOÇA project is carries out in partnership with ITU and funded by TUBITAK.

European Data Incubator [EDI]

Access to big data is critical for companies to develop innovative technologies; especially the innovation capacities of startups are based on access to big data. The EDI project brings together companies with big data with companies in need of big data. The project enables startups to access anonymous big data and provides mentoring services on using big data. In return, the startups develop innovative solutions for the companies that provide the big data. The EDI Project is funded by the EU Horizon 2020 R&D program.



OUR HUMAN CAPITAL

SUSTAINABILITY REPORT 2018

We Are the Bank with the Highest Female Employee Rate in Turkey



96%

96% Female employees' return-to-work rate after maternity leave



43%

Women in management positions



63%

Female employees



43.7 hours
of training
per employee



26%
increase

in hours of training per employee in comparison to 2017.

Employee satisfaction

74.5%



10,841
calls

received at
Employee Support
Helpline



OUR HUMAN CAPITAL

In order to create lasting value in the finance sector, Yapı Kredi prioritizes human capital. We invest in employee development and aim to become employees' first choice. We strive to offer our employees equal opportunities, support their professional development, improve their digital competencies, and provide a good work-life balance and a safe and healthy workplace. For our 18,101 employees, talent management and employee satisfaction constitute our material issues of investment.

As one of the biggest corporations in Turkey's banking sector, we support the Sustainable Development Goals with our practices regarding our human capital.

Strategic Goals

- To be Turkey's leading institution in human resources,
- To train the best bankers in Turkey's banking sector,
- In accordance with the Bank's digitalization strategy, organize training activities and events for the development of current employees,
- As the Bank advances towards its goals, supporting employees to discover and realize their potential.

Diversity and Inclusion

At Yapı Kredi, we believe that it is our main duty to treat all employees equally and fairly without discrimination. We especially support women's equal participation in all aspects of economic and social life and believe it is important to have women in leadership positions. As stated in the Yapı Kredi Human Rights Statement, we do not discriminate among our employees in any processes, including remuneration, recruitment and promotion, and embrace an egalitarian approach.

Yapı Kredi Human Rights Statement can be found [here](#).

33%

WOMEN'S PARTICIPATION IN THE WORKFORCE IN TURKEY

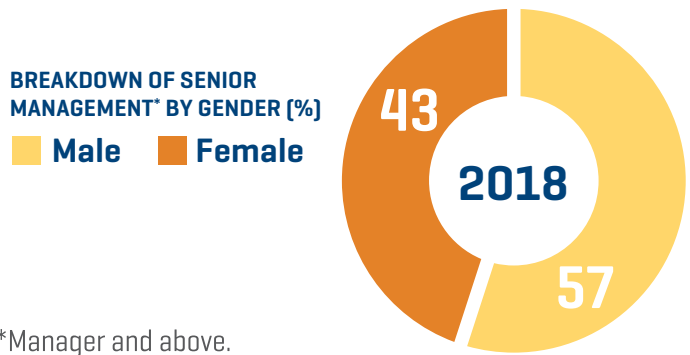
51%

WOMEN'S PARTICIPATION IN THE WORKFORCE IN TURKEY'S BANKING SECTOR

63%

FEMALE EMPLOYEE RATIO AT YAPI KREDİ

We carry out various activities in national and international platforms to support women’s empowerment. We comply with the Declaration on Equality at Work, established under the leadership of the Ministry of Family and Social Policies in collaboration with the World Economic Forum (WEF) to reduce gender inequality, and take the necessary steps to fulfill the commitments in the Statement. Furthermore, we take part in the “I Support Gender Equality for My Country” project launched by Koç Holding. As part of the “For My Country”, we gave gender equality trainings to 8,268 employees as of the end of 2018, including “Involved Fatherhood” seminars focusing on the father’s role in child development we offered to our male employees in collaboration with Mother Child Education Foundation (AÇEV). In 2016, we signed Women’s Empowerment Principles (WEPs) developed through a partnership between UN Women and UN Global Compact. Once again this year we participated in UN Women’s “HeForShe” initiative, calling men to action in leading advocacy efforts for gender equality and women’s rights, and the “16 Days of Activism” campaign focusing on gender-based violence.



*Manager and above.

Women’s empowerment was among the Human Resources department’s focus points this year. We give “Mobilizing Diversity” training to our middle-level executives to raise awareness across the Bank on gender equality. These training activities focus on embracing different languages, races, sexes, sexual orientations, characters and values. 90 executives received Mobilizing Diversity training in 2018. One of our middle-level executives also participated in the “The Women in Leadership: Expanding Influence and Leading Change” program at the Columbia Business School. The program content focuses on developing leadership skills such as determining personal vision and goals, change management, negotiation techniques, conflict management, storytelling and resilience.

We care about women employees returning to work after their maternity leave and continuing to move forward in their career. A daycare center serves the children of our employees working at Istanbul’s Asian side and Yapi Kredi Bilfen Preschool serves the children of employees working at the Yapi Kredi Banking Base. With the help of these facilities, female employees’ return-to-work rate after maternity leave increases every year.

We respect our employees’ right to collective bargaining and freedom of association. To inform all employees about their union rights, the articles of collective labor agreements are communicated via the Bank’s communication channels and within the orientation training sessions. 57% of our employees are union members and collective labor agreements with BASİSEN (Banking-Finance and Insurance Workers Union) are signed biannually. We aim to deliver solutions for workplace problems in a swift and timely manner, maintain labor peace between the Bank and union members, and increase efficiency through the Employee Relations Advisory Board (ÇİDAK) established within Yapi Kredi.

Talent Management

We recognize that achieving the Bank’s strategic goals will only be possible with qualified and well-equipped employees. This is why we emphasize talent management. Through performance and career management, we support our employees to realize their potentials. We design trainings for the personal and professional development of our employees, supporting to develop their competencies. In addition to contributing to existing employees’ development, talent management also allows discovering and welcoming new talent into the Bank.

Performance and Career Management

We employ performance and career management to improve employees’ performances and support their careers at the Bank in the long-term. Our employees go through regular annual performance and career development evaluations. In 2018 we evaluated 98% of our employees. We evaluate performance based on two categories: business outcomes (objectives) and way of doing business (behavior). While we currently perform evaluations once a year, in 2019 we plan to perform evaluations twice.

Based on evaluation results and employees’ career goals, we design and implement career development programs. As part of career planning, we support employees with meetings in person interviews and Open-Door Career Days to help them lead their own careers. We announce all vacant positions on our employee portals, supporting employees to transfer to different positions within the Bank. When evaluating candidates for vacant positions, our employees’ applications always take precedence. Our employees are also free to apply to all vacant positions announced on the Koç Career platform.



Employee performance evaluation also informs remuneration. Every April and October, we determine wage increase rates based on market conditions, realized inflation rates, positions and grades, employees’ individual performances and the market position of their wages.

You can find Yapı Kredi Remuneration Policy [here](#).

We also offer various fringe benefits to our employees, such as health insurance, life insurance, employee support program, shuttle services, contributory private pension and Koç Ailem [My Family] Card that provides advantages in a variety of services.

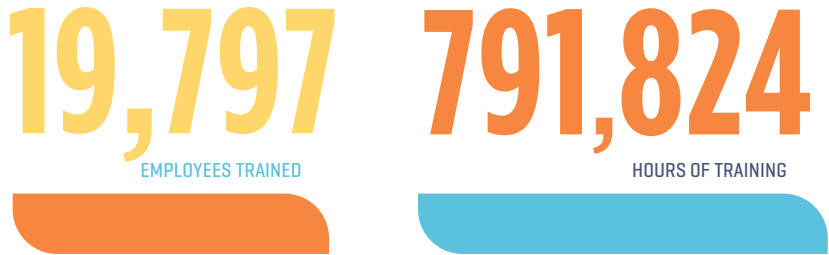
Training Programs

We believe that training plays a significant role in career development. We organize training programs in line with the Bank’s strategic goals that help develop employees’ personal and professional skills. By doing so, we also improve customer satisfaction by training better-equipped and qualified employees.

Established in 2008 and offering various training and development opportunities, Yapı Kredi Banking Academy [YKBA] is our most valuable tool in talent management. Led by 230 internal trainers, featuring educational content designed in partnership with universities and leading consultants in the sector, YKBA offers development opportunities to our employees, their families, our customers and university students.

As part of technical training and professional development, we provide our employees training courses in a wide range of subjects including sales skills, stress management, effective presentation techniques and foreign languages. We offer Basic Training Programs for the orientation of newly hired members of staff, tailored for the requirements of their position. We design special development programs for high-potential employees. In addition to in-class training sessions, employees can access these programs via mobile applications and web-based learning portals such as e-Academy and My Digital Library.

