
Şekerbank T.A.Ş.
Global Compact COP Report
December, 2017

Şekerbank 



TABLE OF CONTENTS

A. Şekerbank T.A.Ş.	1
1. Evaluation by the CEO	1
2. Corporate Profile	2
3. Şekerbank: From Past to Present	3-5
4. Financial Highlights	6
4.1 Ownership	6
4.2 Highlights of Economic Performance	7
4.3 Key Financial Indicators	8
5. Sustainable Banking	8
B. UNGC Principles	9
1. Human Rights	9-10
2. Employess	10-11
3. Environment	12-13
4. Anti-Corruption	14
Voluntary memberships and endorsed initiatives within the scope of sustainable banking	15

A. ŞEKERBANK

1. Evaluation by the CEO

Şekerbank, founded 63 years ago to support economic development based on sustainable agricultural production and rural development by bringing together hundreds of thousands of cooperative member sugar beet farmers, continues today to fulfill this mission, which it defines as 'Community Banking'.

Since its establishment, Şekerbank's responsibility to Anatolian farmers, which constitute its source of founding capital, has been reflected on all of its activities to date. This responsibility, which is inherited from our founders, also brings the obligation to preserve nature and our culture in terms of the common future of mankind.

Our people-oriented and responsible banking approach, which places Şekerbank in a special position in Turkey's private sector banking: has been realized through its pioneering role in the Bank's production and rural development financing, corporate governance processes, energy efficiency, evaluation of environmental and social impacts in loan processes as well as through organizing culture-art projects with the inclusion of off center districts. In other words, Şekerbank has been financing sustainable development by addressing economic, social and environmental dimensions for 63 years with its broad branch network, almost 70 percent of which are located in Anatolia and have been operating in the same location for half a century.

In line with our vision of uniting local with global, we have re-defined our strategy, which bears many similarities to the Sustainable Development Goals agreed on by United Nations member countries in September 2015, to be even further aligned with these targets.

We have focused on the goal of taking a more inclusive, sustainable and strong development route by 2030 through grouping our activities under four separate sustainable development goals: sustainable agriculture, women's entrepreneurship, energy efficiency and inclusive finance.

With the same responsibility, we will continue to carry our rooted past that symbolizes the richness of Anatolian lands into the future and to preserve our pioneering role of financing sustainable development for our common future using the guidance of the United Nations Sustainable Development Goals.

Respectfully yours,

Servet Taze
General Manager

2. Corporate Profile

Founded 63 years ago in Anatolia by hundreds of thousands of sugar beet cooperative members with the aim of supporting economic development through rural development, Şekerbank maintains the same mission of supporting production today.

In this respect, Şekerbank, by allocating almost 50% of its total loan portfolio to agriculture and SME loans, has a strong brand perception amongst merchants, farmers and SMEs, particularly in regions outside the metropolises. With its adopted focus strategy, Şekerbank's aim is to develop further its expertise, derived from its foundation; in areas the Bank has strong and competitive advantages.

Most of Şekerbank's 273 branches, 97 of which are located outside of central districts and towns, have served local development for the past half a century, thus making Şekerbank a social value for regional farmers and merchants. As of December 31, 2016, the Bank's total gross loan market share among the private deposit banks was 1.50%, while its total SME loans market share was 2.87%. Thanks to the widespread and diversified SME loan portfolio in agriculture, micro and small businesses segments, Şekerbank's market share among the private deposit banks in terms of SME loan customers' is 5.35% and almost two times higher in terms of market share credit volume.

In line with the strength derived from its establishment structure, its mission to support production and its pioneering role in financial inclusion, Şekerbank's main focus in the upcoming period will be particularly on SMEs, agriculture and micro businesses. Thus, Şekerbank's aim is to gradually increase the share of Agriculture and SME loans in its total loan portfolio.

In 2016, Şekerbank maintained its leading role in sustainable development banking with the innovative product "EKOkredi", the first banking product in Turkey that finances energy efficiency investments.

From 2009 to the end of 2016, the Bank introduced approximately 92 thousand customers to energy saving. The energy efficiency investments financed through EKOkredi have resulted in the energy saving of 26.5 billion kWh and a total reduction of 5.7 million tons in CO2 emissions. Our efforts in this area continue to be recognized by international financial institutions. Şekerbank secured a 5-year term syndicated loan facility, the first of its kind in Turkey, for financing SMEs, foreign trade and energy efficiency investments. As a result, EMEA Finance, the world's leading financial magazine, presented Şekerbank with the "Best Syndication Loan Supporting Energy Efficiency" award. Based on our inherited strength in financing sustainable development, we continue our active participation in international initiatives in this area. Şekerbank is among the limited number of Turkish banks, which has signed the United Nations Global Compact.