As part of our Leadership Development efforts, we continue to support the development of our managers though partnerships with leading business schools and universities.



Director Development Program

Leadership, future of banking, strategy, economy and technology themed seminars were organized for directors within this program. Through the Harvard Business School online course titled HBX Disruptive Strategy, directors worked in teams on adapting these strategies to the Bank’s processes. Through the Internal Mentoring Program, newly appointed managers and directors were mentored by more experienced executives. As part of the Regional Manager Development Program, online seminars focused on self-management and managing business, relationships and teams were offered to regional managers. Their development was also supported with mentorships from executive coaches.

Leading in a Global World

Our executives from different teams participated in the Leading in a Global World program, designed in partnership between Boğaziçi University and Texas University for middle-level executives. Participants received training to develop leadership skills in the global business world and had the opportunity to observe different practices through company visits.

Koç Holding Programs

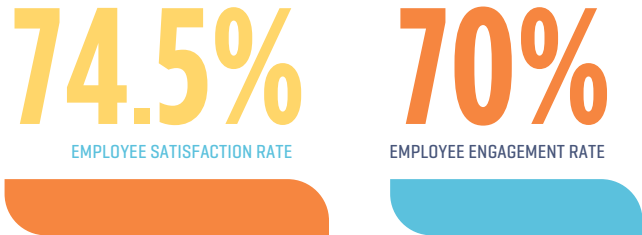
Our employees from various teams and positions participated in leadership training courses as part of Koç Holding LEAD Catalog Programs. Designed by Koç Holding for senior executives, the development program aims to support leadership skills executives need in the digital world.

Master’s Program Partnerships

Through our partnership agreements with Koç University, Bilgi University, Bilkent University, Kadir Has University, Ozyeğin University, Istanbul Ticaret University, Bahçeşehir University and Yeditepe University, our employees can enroll in master’s programs at discounted rates.

Employee Satisfaction

We prioritize increasing employee satisfaction, which forms the basis of the Bank’s success. We participate in the employee satisfaction surveys annually conducted by UniCredit and Koç Holding in order to understand employees’ expectations and needs and to measure their levels of satisfaction.



The survey results on employees’ perceptions of the company, training programs, development, performance management, rewarding and infrastructure opportunities are shared with the senior management. The results are evaluated and necessary actions are taken. We conduct a New Recruits Survey to newly hired employees to learn about their orientation and adaptation experiences.

Employees can submit their complaints regarding employee rights, working conditions, mobbing, managers’ attitudes, and human rights violations to the Ethics Helpline under the Compliance and Internal Control department. They can also submit questions and requests regarding HR practices and personal rights to the relevant career consultant, their managers, HR Helpline and via Ask HR on the HR IT Self-Service system.

Employee Support Helpline

We recognize the importance of a good work-life balance to ensure employee satisfaction. Through the Yapı Kredi Employee Support Program launched in 2010, we provide 24/7 free consultancy services for Yapı Kredi employees and their families on financial, medical, legal, psychological and health-related issues. This year the Employee Support helpline received 10,841 calls.

We encourage our employees’ participation in volunteering activities. Many Yapı Kredi employees support projects as volunteers under the Yapı Kredi Volunteers Platform.

For detailed information on Yapı Kredi Volunteers, see the report’s section titled our Social Capital.

Furthermore, we also offer sporting opportunities to employees. In addition to sports activities organized under the Yapı Kredi Sports Club, we participate in Koç Group Sports festivals and organize Yapı Kredi Sports Festivals. Since 2005 we carry out an in-house sponsorship project to support employees’ participation in sports activities. As part of this project, 10 employees we supported enjoyed various accomplishments in national competitions as well as international competitions they participated in with the national team.

HR HELPLINE RESPONDED TO

10,882

CALLS

QUESTIONS ANSWERED

23,964

VIA ASK HR

Occupational Health and Safety (OHS)

Yapı Kredi regards human beings as the most valuable asset in all its activities. Accordingly, it is our foremost duty to minimize potential losses through providing and constantly improving a safe and healthy work environment.

We encourage employee health and endeavor to prevent physical injuries and occupational diseases through uncompromising compliance with the occupational health and safety standards and the participation of everyone within the organization.

We take the necessary measures to prevent accidents and increase the awareness of employees, subcontractors, suppliers and visitors through training sessions, seminars and other communication activities led by workplace doctors and occupational safety experts. To achieve zero occupational accidents and diseases, we identify and assess risks within our operations specific to the banking sector and carry out activities to eliminate and/or reduce these risks to an acceptable level.

The Human Resources Operations and Industrial Relations Manager is the manager responsible for occupational health and safety, with only two reporting levels under the CEO.

Yapı Kredi is classified as a low-hazard workplace and employs an “Occupational Health and Safety Policy.” As per the relevant legislation, our occupational health and safety activities are carried out in two categories: locations with less than 50 employees and locations with 50 or more employees.

We have 18 regions with 50 or more employees. In these regions our Occupational Health and Safety Boards convene at least once every three months, with the participation of 63 employees as representatives. 40% of employees are represented in the Occupational Health and Safety Boards.

Human Resources Operations and Industrial Relations and Business Continuity Departments collaborate to prepare contingency plans. Products to be used at the Bank need to be assessed in terms of chemical, biological and physical hazards and approved.

We carry out planned and unplanned audit visits at sites, report the audits and share results with relevant departments.

The resulting action plans are monitored. We examine all accidents that take place during operations, near-miss incidents, and incidents that pose health hazards and injury risks and take preemptive measures to prevent reoccurrence. We inform and train all employees and subcontractors on occupational health and safety issues to help increase their awareness and improve their relevant skills and competencies.

The Yapı Kredi Occupational Health and Safety Policy can be found [here](#).

53,887

HOURS OF OHS TRAINING

7%

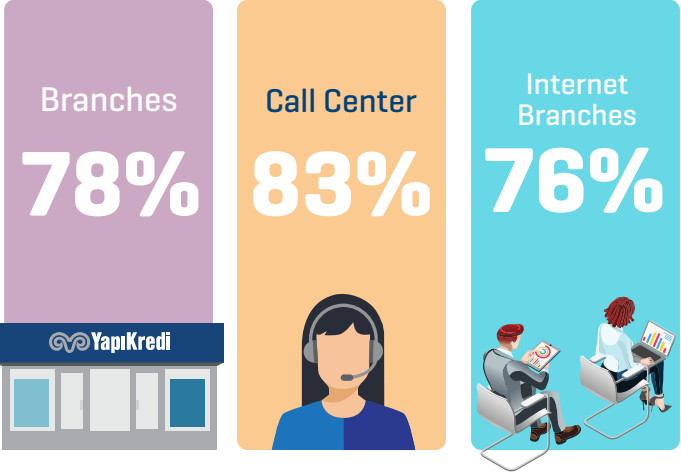
SHARE OF OHS TRAINING WITHIN
TOTAL TRAINING PROVIDED



OUR SOCIAL CAPITAL

SUSTAINABILITY REPORT 2018

Customer Experience Scores



UniCreditGroup Best Practice:
ATM Direct Cash Debiting

More than
142,000
art lovers
attended events at
the Yapı Kredi Culture Center

252 new titles
and a total of
1,200 titles from
Yapı Kredi Publications

Distance learning courses to
15,671
300 employees and sign
language training to
“No Barriers for My Country”
project

Partnerships for Goals

Signatory to Global Compact
Network Turkey Declaration on
Sustainable Finance since
2017 and we contribute to
its revision every year.

Supporting WWF-Turkey's
“Turkey's Soul” project since
2014.

Supporting over **255,000**
children's education through the
“I Read, I Play” project in collaboration
with Educational Volunteers
Foundation of Turkey (TEGV) since **2006**.

OUR SOCIAL CAPITAL

The banking sector influences a wide ecosystem of stakeholders from all walks of life. At Yapı Kredi we see it as our duty to make lives easier for our customers and contribute to the development of society. Based on the belief that our strong customer relationships form the foundation of our activities’ sustainability, we always prioritize providing a superior customer experience.

As one of the sector’s leading actors and vanguards of the national economy, Yapı Kredi encourages an inclusive development model that embraces all segments of society. With a strategic approach, we consider the sustainability of our business together with our social impact. We believe that prosperous societies contribute to the development of the business world. Based on this belief, we focus on contributing to social well-being and prosperity and take guidance from the United Nations 2030 Sustainable Development Agenda.

- Strategic Approach
- Long-lasting and mutually value-creating stakeholder relationships
 - Contribution to social prosperity
 - Unconditional customer satisfaction

Customer Oriented Banking

We embrace a customer oriented banking approach to achieve sustainable performance in the long-term. We invest in technology and focus on innovation to best meet the needs of our customers. Providing the best experience to our wide customer portfolio including customers with disadvantages ranks among the highest priorities in our business strategy.

Customer Communications

Effective customer communications lie at the heart of customer satisfaction. Our communication philosophy is based on fully responding to all customer questions and expectations and being the Bank that always provides solutions. Built on this philosophy, our communications with customers carry us forward in the sector and play a significant role in ensuring the sustainability of our activities.

We improve our products and services based on customer feedback. We believe in highlighting customers’ ideas in our development journey and growing together. We manage customer communications in accordance with the international ISO 10002 Customer Satisfaction Management System Certification standards.

Customers can submit complaints to the Customer Relations Center (CRC) by phone, mail, e-mail and via social media and the complaint form available on our website. They can monitor the status of their complaints and issues pertinent to their feedback via the Record Tracking System. In 2018, Yapı Kredi has responded to and resolved 93% of complaints submitted to the CRC. Of the complaints regarding violation of customer confidentiality and data loss, 73% were answered and resolved. As reported in the Voice of Customer, the reason for unanswered complaints is not being able to reach the customers or erroneous records.

Customer Satisfaction and Experience

With our dedication to deliver, at Yapı Kredi we always strive to provide customers with the best experience. Effective customer communications constitute the foundation of this philosophy. We collect customer feedback to improve customer experience across all channels. We comply with regulatory requirements; to maximize our service quality, we monitor customers’ experiences at the branches and via CRC on a daily basis. This year we received feedback from nearly 600,000 customers on services provided.

The Innovation and Customer Experience Department, which we established to highlight customer experience across all channels, analyzes customer feedback, customer satisfaction survey results, social media posts and complaints and works to improve the customer experience. The department also analyzes customer behaviors and customers’ system trails to develop proactive solutions to prevent potential problems customers may encounter. As a result of these analyses, we hold focus groups with customers on areas in need of improvement and receive customer feedback before implementing designed solutions. In 2018, we implemented 36 improvements through this method. Furthermore, the ATM Direct Cash Debiting method developed by Yapı Kredi has been selected a best practice within UniCredit. When banknotes get stuck in the ATM, this system allows instant cash debiting when all banknotes are verified, without requiring a request or complaint by the customer.

The “Customer Experience Index,” calculated based on operational service and customer perception performance indicators, helps us measure customer experience and improve our performance. In 2018 the customer experience scores for the branches, call center and Internet branch were respectively 78%, 83% and 76%.

We make sure employees participate in our efforts to improve the customer experience. In 2018, 91 ideas from employees to improve customer experience were approved and forwarded to relevant units to become projects to implement. So far, 51 ideas from employees have been realized.

Yapı Kredi’s Customer Satisfaction Policy can be found [here](#).

As the digital bank of Turkey, we invest in technology and innovative tools. We make our customers’ lives easier by offering them the latest developments in technology through products such as Visual Transaction Assistants, support via WhatsApp, and Digital Protection Insurance.

For detailed information on our digital banking solutions, see the report’s section titled [Our Intellectual Capital](#).

Based on customer feedback and our analyses, we reduced response time to customer pleas and complaints from 2.1 days to less than a day, making us the sector’s leader.

Social Investments

In addition to contributing to the economy, we attach great importance to creating social good and supporting social development. We carry out social responsibility projects in relation to sectors within our impact area. As part of our corporate citizenship initiatives, we have taken on various projects in culture and arts, education, and environmental responsibility that serve all walks of life. In 2018, we made investments worth TL 18 million with a vision to help create a society developed in culture and the arts and with access to information and technology. While aids and donations made up 79% of these investments, the remaining 21% was dedicated to corporate social responsibility efforts.

Our [website](#) launched in 2018 features all corporate social responsibility projects up-to-date.

Enabled Banking

For individuals with disabilities, access to financial services is critical for participation in social life. At Yapı Kredi, we strive to facilitate lives of users with disabilities with our banking services. As part of Enabled Banking we initiated in 2008, a first in Turkey, we provide pioneering services across ATM transactions and digital channels.

Enabled ATMs are designed for our customers with physical and visual impairments. Our digital channels include voice transactions for customers with visual impairments and online chat feature for customers with hearing impairments. ATMs are open to all customers; where customers with disabilities perform transactions free of charge and are given precedence when they contact the CRC.

In addition to Enabled Banking practices, we also provide employment for individuals with disabilities and support their participation in economic and social life. As part of the “Home Agent” project we launched in 2014, individuals with disabilities can work from their homes to join our workforce. In 2018, we employed 5 individuals within the scope of the project.

As part of the partnership of Yapı Kredi Publications (YKY) and Assistive Technology and Education Laboratory for Individuals with Visual Disabilities (GETEM), in 2018 413 books were converted into audio books and made digitally available. Audio books can be accessed by phone 24/7. We collaborated with the Federation of Hearing Impaired on the “Speaking Is in Our Hands” project and provided sign language training to 300 employees at branches. We participated in the “No Barriers for My Country” project led by Koç Holding, providing distance training to 15,671 employees to create value for and facilitate lives of individuals with disabilities.

Detailed information on our Enabled Banking practices can be found [here](#).

Education for Society

Education is among our long-lasting social investment commitments. Through our efforts in this field, we support raising socially and environmentally conscious individuals. Our partnership with Educational Volunteers Foundation of Turkey (TEGV) continues to support through extracurricular activities the development of children who cannot access modern education opportunities. As of the end of 2018, we reached over 255,000 children through the “I Read, I Play” project and supported their education.

A social development project initiated in 2017 by the Young Guru Academy (YGA), the Science Movement project aims for contributing to raising well-educated individuals in all segments of the society. We started supporting the project with the participation of Yapı Kredi Volunteers. YGA and Yapı Kredi Volunteers meet with children at science sessions and demonstrate through experiments and projects how seemingly complicated technologies are in fact quite simple. The project started with the name “Science Migration to Anatolia” in October 2017, targeting children under state protection. As of September 2018, with the new title “Science Movement,” the project scope was expanded to provide Science Kits to rural schools.

With the Colorful Pens project, we aim to take the objectives and mission of I Read, I Play education program one step further. As part of Colored Pens, children publish their own newspapers with the mentorship of experienced journalists and TEGV instructors. Since 2017, we began to publish the Colored Pen Newspaper online via www.renklikalemler.org In 2018, 19 local Colored Pens newspapers were published across 19 TEGV activity locations.

In 2018 we continued supporting the Anatolian Scholarships Program, established by Koç University in 2011, with scholarships to 10 students. Another significant investment in education is the Yapı Kredi Vocational and Technical Anatolian School, opened in the 2008-2009 academic year. The school serves more than 500 students in its Child Development and Education, Graphics and Photography, Information Technologies, Catering, and Office Management programs.

Vadaa, the Yapı Kredi World mascot closely associated with Worldcard, was transformed into a plush toy in December 2014 to support children’s education. In partnership with TEGV, the Vadaa toy is for sale at various stores to support education.

Culture&Arts

Our vision and efforts to become the Bank of culture and arts and has positioned Yapı Kredi as the banking sector’s role model. Through our projects, we support social productivity in the field of culture and arts.

Yapı Kredi Culture Arts and Publishing [YKKSİY] works to unearth cultural assets about to be forgotten, build on existing cultural and artistic heritage and help pass it on to future generations and to support culture and arts activities. Last year, Yapı Kredi Publications has published 1,200 titles, 252 of which were new titles.



Active since 1964 at İstiklal Street, the heart of Istanbul’s cultural heritage, the building of Yapı Kredi Culture Center was refurbished and re-opened in 2017. The center comprises a gallery, a museum, a public library and Yapı Kredi Publications and has a major role in the culture and arts world with the various events it hosts. The public library is a significant tool to allow public access to knowledge and cultural heritage. Throughout 2018, more than 142,000 people attended the events held at the Yapı Kredi Culture Center performance hall Loca and Oda, located at YKY Beyoğlu Bookstore.

Since 1997, Yapı Kredi organizes the annual Yapı Kredi Afife Theater Awards to commemorate Turkey’s first theater actress Afife Jale and to increase public awareness and interest in theater.

Yapı Kredi has been the main sponsor of excavations at Konya Çatalhöyük, witness to nearly 9,000 years of history. We continued our lasting support to the excavations in 2018 as well. To attract more attention to the excavations at the UNESCO World Heritage site and the archaeological findings so far, we sponsored the “The Curious Case of Çatalhöyük” exhibition by the Koç University Research Center for Anatolian Civilizations [ANAMED]. The exhibition that featured interactive exhibition methods such as laser-scanned overviews of excavation areas and immersive Virtual Reality [VR] opportunities that bring the Çatalhöyük settlement back to life, also met with archaeology-enthusiasts at the Brunei Gallery in London from September to December.