As a Bank with a vision of being the leading bank in financing sustainable development from a social, environmental, cultural and economic aspect, while also fulfilling our founding mission, we strongly believe that to measure and to mitigate the climate related risks has utmost importance. Thus, we evaluate all of our loan portfolio (other than consumer loans) with our Social and Environmental Risk System (SEMS), which we developed with the consultancy of IFC, as one of our shareholders.

Şekerbank, which has been founded with the aim of financing agriculture, has been supporting generations of hundreds of thousands of farmer families throughout Turkey. The Bank's agricultural loans within Family Farming Banking grew by 17% during the last year. In the upcoming period, Şekerbank, will specialize in agricultural banking with its team of about 250 employees, most of which have backgrounds as agricultural engineers'and is planning to continue financing sustainable agriculture and maintaining a 13% share of agricultural loans in its total credit portfolio.

Şekerbank will perpetuate its tradition of responsible banking in the future, as it has continued to do so for the past 63 years since its founding while together with its focus strategy and sustainable growth, will decisively continue its support to the reel sector and its pioneering role in sustainable development banking.

3. ŞEKERBANK: From Past To Present

1953 – PANCAR KOOPERATIFLERİ BANKASI A.Ş.

Şekerbank's foundation was laid with the establishment of Pancar Kooperatifleri Bankası (Sugar Beet Cooperatives Bank) in Eskişehir in October 12, 1953. The Bank's mission during those early years was to meet the funding needs of sugar beet producers and their industry.

1956 - FROM ESKİŞEHİR TO ANKARA

The Bank's Head Office was relocated to Ankara and with a Council of Ministers' decree its name was changed to Şekerbank Türk Anonim Şirketi.

1970's NEW PRODUCTS AND SERVICES

In this period marked by change and growth, the Bank gradually evolved from being a cooperatives' bank to a full-service bank capable of providing a full range of products and services. The Bank opened a representative Office in Cologne, Germany in 1972. By 1979, Şekerbank's service network had totaled 134 branches.

1980's A PERIOD OF FOCUSING ON COMMERCIAL BANKING

During this period, Şekerbank focused on commercial banking. By 1983, the number of branches had risen to 161. The Bank increased its foreign trade transactions and strengthened its correspondent banking relationships. The Şeker Çocuk (Şeker Child) Magazine was been launched and Şekerbank opened one of Turkey's first bank art galleries in Ankara.

1993 PRIVATE BANK STATUS

A total of 10% of the outstanding shares of T. Şeker Fabrikaları T.A.Ş. were acquired by Pankobirlik (7%), and Şekerbank T.A.Ş. Voluntary Pension Fund (3%) from the Public Partnership Administration of Turkey. As a result, Şekerbank ceased to be part of the public sector. Subsequently, the Bank was restructured with a private sector commercial bank approach.

1997 INITIAL PUBLIC OFFERING

Şekerbank completed an initial public offering of its shares and became institutionalized. With a major corporate development initiative implemented during this time, the foundation for a more modern and contemporary Şekerbank was laid.

2000 TRANSFER OF SHARES

Şekerbank's majority shares changed hands: a 51% stake was acquired by Şekerbank T.A.Ş. Voluntary Pension Fund and Şekerbank Personnel Social Security Foundation.

2002 CUSTOMER-ORIENTED SERVICE

Şekerbank initiated a comprehensive restructuring program to be transformed into a customer-oriented, multi-channel bank.

2003 50TH ANNIVERSARY

Şekerbank became one of the cornerstones of the Turkish Banking Sector in its 50th year.

2004 THE REDESIGNED CORPORATE IDENTITY

Şekerbank relocated its Head Office to a new office building; in addition, the Bank redesigned its corporate identity and logo.

2007 TURKEY'S FASTEST GROWING BANK

Şekerbank ranked 6th among the world's 50 fastest growing banks in The Top 1000 World Banks survey conducted by The Banker Magazine, a leading international finance publication, and was named Turkey's fastest growing bank thanks to its strong performance.