Environment

As part of our corporate citizenship philosophy, we believe it is our duty to leave a more livable world for future generations. We carry our various projects to protect our natural resources and minimize our environmental impact. As part of the recycling project we launched in 2011, we sort our waste at the head office and regional buildings. Since 2014, we support the “Turkey’s Soul” program led by WWF- Turkey to protect biodiversity of Turkey. To call attention to global climate change, we participate in World Wide Fund for Nature’s [WWF] Earth Hour movement and carry out internal communication activities to encourage our employees’ participation as well.

Yapı Kredi Volunteers

While we support social development through financing, we also make a point of encouraging our employees’ social consciousness and responsibility and their contribution to social development as volunteers. Our employees participate in various social responsibility projects as part of the Yapı Kredi Volunteers Platform.

Detailed information about Yapı Kredi Volunteers’ projects can be found on the [Our Social Responsibility Projects section on our website](#).





OUR NATURAL CAPITAL

SUSTAINABILITY REPORT 2018



15% decrease
in energy consumption
in comparison to
2017

19% decrease
in greenhouse
gas emissions
[Scope 1+2+3]
in comparison to
2017



Goal to obtain ISO 14046 Water Footprint Statement of
Conformity for our head offices and service buildings in 2019.



Goal to reduce electricity
consumption by
5% in 2020
in comparison
to 2015



Goal to reduce energy
consumption-
related emissions by
5% in 2020
in comparison
to 2015

Goal to accomplish
zero waste
at the head offices
in **2020**



We cancelled out the **2018**
energy-related
indirect carbon
**emissions of
our Head Office**

We
reduced
our paper
consumption by
27%
in comparison to 2017.



Taking part in the **CDP** Climate
Change and Water Program,
we transparently report on our
climate change and
water performance.



OUR NATURAL CAPITAL

The growing global population is leading to depletion of natural resources and today we face many environmental problems such as climate change that are in need of urgent solutions. We attach great importance to taking the necessary steps towards overcoming these problems and protecting our natural capital. We monitor the direct and indirect environmental impacts of our activities and work towards minimizing them. We define the impacts of our activities as “direct impacts” and the impacts of projects we finance as “indirect impacts.”

We closely monitor our environmental performance and make improvements wherever needed. We follow global trends and developments within to keep our Environmental Management System up-to-date. We set annual and 5-year environmental management targets across the bank. We closely monitor our environmental performance to reach our targets. To do so, our corporate policies set our environmental management standards above and beyond the regulatory requirements. Yapı Kredi Head Office buildings; Yapı Kredi Plaza D Block and Banking Base facilities received ISO 14001:2015 Environmental Management System (EMS) Certification. In accordance with our goal to expand the scope of ISO 14001, this year our domestic subsidiaries; Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi-Koray Real Estate Investment Trust, Yapı Kredi Cultural Activities, Arts and Publishing, Yapı Kredi Asset Management and Yapı Kredi Invest also received the environmental management system certification. As a result, the buildings in which 35% of our employees operate are certified with ISO 14001 Environmental Management System Certificate. Furthermore, we measure and certify greenhouse gas emissions at five facilities, namely the Banking Base, Yapı Kredi Plaza D Block, Darıca Archive Building, Bayramoğlu Training Facility and Yeniköy High Forest, in compliance with ISO 14064 requirements.

Detailed information on the Environmental Management System can be found [here](#).

We offer training courses and opportunities to ensure all employees fully understand and embrace these international management standards. In 2018, 56% of our employees at the ISO 14001 certified facilities received environmental and ISO 14001 trainings. We also extended these training opportunities to 570 employees of subsidiaries and 360 employees of subcontractors.

Environmental Targets:

2019 Targets (Baseline: 2018)
Reduce water consumption by 1%
Reduce greenhouse gas emissions by 1%
Reduce A4 paper usage and paper waste by 1%
Obtain ISO 14046 Environmental Management,
Water Footprint Statement of Conformity for our head offices and service buildings
2020 Targets (Baseline: 2015)
Reduce electricity consumption by 5%
Reduce energy consumption-related emissions by 5%
Zero waste at the head offices

In 2018, we prevented 134.91 thousand tonnes of CO₂e and other greenhouse gas emissions by upgrading the lighting systems across the Bank in 2018. We also expect to save 273 MWh in energy by upgrading our heating and cooling systems.

Responsible Financing

Our financing constitutes our main impact area. For this reason, we make sure projects we finance do not have a negative environmental impact. In line with our responsible financing philosophy, we evaluate the environmental impact of all projects we finance. All loan requests submitted to the Bank are assessed in accordance with the Assessment of Environmental and Social Risks of Credit Activities process. All projects are evaluated according to their category in terms of environmental risks and only those projects that can meet the necessary criteria are granted funding. By doing so, we control our indirect impact on the environment and encourage responsible investments through our responsible financing approach.

For detailed information on this subject, see the report’s section titled [Responsible Financing](#).

In 2018, we contributed to Turkey’s sustainable growth by allocating approximately US\$ 250 million in loans to renewable energy projects with a total capacity of 470 MW.

Climate Change

Global climate change brings along high risks that concern various sectors. Accurately identifying the potential impacts of these risks and leading investments accordingly is of critical importance. As one of the major actors in the banking sector, Yapı Kredi assumes great responsibility in guiding financial resources to be used in the right areas.

This responsibility requires us to effectively monitor our operational activity-based performance, as well as the performance of projects we finance. We constantly review current processes and take steps to increase efficiency wherever possible. In this regard, our environmental expenditures amounted to approximately TL 1.2 million in 2018.

Since 2011, we regular monitor the greenhouse gas emissions of our operations. We observe the change in our performance over time and make the necessary improvements. We measure and certify direct (Scope 1) and indirect (Scope 2) emission values at five facilities including head office and service buildings .Furthermore, we calculate and monitor in detail the Scope 3 emission values, which include paper usage at offices, fuel consumption of employee service vehicles and company vehicles, as well as business travel by air.

Since 2016, we take part in the Carbon Disclosure Project (CDP) Climate Change Program, where we transparently disclose our carbon emissions values and climate change-related targets. We will continue to effectively monitor our greenhouse gas emissions and develop projects to reduce them.

In 2019, we purchased Gold Standard (GS) certified voluntary emission reduction rights (carbon certificates) for 3,138 tonnes of CO₂ generated by the Mut Wind Power Plant in Mersin, cancelling out the indirect greenhouse gas emissions of the Yapı Kredi Head Office Plaza D Block in 2018.

Water Management

Water management constitutes a major part of our efforts towards using natural resources efficiently. We closely monitor water usage at the head office in order to reduce water usage and increase efficiency. In light of the data thus collected, we aim to make the necessary adjustments and reduce our water consumption.

Our goal is to obtain the ISO 14046 Water Footprint Statement of Conformity for our head offices and service buildings in 2019, which will validate our effective water management system by international standards.

Recognizing the weight of water scarcity, we transparently disclosed our company's water usage and water management details in the 2018 CDP Water Report. The report we published for the first time in 2018 earned us a B score, which made us Turkey's highest ranking bank in this field and placed us among the five companies to receive a B score.

Waste Management

Waste management helps improve our environmental performance. Through our long-lasting projects, we aim for generating less waste and increasing the percentage of recyclable waste in the overall waste generated.

We plan to establish a monitoring and implementation system to accomplish our zero waste goal at the head office by 2020 and stop sending waste to sanitary landfills.

Thanks to our recycling project that has been ongoing since 2008, in 2018 we collected over 1,000 tonnes of paper, 3 tonnes of plastic, over 2 tonnes of glass and over 29 tonnes of metal for recycling. In doing so, we prevented 180,522.38 kilograms of CO² emissions and 4,150.39 MWh of energy consumption. The recycled waste also saved 2,677.44 m³ of storage space.

We attach great importance to recycling our waste, in order to eliminate the environmental impact of our operations. We recycled 85.88 tonnes of hazardous and 1,351 tonnes of non-hazardous, thus 1,437 tonnes of waste.

Reduce paper consumption

Through our innovative investments in digitalization and digital processes offered to customers, we allow many traditional transactions to be performed without any paperwork. With our "Screens Facing Customers" project, customer approvals and signatures can be obtained digitally, thus significantly reducing paper usage at the Bank.

Within the scope of our Paperless Office project, we developed and launched a mobile application that will minimize paper consumption. With our efforts to save paper, we reduced our paper consumption by 27%, from 1,306 tonnes in 2017 to 957 tonnes in 2018.

For detailed information on digital approvals and other digital solutions, see the report's section titled [Our Intellectual Capital](#).