2008 FIRST TURKISH BANK ASSIGNED A CORPORATE GOVERNANCE RATING

Şekerbank became the first bank in the country to receive a corporate governance rating as a result of a criteria assessment of “Shareholders,” “Public Disclosure and Transparency,” “Stakeholders” and “Board of Directors” provided by ISS Corporate Services Inc., recognized as the world’s leading corporate governance rating firm and authorized by the Capital Markets Board to provide services in Turkey.

2009 EKOKREDİ LAUNCHED

Şekerbank launched EKOkredi, a groundbreaking product in Turkey to finance energy savings and efficiency initiatives targeted at protection of natural resources and waste prevention. It was selected as the Banking Product of the Year in 2009 at the Finance Summit.

2010 ONE OF THE 5 TURKISH BANKS INCLUDED IN THE CDP REPORT

Şekerbank was one of five Turkish banks included in the 2010 report of the Carbon Disclosure Project (CDP), one of the most important worldwide environmental initiatives.

2011 THE FIRST IN THE WORLD TURKISH LIRA-DENOMINATED BORROWING TRANSACTION COVERED BY SME LOANS

Şekerbank issued asset-backed securities (ABS) as a first in Turkey. The bond issuance was the first Turkish lira denominated borrowing transaction structured in international capital markets as well as the world’s first asset-backed security issue covered by SME loans. The Bank’s covered bond program established a major financing bridge between international financial institutions and Turkey’s craftsmen and small enterprises.

2012 TURKEY’S “SUSTAINABLE DEVELOPMENT” REPRESENTATIVE

As a result of an assessment conducted by Turkey’s Ministry of Development, Şekerbank’s project was named one of the best country applications in sustainable development and green economy at the Rio+20 United Nations Conference on Sustainable Development. Şekerbank participated in Rio+20 as the sole representative of the Turkish financial services industry.

2013 AN OPEN DOOR FOR SMALL BUSINESSES: THE 15TH OF EVERY MONTH IS “SMALL BUSINESSES DAY”

Focusing on local development and supporting production in line with its “Community Banking” mission, Şekerbank created a groundbreaking platform for more than 1.5 million tradesmen in Turkey during the year of its 60th anniversary. The Bank declared the 15th of every month a “Small Business Day” as part of its “Open Door for Small Business” initiative, inviting the consumer for shopping from tradesmen. The platform was unveiled with the sponsorship of the Ministry of Customs and Trade and with the support of the Confederation of Turkish Tradesmen and Craftsmen (TESK), a nationwide organization. The “Open Door for Small Business” in effect brings small enterprises together with the private sector, public sector, NGOs and consumers.

2014 PROF. ROBERT J. SHILLER AT THE FINANCING SUSTAINABLE DEVELOPMENT CONFERENCE

At the Financing Sustainable Development Conference held as part of the Bank’s 60th anniversary celebration, Şekerbank welcomed one of the world’s leading economists, the winner of the 2013 Nobel Prize for Economics, Robert J. Shiller, a Sterling Professor at Yale University, the Ivy League Institution’s highest academic rank. Hosted by Dr. Hasan Basri Gökten, Chairman of Şekerbank’s Board of Directors, the conference featured a keynote address by Minister of Finance Mehmet Şimşek and attracted a huge turnout from the business and finance world.

A FIRST IN THE WORLD: FAMILY FARMING BANKING

To stem the tide of rural-urban migration and provide support to rural development, in November 2014, Şekerbank launched Family Farming Banking, a first of its kind worldwide. Launched in line with the Bank's founding objective of supporting agricultural production, this innovative initiative provides financing opportunities to farmers whose incomes have been reduced and who have left their village due to reasons such as the division or shrinking of agricultural land holdings via inheritance, limited irrigation facilities and a lack of modern farming techniques. Through the effective communication of the project, significant awareness was generated among the public in regards to the importance of agriculture and rural development.

2015 THE BANK SECURED TURKEY'S FIRST 5-YEAR SYNDICATED LOAN FACILITY

Şekerbank, which ensures the long-term resources it receives from international financial institutions is accessible to its broad customer base in line with its "Community Banking" mission, obtained a US\$ 115 million syndicated loan. The feature of this first 5-year syndicated loan in Turkey was to provide finance to SMEs in order to support investments in foreign trade and energy efficiency. The lending facility, consisting of four tranches denominated in TL, EURO and USD with different maturities up to 5 years, has been provided from leading Asian and European companies under the co-leading of the Dutch Development Bank and the Korean Development Bank. With these significant international resources, Şekerbank continues to back the real sector, finance foreign trade and support energy efficiency investments for a wide range of clients, from enterprises to individual customers.

2016 ŞEKERBANK WINS "LEADERS IN WATER MANAGEMENT" AWARD

Thanks to its pioneering work in energy efficiency, Şekerbank, which has garnered a number of environment related national and international awards in the past, also received the "CDP 2016 Turkey Water Leadership" award. The Bank ranks among the leading companies in this area in Turkey. Şekerbank is also a voluntary member of the "Water Program" of the Carbon Disclosure Project (CDP), a platform that aims to fight climate change by globally reporting the environmental impact of participating companies to international investors.

4. Financial Highlights

4.1 Ownership

35.44%

Şekerbank T.A.Ş.
Voluntary
Pension Fund

9.43%

Şekerbank T.A.Ş.

1.57%

Other

19.37%

Samruk-Kazyna

34.19%

Publicly Traded

100%

4.2 Highlights of Economic Performance

SME Banking

Allocating a 45% share in its total loan portfolio to agriculture and SME loans, Şekerbank has a strong brand perception among merchants, farmers and SMEs particularly in regions outside the large metropolises.

Şekerbank has expanded its collaboration with Kredi Garanti Fonu A.Ş. (KGF) and provided finance to those SMEs and merchants, which do not have sufficient collateral. In the Small Enterprises Banking segment, the volume of KGF's collateral loans increased three times compared to the prior year and reached TL 94 million. The number of commercial card products, "Producer Cards," specially developed for the customers in this segment, rose 29% during the year. Furthermore, POS revenue grew 37.93%, reaching more than TL 40 million.

Agricultural Banking

In 2016, Şekerbank's agricultural loan portfolio reached TL 2.04 billion, with about 90 thousand loan customers. Şekerbank's market share in agricultural loans among private banks in Turkey is 11%. By reaching out to its 350 thousand farmer customers across Turkey, Şekerbank continues to fulfill one of its founding missions: the financing of agriculture.

As part of its efforts under the "Family Farming Banking" initiative in 2014, the Bank launched a wide variety of products and services. These included offerings that help to consolidate small land plots, support rural development, boost efficiency in agricultural production and reduce costs. In addition, the Bank developed products and services to encourage family farmers for the collective actions in purchasing agricultural equipment. The "Family Farming Banking" program allowed Şekerbank to reach out to approximately 50 thousand farmer families and extend nearly 600 million TL in financing thus far.

Retail Banking

In Retail Banking loans, Şekerbank focused on financing energy efficiency investments, and extending urban transformation loans. In 2016, the Bank provided EKO kredi loans amounting to 68.2 million TL, while urban transformation lending amounted to 18.9 million TL. Thus, Şekerbank supported a wide number of energy saving and urban transformation projects that are very important for the country.

To date, Şekerbank has allocated over 420 million TL in financing to more than 82 thousand retail banking customers via EKOkredi, thereby introducing them to the concept of energy saving. As part of EKOkredi Insulation, more than 128 thousand homes have been insulated.

Şekerbank strengthened its broad-based deposit structure even further by prioritizing smaller savings amounts instead of block deposits. Retail banking deposits reached 67.6% of term deposits, while broad-based deposits in the amount of TL 1 million and below grew 47%.

During the year Şekerbank's retail customer base expanded by 10%, reaching 1.6 million customers. Meanwhile, the number of the Bank's customers, who use the automatic payment service increased by 7%, reaching 45 thousand people. The number of Şekerbank's pension portfolio customers rose from 50 thousand to 67 thousand by year end, growing by 34%.

4.3 Key Financial Indicators

(TL THOUSAND)	2012	2013	2014	2015	2016
Total Assets	14,517,918	18,725,017	21,187,288	24,415,966	23,818,856
Total Loans (Net)	10,084,765	13,546,424	14,655,079	16,737,565	17,613,068
Shareholders' Equity	1,824,741	2,055,448	2,391,813	2,526,942	2,532,793
Total Deposits	10,137,906	12,639,239	13,538,608	14,867,633	16,136,281
Pre-Tax Profit	310,685	264,339	280,701	85,246	139,615
Net Profit	240,302	210,216	223,969	102,649	125,194

5. Sustainable Banking

Şekerbank, founded 63 years ago to support economic development based on sustainable agricultural production and rural development by bringing together hundreds of thousands of cooperative members of beet farmers, continues to fulfill its mission of “Community Banking” today.