Biodiversity



WWF Turkey's Soul: Since 2014, Yapı Kredi supports the "Turkey's Soul" grant program, led by WWF-Turkey and implemented by local civil society organizations with the aim of raising awareness about biodiversity and protecting endangered species. As part of the Turkey's Soul program, in the 2017-2018 period protection efforts have been carried out to protect wetland birds such as velvet scoters [Melanitta fusca]; sea mammals such as sperm whales [Physeter macrocephalus] and beaked whales [Ziphius cavirostris and Mesoplodon sp.]; and corals such as the Mediterranean endemic white gorgonian [Spinimuricea klavereni], small gorgonian [Paramuricea macrospina] and yellow gorgonian [Eunicella cavolini] that dwell in gorgeous natural lands in Turkey and their habitats.

Appendix 1: Corporate Memberships and Initiatives

- Interbank Card Center / BKM
 - Turkish Marine Environment Protection Association/ TURMEPA
 - Foreign Economic Relations Board / DEIK
 - Ethics and Reputation Society / TEID
 - Financial Literacy and Access Association / FODER
 - Institute of International Finance / IIF
 - Foundation for Economic Research / IAV
 - Istanbul Foundation for Culture & Arts / IKSV
 - Izmir Foundation for Culture & Arts / IKSEV
 - Credit Reference Agency / KKB
- Corporate Communication Professionals Association / KID
 - Corporate Volunteers Association / OSGD
 - Advertisers’ Association
 - Learning and Development Association of Turkey / TEGEP
 - TURKTRADE
 - Family Health and Planning Foundation of Turkey / TAPV
 - Banks Association of Turkey / TBB
 - Corporate Governance Association of Turkey / TKYD
 - International Chamber of Commerce - Turkey / ICC
 - Turkish Industry and Business Association / TUSIAD

Initiatives

- United Nations Environment Programme Finance Initiative / UNEP FI
 - Women’s Empowerment Principles / WEPs
 - United Nations Global Compact / UNGC
 - International Finance Corporation / IFC - Social and Environmental Performance Standards
- Equality at Work Platform and Declaration
 - Turkey Residential Energy Efficiency Financing Facility / TuREEFF
 - For My Country Project
 - Visa Colorful Horizons / I Can Manage My Money Program

Appendix 2: 2018 Awards

BANKING	
Best Private Banking Services Overall Category, 1 st Place	Euromoney Private Banking and Wealth Management Survey
Philanthropic Advice Category, 1 st Place	Euromoney Private Banking and Wealth Management Survey
International Clients Category, 1 st Place	Euromoney Private Banking and Wealth Management Survey
Best Private Bank, Turkey	International Finance
Best Private Bank, Turkey	Global Banking and Finance Review Awards
Digital Workforce Project: VISA Operational Excellence Award	Vizyonist 2018
BANKING SERVICES & PRODUCTS	
VISA Individual Credit Cards Transaction Volume - Leading Bank	Vizyonist 2018
VISA Commercial Credit Cards Transaction Volume - Leading Bank	Vizyonist 2018
VISA Commercial Bank Cards Transaction Volume - Leading Bank	Vizyonist 2018
Digital Protection Insurance: Software & Insurance Solution Category - Best New Product or Service of the Year Silver Stevie Winner	Stevie Awards
Trade and Export Finance of the Year, 1 st Place	Bonds&Loans
M&A, Acquisition Finance Deal of the Year - 2 nd Place	Bonds&Loans
Syndicated Loan Deal of the Year - 2 nd Place	Bonds&Loans
Project Finance Deal of the Year - 3 rd Place	Bonds&Loans
Financial Institutions Deal of the Year - 3 rd Place	Bonds&Loans
Best Cash Manager in Turkey	Euromoney
The Best Trade Finance Bank of Turkey 2018 Award	Euromoney

ALTERNATIVE DELIVERY CHANNELS		
Yapı Kredi Customer Relations Center	Best Customer Insight Initiative - Silver Award	The European Contact Centre and Customer Service Awards
	Best Use of Technology - Gold Stevie Winner	Stevie Awards for Sales and Customer Service
	Contact Center of the Year - Silver Stevie Winner	Stevie Awards for Sales and Customer Service
	Sales Growth Achievement of the Year Gold Stevie Winner	Stevie Awards for Sales and Customer Service
	Sales Process of the Year - Bronze	Stevie Awards for Sales and Customer Service
Yapı Kredi Mobile	Best Visual Design - Function for Mobile Apps / Sites Category Awards Excellence	Communicator Awards
	Best Practices for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Best User Interface for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Best User Experience for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Business/Government Category Silver Stevie Winner	Stevie Awards
	Financial Services / Banking Category Bronze Stevie Winner	Stevie Awards
	General-Finance for Mobile Apps / Sites Category - Awards Excellence	Communicator Awards
	Integrated Mobile Experience for Mobile Apps / Sites Category Awards Distinction	Communicator Awards
	Mobile App - Banking & Finance category - 3rd Place	16. Golden Spider Web Awards
Yapı Kredi Mobile Jet Transactions	Experimental & Innovation Category Silver Stevie Winner	Stevie Awards
	Integrated Mobile Experience Category Bronze Stevie Winner	Stevie Awards

ALTERNATIVE DELIVERY CHANNELS		
Yapı Kredi’s NFC-Enabled Login to Mobile Banking	Experimental & Innovation Category Gold Stevie Winner	Stevie Awards
	Integrated Mobile Experience Category Gold Stevie Winner	Stevie Awards
Yapı Kredi Mobile - Don't Panic Button	Customer Experience Category 2nd Place	IDC Turkey Finance Sector Technology Awards
	Financial Services Category, Best New Product or Service of the Year - Gold Stevie Winner	Stevie Awards
	Innovation Category - 1st Place	Customer Experience Arena
Yapı Kredi Mobile Money Withdrawal/ Deposit Without Touching the ATM	Digital Channels Category - 2nd Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Mobile - Ford SYNC3	Experimental & Innovation Category Bronze Stevie Winner	Stevie Awards
	Integrated Mobile Experience Category Bronze Stevie Winner	Stevie Awards
Yapı Kredi Mobile Customer Experience Innovations	Best Innovation Project Category 3rd Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Mobile Touch One Screen Experience	Omnichannel Category - 1st Place	Customer Experience Arena
Yapı Kredi's Digitized Instruction System	Digital Channels Category - 3rd Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Pay	Digital Channels Category - 1st Place	IDC Turkey Finance Sector Technology Awards
Yapı Kredi Pay Mobile Payment Solutions	Software - Payments Solution Category - Best New Product or Service of the Year Gold Stevie Winner	Stevie Awards

ALTERNATIVE DELIVERY CHANNELS		
Yapı Kredi Website [yapikredi.com.tr]	General-Banking / Bill Paying for Websites Category - Awards Distinction	Communicator Awards
	User Experience for Websites Category Awards Distinction	Communicator Awards
	User Interface for Websites Category Awards Distinction	Communicator Awards
	Banking Category - Silver Stevie Winner	Stevie Awards
	Banking and Finance Category - Favourite of Public	16. Golden Spider Web Awards
	Best Integrated Corporate Bank Site/Corporate	Global Finance
	Financial Services Category - Silver Stevie Winner	Stevie Awards
Smart Algorithms for Information Retrieval [SAFIR]	Best Innovation Project category 2 nd Place	IDC Turkey Finance Sector Technology Awards
ATM Replatforming	Best Business Enablement Project of the Year category - 2 nd Place	IDC Turkey Finance Sector Technology Awards
	Best ATM/Self Service Experience	Bank Customer Experience
Best Bill Payment & Presentment/ Consumer		Global Finance
Best Online Portal Services / Corporate		Global Finance
Best Mobile Banking App / Corporate		Global Finance
Best Integrated Corporate Banking Site		Global Finance Best Digital Bank Awards
Country Winners / Corporate		Global Finance
Yapı Kredi	Grand Stevie	Stevie Awards

SUBSIDIARIES		
Yapı Kredi Asset Management	The Leader of Pension Funds Return	Turkish Capital Markets Association, 3 rd Capital Markets Awards
	Recognised Leaders in Pension Fund Management in Turkey	Wealth & Finance International
	Best Asset Management Company, Turkey	Global Business Outlook
	Best Asset Management Company in Turkey	Global Brands Magazine
	Best Asset Management Company in Turkey	International Business Magazine
	Best Asset Management Company in Turkey	Wealth & Finance International
	Best Investment Strategy in Turkey	Business Vision
	Most Innovative Asset Management Company in Turkey	International Finance
	Best Pension Fund Manager, Turkey	Global Business Outlook
Yapı Kredi Leasing	Banking & Finance Category Silver Award	Horizon Interactive Awards
	Turkey's Most Popular Companies, Leasing Category - 1 st Place	Capital Magazine
Yapı Kredi Leasing Website	Best Practices	Communicator Awards
	User Interface	Communicator Awards
Yapı Kredi Factoring	Best Export Factoring Company - 3 rd Place	FCI
	Turkey's Most Popular Companies, Factoring Category - 2 nd Place	Capital Magazine
Yapı Kredi Azerbaijan	Best Trust Bank Azerbaijan 2018	Global Banking and Finance Review Awards

CORPORATE COMMUNICATION MANAGEMENT		
Yapı Kredi Volunteers, Science Migration to Anatolia project	Financial Services Category - Winner	The Peer Awards for Excellence
	Turkey Category - Winner	The Peer Awards for Excellence
	Marketing Transformation Category, Felis Award	Felis Awards
	TVC Category - Corporate, Felis Award	Felis Awards
	Movie/TV-Cinema: Grand Prize	Crystal Apple
	Movie - TV - Cinema/Social Responsibility: Crystal Prize	Crystal Apple
Yapı Kredi Digitalent:	Financial Services Category, Achievement Award	Felis Awards
	TVC - Financial Services Category, Felis Award	Felis Awards
	Online Film/Banking, Insurance and Financial Services Category, Crystal Prize	Crystal Apple
	Excellence in Execution / Production Execution / Best Casting Category, Crystal Prize	Crystal Apple
	Excellence in Execution/ Production Execution / Best Commercial Film Director Category, Crystal Prize	Crystal Apple
Eye ID/Drummer Rabbit	Excellence in Production / Animation Category, Felis Award	Felis Awards
	Financial Services / TVC Category, Achievement Award	Felis Awards
Yapı Kredi Culture and Arts Center	Design / Multi-Purpose Branding / New or Renewed Brand Identity Category, Crystal Prize	Crystal Apple
	Design / Excellence in Design / Logo Design Category, Crystal Prize	Crystal Apple

CORPORATE COMMUNICATION MANAGEMENT		
Yapı Kredi Publishing - Sleep Poems	Design / Package Design Category, Crystal Prize	Crystal Apple
	Design / Communication Design / Promotion Material Category, Silver Prize	Crystal Apple
	Excellence in Production / Package Design Category, Felis Award	Felis Awards
Yapı Kredi Hackathon	Contests & Festivals Category, First Place	Direct Marketing Awards
Banking & Finance Category	Silver	Campaign Turkey Agency & Brand of the Year Awards
Brand Conference	Platinum Prize	MarCom Awards
Marketing Meetup	Branded Content / Celebrity Integration in Live Experience Category, Achievement Award	Felis Awards



PERFORMANCE TABLES

SUSTAINABILITY REPORT 2018



PERFORMANCE TABLES

Social Performance Tables

Number of Employees

2016		2017		2018	
Female	Male	Female	Male	Female	Male
11,851	7,050	11,569	6,898	11,390	6,711
2016		2017		2018	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
18,716	185	18,196	271	17,976	125

Number of Subcontracted Employees

2016		2017		2018	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
2,963	166	2,744	154	2,606	160

Number of Employees by Gender and Age

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
50 and above	81	249	80	250	90	256
30-50	7,261	5,034	7,364	5,133	7,622	5,199
30 and below	4,509	1,767	4,125	1,515	3,678	1,256

Employee Turnover Rate

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of leaving employees within the year (personnel turnover)	1,360	888	1,328	814	1,456	778
50 and above	27	55	36	74	40	89
30-50	481	340	508	323	523	336
30 and below	852	493	784	417	893	353

Number of Employees Taking Maternity Leave

	2016	2017	2018
Number of employees taking maternity leave	716	778	749
Return-to-work rate after maternity leave	672	732	718

Average Hours of Training Per Employee

	2016	2017	2018
Annual average hours of training per employee (total hours of training/number of employees)	37	35	43.7
Annual average hours of training per female employee	38	36	45.6
Annual average hours of training per male employee	35	32	40.6

Number of Employees Subject to Regular Performance and Career Development Assessments

2016		2017		2018	
Female	Male	Female	Male	Female	Male
11,156	6,800	11,242	6,882	11,172	6,588

Equal Opportunity and Diversity (Number of managers and top level employees)

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
50 and above	40	130	43	112	58	125
30-50	812	991	775	976	753	961
30 and below	0	1	1	0	2	0

Number of Employees by Term of Employment

	2016	2017	2018
0-5 years	8,789	8,334	7,263
5-10 years	3,636	2,910	3,404
10 years and above	6,476	7,223	7,434

Number of Disabled Employees by Gender and Year

2016		2017		2018	
Female	Male	Female	Male	Female	Male
83	390	98	428	97	424

Number of Employees Covered by Collective Bargaining Agreements

	2016	2017	2018
Number of employees covered by collective bargaining agreements	10,946	10,394	9,974

Occupational Health and Safety

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of Accidents	20	6	28	9	42	16
Number of Fatal Accidents	0	0	0	0	0	0
Number of Occupational Diseases	0	0	0	0	3	2
Absences from Work	375,807	139,342	410,208	149,033	402,190	146,325
Total Injury Rate [IR]	0.19	0.09	0.28	0.14	0.43	0.26
Occupational Disease Rate [ODR]	0	0	0	0	0.03	0.03
Lost Day Rate [LDR]	0.54	1.02	0.53	1.09	0.95	2.94
Absence Rate [AR]	525.7	275.7	603.1	286.2	581	309

OHS Trainings

	2016	2017	2018
Percentage of hours allocated to occupational health and safety trainings [%]	6	5	7

Environmental Performance Tables

Energy Consumption by Fuel Type [GJ]	2016	2017	2018
Natural Gas	118,347	189,742	123,680
Electricity	393,419	394,055	336,160
Diesel	2,502	1,587	1,903
Total	514,268	585,384	461,743
Energy Intensity [GJ/number of FTE]	27.21	31.70	25.39*
Greenhouse Gas Emissions** [tons CO ₂ e]	2016	2017	2018
Scope 1	20,417	15,975	14,665
Scope 2	54,095	54,183	46,218
Total [Scope 1 and 2]	74,512	70,158	60,883
Scope 3	13,138	15,520***	13,666
Total [Scope 1, 2 and 3]	87,650	85,678***	74,549
Emmissions Intensity [Scope 1&2/number of FTE]	3.94	3.80	3.34
Water consumption by source [m³]	2016	2017	2018
Municipal Water	262,568	307,049	332,895
Underground Water	8,375	5,553	5,338
Water Intensity [m³/number of employees]	14.33	17	18.685
Total Water Consumption [m³]	270,943	313,889	338,855
Waste [tons]	2016	2017	2018
Hazardous waste			
Recycled	42.73	27.21	85.88
Water disposed of [using D-code methods]	0.84	0.66	0.73
Non-hazardous waste			
Recycled	1,373	1,491	1,351

* FTE number for 2018 is 18,183
** Greenhouse gas emissions are calculated using the GHG Protocol. Scope 3 emmissions include employee commuting, business travels and paper consumption.
*** Updated due to change in methodology



GRI CONTENT INDEX

SUSTAINABILITY REPORT 2018

Independent Assurance Statement



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Independent Limited Assurance Statement

to the Board of Directors of Yapı ve Kredi Bankası A.Ş.

We were engaged by Yapi ve Kredi Bankası A.Ş. hereinafter "Company" or "YapiKredi") to provide limited assurance on whether the "Selected Information" of this Sustainability Report hereinafter "Report") that has been prepared by YapiKredi) for the year ending 31 December 2018 in accordance with YapiKredi's Reporting Guidance for Selected Information hereinafter "Reporting Guidance").

The scope of our assurance is limited to the Selected information listed below

- Operations assessed for risks related to corruption
- Communication and training about anti-corruption policies and procedures
- Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
- Energy consumption within the organization (GJ)
- Energy intensity
- Water withdrawal by source
- Scope 1 GHG emissions (tCO₂e)
- Scope 2 GHG emissions (tCO₂e)
- Scope 3 GHG emissions (tCO₂e)
- GHG emissions intensity
- Waste by type and disposal method
- Non-compliance with environmental laws and regulations
- Total environmental protection expenditures and investments
- Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
- Average hours of training per year per employee by gender
- Incidents of discrimination and corrective actions taken
- Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
- Operations and suppliers at significant risk for incidents of child labor

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- Operations and suppliers at significant risk for incidents of forced or compulsory labor
- Employee training on human rights policies or procedures

Management's responsibilities

Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Reporting Guidance, and the information and assertions contained within; for determining the YapiFund's objectives with respect to sustainability performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

The Management is responsible for preventing and detecting fraud and for identifying and ensuring that YapıKredi complies with the laws and regulations applicable to its activities.

The Management is also responsible for ensuring that the staff involved in the preparation and presentation of the Selected Information is properly trained; information systems are properly updated; and that any changes in reporting encompass all significant business units.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform the engagement to provide limited assurance about whether the Selected Information is free from material misstatement.