With its branch network, 70% of which are located in Anatolia and most of which have been serving in the same spot for around half a century, Şekerbank has been financing the economic, social and environmental aspects of sustainable development for 63 years. We continue the tradition of responsible banking inherited from the Bank’s founders and will preserve it in the future, knowing that it is our mission to support economic growth based on production and rural development throughout Turkey.

Based on its 63-year experience in sustainable development banking, Şekerbank has grouped all of its activities into financing sustainable agriculture, women’s entrepreneurship, energy efficiency and inclusive finance in order to provide better compliance of its sustainability strategy and the four basic United Nations Sustainable Development Goals and in 2016 Şekerbank published its Sustainability Report in line with this context. The Bank issued its second sustainability report based on the G4 Sustainability Reporting Guide of the globally accepted Global Reporting Initiative (GRI). Grouped under four key Sustainable Development Goals (2,5,7 and 8), the Bank aims to continue its activities while increasing its support towards the targets set by Turkey to achieve a better world by 2030.

B. UNGC PRINCIPLES

1. Human Rights

Based on its people-oriented banking principle stemming from the bank's foundation, which is to provide access to financial resources for the rural population, which have limited access to banking services, through micro financing and other special designed products for rural development, in 2016, Şekerbank provided 225 million TL in financial support, financing approximately 7,500 women entrepreneurs.

In 2016, Şekerbank also became a signatory to the Women's Empowerment Principles (WEPs) developed with the cooperation of the United Nations Global Compact and the UN Gender Equality and Women's Empowerment Units. The Bank is among a number of banks in Turkey to sign the WEPs, one of the world's leading initiatives for the private sector that aims to empower women by encouraging their participation in all sectors and layers of economic life. The initiative signed by the Bank's General Manager has placed Şekerbank on the list of pioneering companies and leaders striving to make a difference in this critical area. The Bank continued to undertake efforts on this focus throughout the year.

As a member of the Turkish Business Council for Sustainable Development (BCSD Turkey), Şekerbank leads the Sustainable Finance work group in organizing a special summit every year to create awareness in this field.

At the same time, the Bank's strength in financing sustainable development ensures that Şekerbank plays an active role in international initiatives in this field. The Bank is one of the very few institutions from Turkey which are parties to the United Nations Environment Programme Finance Initiative (UNEPFI) UNEP FI and UN Global Compact, which aim to support sustainable financing and a sustainable world economy.

Public-private partnership for entrepreneurship training and support for women farmers

In 2016, Şekerbank supported the "Program to Empower Women's Entrepreneurship in Agriculture", which aimed to empower women's position in the economic and social spheres by improving women's entrepreneurship in agriculture. Under this program, 424 entrepreneur women farmers from nine Turkish provinces attended a 10-day (70hours) entrepreneurship practices training course organized with the collaboration of KOSGEB (Small and Medium Enterprise Development Organization) and İŞKUR (Turkish Employment Agency). Şekerbank also provided financial support to a total of 12 final projects in the Adana, Adıyaman, Artvin, Bolu, Iğdır, Kırşehir, Sinop, Tekirdağ and Yalova provinces.

Financial Literacy Trainings for Tradeswomen

Şekerbank, which was the first Bank to sign a protocol with the Turkish Tradesmen and Artisans' Confederation (TESK) to encourage women's more active and entrepreneurial participation in the economy. Accordingly, the bank prepared an insurance package to provide healthcare services and give support for problems women may encounter in their workplaces. The Bank cooperated with the Turkish Tradesmen and Artisans' Confederation in organizing entrepreneurship training within the scope of the regulations set forth by the Small and Medium Enterprises Development Organization and the Turkish Employment Agency to help women who want to set up their own business in preparing a business plan. On the final day of training, Şekerbank led a course on "Financial Literacy for Entrepreneurs". Certificates were given to 89 female entrepreneurs who had completed their training within a 3-month period.