We apply the international Standard on Quality Control (ISQC) 1 and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



Procedures performed

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence-gathering procedures, as appropriate. These procedures include:

- Interactions with Management and relevant staff concerning sustainability strategy and policies for material issues, and the implementation of these across the Company.
- Interviews with relevant staff at the corporate and business unit levels responsible for providing the Selected Information.
- Analyzing the processes and controls in place that were used in the preparation of the Selected Information.
- Comparing the Selected Information to corresponding information in the relevant underlying sources to determine whether the relevance is intact.
- Reading the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of YapıKredi.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than that obtained in a reasonable assurance engagement.

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.



Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidences obtained as described above, nothing has come to our attention that causes us to believe that the Selected Information of the Report of YapıKredi for the year ending 31 December 2018 is not presented, in all material respects, in accordance with the Reporting Guidance.

In accordance with the terms of our engagement, this independent limited assurance statement on the Selected Information has been prepared for YapıKredi solely for this Report.

Restriction of use of our statement

Our statement should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than YapıKredi, for any purpose or in any other context. Any party other than YapıKredi that obtains access to our statement or a copy thereof and chooses to rely on our statement (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than YapıKredi for our work for this independent limited assurance report or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Co-operative.

Şirin Soysal,
Partner
İstanbul
28 June 2019

Reporting Guidance for Selected Information

1. General Principles & Scope

The reporting guide informs about data collection and calculation methodologies with regard to independent limited assurance indicators featured in the Yapı ve Kredi Bankası A.Ş. [“Bank”] Sustainability Report 2018. The data herein are prepared in accordance with the principles of consistency and reliability. The data reporting process, on the other hand, is based on understandability, comparability year-over-year, and transparency.

The data and indicators covered by the independent limited assurance are presented in the Independent Assurance Report included in the Sustainability Report. In addition, each section of the reporting guide delivers a detailed account of the data and indicators covered by the assurance.

2. Definitions of Indicators and Data

Energy consumption [GJ]: Total amount of energy purchased by the bank between 1 January 2018 and 31 December 2018 [“reporting period”]. Energy consumption data correspond to electricity, natural gas and diesel fuel usage for the purposes of electricity installation, heating, lighting, transportation, ventilation and power generation. The diesel fuel used by power generators or heating systems, however, is not included in this context.

Energy intensity [GJ/no. of employees]: Total energy consumption divided by total number of bank employees.

Greenhouse gas emissions [tonnes of CO₂e]: Carbon emissions due to energy consumption within the reporting period.

Emissions intensity [Scope 1 & Scope 2/no. of employees]: Scope 1 and Scope 2 emissions divided by total number of bank employees¹. For Scope 3 emissions refer to, by definition, greenhouse gas emissions from the energy sources owned or controlled by other entities in consequence of the bank’s activities, they are not included in the bank’s emissions intensity.

Water consumptions by source [m³]: The amount of water consumed by the bank, including mainswater and ground water. Water consumption figures indicate the amount consumed within the reporting period. In this context, mains water corresponds to the water provided by Izmit Water and Sewerage Administration [İSU], and Istanbul Water and Sewerage Administration [İSKİ], and ground water refers to the well water used by the bank.

Waste disposed: The quantity of the waste disposed within the reporting period. The term disposal here refers to sanitary landfill, physical and chemical treatment and open burning operations, which all require dedicated engineering efforts.

Waste recycled: The amount of the bank’s recycled or reused waste within the reporting period.

Environmental investment & spending: The environmental management or energy efficiency investments within the reporting period and the costs thereof to the bank.

¹ Emissions intensity takes into account the average number of employees [based on the bank’s definition of a Full Time Employee (FTE)].

Total number of employees: The number of employees working for the Bank and domestic subsidiaries [full-time and part-time] as of 31 December 2018. [Subcontractors’ personnel are excluded]

Female employee ratio: The ratio of female employees [full-time and part-time] to the total number of employees within the reporting period.

Training hours per employee: Based on the total number of employee training hours provided by the bank within the reporting period. It is the total number of employee training hours provided by the bank in a year [bank + domestic subsidiaries] divided by the number of employees. Training hours per female employee is equal to the total number of female employee training hours provided by the bank within the reporting period divided by the number of female employees; training hours per male employee is equal to the total number of male employee training hours provided by the bank within the reporting period divided by the number of male employees.

Trainings on human rights policies and processes: Based on the total and individual numbers of employees [bank + subsidiaries in Turkey] who attended the bank’s training sessions on human rights as well as the duration of these sessions.

Anti-corruption practices and relevant trainings: Based on the total and individual numbers of employees [bank + subsidiaries in Turkey] who attended the bank’s training sessions on anti-corruption and anti-bribery as well as the duration of these sessions.

Activities reviewed for corruption-related risks: Anti-corruption and anti-bribery measures and policies as well as the associated risk assessment processes implemented by the bank within the reporting period.

Accident rate: Total number of occupational accidents and total hours worked in a year; equal to Total Number of Accidents/ [Total Hours Worked - Lost Hours] * 200,000.

Occupational disease rate: Acute or chronic diseases due to a recurring cause related to the work or the nature of a work, or else working conditions as well as the total hours worked; equal to Total Number of Occupational Disease Incidents* 200,000/Total Hours Worked.

Lost day rate: The number of lost days due to occupational accidents and total hours worked; equal to Total Number of Lost Days * 200,000/Total Hours Worked.

Absentee rate: Lost work days and total work hours; equal to Lost Work Days/Total Work Days in the Same Period

3. Reporting Scope

The bank’s energy and water consumption as well as greenhouse gas emissions data for 2018 and comparative periods cover the following:

- The bank’s branches across Turkey,
- The bank’s selected head office buildings in Turkey (Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Archive Building, Bayramoğlu Facility, and Yeniköy High Forest).

Greenhouse Gas Emissions

The bank’s greenhouse gas emissions are grouped in three categories:

- Direct-Scope 1 greenhouse gas emissions,
- Indirect energy-Scope 2 greenhouse gas emissions,
- Other indirect-Scope 3 greenhouse gas emissions,

The bank’s following activities fall into Scope 1 greenhouse gas emissions for 2018:

- Greenhouse gas emissions from stationary combustion sources: Natural gas and diesel fuel consumption
- Greenhouse gas emissions from mobile combustion sources: Fuel (diesel fuel and oil) consumption of the bank’s vehicles:
- Greenhouse gas emissions from the leaks: Refrigerants (HCF-134a, HCF-407c, HCF-410a, HCF-404a, HCF-227ea,HFCF-22, R-12 and CO₂).

The bank’s following activities fall into Scope 2 greenhouse gas emissions for 2018:

- Energy-related greenhouse gas emissions: Electricity (purchased) consumption.

The bank’s following activities fall into Scope 3 greenhouse gas emissions for 2018:

- Domestic and international flights across the bank,
- Paper usage across the bank,
- Fuel consumption of the employee commuting services across selected head office buildings (Head Office, Banking Base, Izmir Office, Ankara, Samsun Call Center, Izmir Call Center, etc.).

4. Data Preparation

Energy Consumption

Energy consumption data cover electricity, natural gas and diesel fuel.

The amount of electricity is billed at designated head office buildings such as Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Archive Building, Bayramoğlu Facility, and Yeniköy High Forest. The amount of consumption for the remaining premises, non-billed, will be measured on the basis of the amount of use reported by the relevant facilities. These consumption data are conveyed via corporate or employee e-mails.

The amount of natural gas is billed at designated head office buildings such as Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Archive Building, Bayramoğlu Facility and Yeniköy High Forest. The amount of consumption for the remaining premises, non-billed, will be measured on the basis of the amount of use reported by the relevant facilities. These consumption data are conveyed via corporate or employee e-mails.

Diesel fuel consumption is calculated in accordance with service provider bills.

The bank used the following conversion factors for energy consumptions:

- As electricity and natural gas supply is billed in kWh, no conversion is needed.
- The density and conversion factors for oil and diesel are taken from the “Regulations on Improving Efficient Use of Energy Resources and Energy [Official Gazette: October 27, 2011/28097: Rev. Sep 3, 2014-29108], ANNEX-2: Energy Resources’ Lower Heating Values and Conversion Factors for Oil Equivalents” table.
- The Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, 2014 (AR5) was taken as a reference for Global Warming Potential values. (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)
- Conversion factor used for kWh - GJ is 1 kWh=0.0036 GJ. The organizations were asked to submit their natural gas consumption in sm3. Therefore, conversion from sm3 to kWh takes into account the Actual Higher Heating Value for the Billing Period with the most natural gas subscribers (75%).

(The average higher heating value is equal to the amount of energy [kcal] released by the combustion of 1 m³ natural gas and depicted as kcal/m3. The energy output depends on the gas mixture. The amount to be billed (the energy consumed in kWh) is calculated as follows: Consumption [kWh] = Adjusted Consumption [m³] x {Actual Higher Heating Value for the Billing Period [kcal/m3] / 860.42 [kcal/kWh] **})

**1 kWh of natural gas consumption is assumed to release 860.42 kcal of energy. The actual higher heating value, as is the case with the K factor (a factor defined by Republic of Turkey Energy Market Regulatory Authority-EPDK, <https://www.epdk.org.tr/>), may vary according to the delivery company, province and district. Values are modified on a monthly basis.

Greenhouse Gas Emissions

Greenhouse gas emissions are calculated by the bank with the announced conversion factors. Conversion factors provide the amount of carbon released to the atmosphere per energy consumption unit. Each source of energy has its own conversion factor for carbon density. Conversion factors are open to future modifications so as to reflect the changes or improvements to the announced factors.

The bank used the following conversion factors for greenhouse gas emissions:

- The fuel (natural gas, diesel fuel, petroleum, etc.) conversion factors are taken from the IPCC data. These calculations are based on the “IPCC 2006 Guidelines for National Greenhouse Gas Inventories” [\[www.ipcc-nggip.iges.or.jp/public/2006gl/vol2/\]](http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol2/).
- The electricity conversion factor is sourced from the Research, Planning and Coordination Department, Statistics and Research Office, viz. The Industry Report on Electricity Production in 2017 and National Inventory Submissions 2019 V1-Inventory 2017”, [Submission 2019 V1 Turkey / Public Electricity And Heat Production].
- The conversion factors for refrigerant gases are calculated as per the figures outlined in Greenhouse Gas Protocol on the basis of IPCC Fifth Assessment Report, 2014 [AR5] [\[https://www.ipcc.ch/assessment-report/ar5/\]](https://www.ipcc.ch/assessment-report/ar5/)
- Scope 3 greenhouse gas emissions measurements for paper usage employ “Defra 2018 Emission Factors. Scope 3 - Material Use” [\[https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018\]](https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018) released by the UK government.
- Scope 3 greenhouse gas emissions with regard to air travel miles are based on ICAO Carbon Emissions Calculator [\[https://applications.icao.int/icec\]](https://applications.icao.int/icec). Emission factors are calculated in reference to the “Defra 2018 Emission Factors. Scope 3 Business Travel - Air” [\[https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018\]](https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018).
- Scope 3 greenhouse gas emissions are based on IPCC’s emission factors for employee commuting as well as the “Energy Resources’ Lower Heating Values and Conversion Factors for Oil Equivalents” table by Turkish Ministry of Energy and Natural Resources.

Water Consumption

The amount of water is billed at designated head office buildings such as Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Archive Building, Bayramoğlu Facility and Yeniköy High Forest. The amount of consumption for the remaining premises, non-billed, will be measured on the basis of the amount of use reported by the relevant facilities. These consumption data are conveyed via corporate or employee e-mails. Spring water consumption is calculated via meters.

5. Review Declaration

Measurement and reporting of energy consumption and greenhouse gas emissions data inevitably involve, to some extent, estimates. Deviations more than 5% might allow for review declarations across the bank.



GRI Standard	Disclosure	References	SDGs
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Organizational Profile		
	102-1	3	
	102-2	6	
	102-3	https://www.yapikredi.com.tr/en/	
	102-4	6	
	102-5	6	
	102-6	6	
	102-7	https://assets.yapikredi.com.tr/WebSite/assets/pdf/en/investor-relations/2018 annual report eng.pdf?v3	
	102-8	78	
	102-9	21	
	102-10	No change	
	102-11	17-18	
	102-12	68	
	102-13	68	
	Strategy		
	102-14	4-5	
	102-15	8	

GRI Standard	Disclosure	References	SDGs
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Ethics and Integrity		
	102-16	6	
	102-17	19	
	Governance		
	102-18	14-16	
	102-20	15-16	
	Stakeholder Engagement		
	102-40	9	
	102-41	80	
	102-42	9	
	102-43	9	
	102-44	10-11	
	Reporting Practices		
	102-45	3	
	102-46	9-10	
	102-47	10	
	102-48	Scope 3 emissions were updated due to change in methodology	
	102-49	There is no change	
	102-50	3	
	102-51	3	
	102-52	3	
	102-53	3	
	102-54	3	

GRI Standard	Disclosure	References	SDGs
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Reporting Practices		
	102-55	93-99	
	102-56	84-87	
GRI 200: Economic Standard Series			
Economic Performance			
GRI 103: Management Approach 2016	103-1	25	
	103-2	25	
	103-3	25	
GRI 201: Economic Performance 2016	201-1	26	8, 10, 12
	201-3	https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/2018_annual_report_eng.pdf?v3	
	201-4	https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/2018_annual_report_eng.pdf?v3	
Anti-Corruption			
GRI 103: Management Approach 2016	103-1	18-19	
	103-2	18-19	
	103-3	18-19	
GRI 205: Anti Corruption 2016	205-1	18	
	205-2	18-19	
Anti-competitive Behavior			
GRI 103: Management Approach 2016	103-1	19	
	103-2	19	
	103-3	19	

GRI Standard	Disclosure	References	SDGs
GRI 200: Economic Standard Series			
Anti-competitive Behavior			
GRI 206: Anti competitive Behavior 2016	206-1	The number of proceedings regarding anti-competitive behavior, trust and monopoly is 2, and these cases still continue at the Council of State.	
GRI 300: Environmental Standard Series			
Energy			
GRI 103: Management Approach 2016	103-1	65	
	103-2	65	
	103-3	65	
GRI 302: Energy 2016	302-1	81	12, 13
	302-3	81	12, 13
Water			
GRI 103: Management Approach 2016	103-1	65-66	
	103-2	65-66	
	103-3	65-66	
GRI 303: Water 2016	303-1	81	12
Emissions			
GRI 103: Management Approach 2016	103-1	65	
	103-2	65	
	103-3	65	
GRI 305: Emissions 2016	305-1	81	12, 13
	305-2	81	12, 13
	305-3	81	12, 13
	305-4	81	12, 13
	305-5	65	

GRI Standard	Disclosure	References	SDGs
GRI 300: Environmental Standard Series			
Effluents and Waste			
GRI 103: Management Approach 2016	103-1	66	
	103-2	66	
	103-3	66	
GRI 306: Effluents and Waste 2016	306-2	81	12
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	63	
	103-2	63	
	103-3	63	
GRI 307: Environmental Compliance 2016	307-1	No environmental fines were recieved.	
GRI 400: Social Standard Series			
Employment			
GRI 103: Management Approach 2016	103-1	45-47	
	103-2	45-47	
	103-3	45-47	
GRI 401: Employment 2016	401-1	76-77	8
	401-2	45-51	8
	401-3	76-77	8
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	51	
	103-2	51	
	103-3	51	
GRI 403: Occupational Health and Safety 2016	403-1	51	8
	403-2	80	8

GRI Standard	Disclosure	References	SDGs
GRI 400: Social Standard Series			
Training and Education			
GRI 103: Management Approach 2016	103-1	48-49	
	103-2	48-49	
	103-3	48-49	
GRI 404: Training and Education 2016	404-1	79	5, 8
	404-2	48-49	8
	404-3	77	5, 8
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	45-47	
	103-2	45-47	
	103-3	45-47	
GRI 405: Diversity and Equal Opportunity 2016	405-1	45-47	8
Non-discrimination			
GRI 103: Management Approach 2016	103-1	45-47	
	103-2	45-47	
	103-3	45-47	
GRI 406: Non-discrim- ination 2016	406-1	45	
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach 2016	103-1	18-19	
	103-2	18-19	
	103-3	18-19	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	"There was no case where the risk of freedom of association and collective bargaining was at risk."	

GRI Standard	Disclosure	References	SDGs
GRI 400: Social Standard Series			
Child Labor			
GRI 103: Management Approach 2016	103-1	18	
	103-2	18	
	103-3	18	
GRI 408: Child Labor 2016	408-1	18	
Forced or Compulsory Labor			
GRI 103: Management Approach 2016	103-1	18	
	103-2	18	
	103-3	18	
GRI 409: Forced or Compulsory Labor 2016	409-1	18	
Human Rights Assessment			
GRI 103: Management Approach 2016	103-1	18	
	103-2	18	
	103-3	18	
GRI 412: Human Rights Assessment 2016	412-2	18	
Customer Privacy			
GRI 103: Management Approach 2016	103-1	55	
	103-2	55	
	103-3	55	
GRI 418: Customer Privacy 2016	418-1	55	

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