Exemplary model in inclusive finance: Micro financing

In line with Şekerbank's people-oriented banking approach, Turkey's first micro finance project run by Şekerbank became a model during The Fourth Sustainable Finance Forum, held with the collaboration of the Business Council for Sustainable Development (SKD), the United Nations Environment Program Finance Initiative (UNEP FI) and Global Compact Turkey. The main theme of the forum was "Inclusive Financing for Inclusive Growth." In the panel entitled "Inclusive Financing in Developing Countries," Cennet İşlek, a kiosk owner from the Osmaniye province who obtained a microfinance loan from Şekerbank shared her entrepreneurship success story. Cennet İşlek is 28 years old and married with two children and runs the Vitamin Buffet, which she founded in Osmaniye,

Düziçi in 2014. Explaining that she was introduced to Şekerbank during a difficult period for her business, İşlek said, “I usually sell sandwiches and orange juice and I had never interacted with a bank before. Emphasizing that she did not have the courage to take out a loan only until after she received both micro financing and training from the bank, which encouraged her to think long term, she stated, “I borrowed the loan in March 2015. Using this financing, I bought a car to buy products that were cheaper at the farmers’ market and would reduce my costs accordingly. I’m thinking of renewing my car. We even have plans to expand our business by joining with the shop next door in the upcoming period. While doing so, we know we can get support from Şekerbank. I am thinking about taking out a loan again to grow my business after I payback my current loan,” she said.

Şekerbank branches become disabled-friendly

Şekerbank initiated a large-scale project aimed at ensuring disabled customers’ easier access to banking products and services, thereby improving their quality of life. To ensure that these customers access the Bank’s products and services with more convenience, Şekerbank restructured its service branch network in 71 provinces and 97 off-center districts across Turkey to better cater to its disabled customer base. Through these wide scale efforts, 266 Şekerbank branch locations have thus become “disabled-friendly.”

Şekerbank receives this year’s Disabled-Friendly Banking award

Şekerbank has published the Şeker Çocuk (Şeker Child) magazine for visually impaired children with the Braille alphabet (featuring raised letters for visually impaired) since 2011. This magazine is widely distributed to schools for the visually impaired and their rehabilitation centers. For these efforts, Şekerbank received the Annual Disabled-Friendly Banking award from the Association for Education and Support to the Visually Impaired.

Şekerbank sponsors the “Dokunduğum Renk” (The Color That I Touch) project, which was developed by the Istanbul Modern Museum to enable the participation of visually impaired children in various workshops and movie screenings with the guidance of specialists. The Bank aims to improve the quality of life for visually impaired individuals and to contribute to the discovering of their own creative outlets through the “Dokunduğum Renk” (Color that I touch) project, which has been sponsored since 2011 and has positively affected more than 2,500 visually impaired children, teenagers and adults.

2. Employees

The first Bank in Turkey to receive a corporate governance rating, Şekerbank’s Banking Ethical Principles is available on the Bank’s website and includes a number of categories such as trustworthiness, impartiality, reliability, transparency, care for society benefits and the environment, of which employees commit to comply with.

Şekerbank advances its founding rural development goal of furthering the sustainable development perspective by also setting targets with its human resources, which as of December 31, 2016, totaled 3,611 employees, who are competent in acting locally and efficiently in responding to customer needs and provides services in every part of Turkey through its 273 branches, 9 Regional Offices and 9 Loan Allocation Regional Offices located in 71 provinces and in approximately 100 off center districts in total.

Şekerbank employees have an average seniority of 7 years and an average age of 35. The gender distribution of personnel is equal: 50% female and 50% male. About 91% of employees have bachelor and higher educational degrees.

Business environment that provides diversity and equal opportunity

We offer equal opportunities and apply national and international norms without regard to gender, age, disability, nationality, and religion to employees throughout their careers at Şekerbank. We believe that having a participatory and multifaceted workforce aligns with our sustainable development strategy and is an important factor for creating a more knowledgeable and cultured environment.

We protect the rights of our employees, 50 percent of whom are women, as defined in the National Labor Code which is also referred to in Şekerbank's own code. As part of the introduction process to Şekerbank, we offer new employees e-training on our human resources policies and the social rights in the workplace. Similarly, we take into consideration experience, length of employment, and the work position of our employees when we consider distribution of wages.

We have been awarded the "ETİKA 2014 Turkey's Most Ethical Company" award given by the Ethical Values Center Association (EDMER) which gives the award to exemplary companies and executives for raising ethical standards and work ethics awareness.

Recruitment

In 2016, the Bank's 500 newly recruited staff was made up of 50% new graduates and 50% experienced candidates. About 76% of new recruits staffed branch positions, out of which 62% were hired for sales. Through the Assistant Internal Auditor Program, the Bank employed 14 assistant auditors in the Internal Audit Department. To enhance communication in line with the bank's corporate value of 'open communication', issues are shared on the spot, business objectives are contributed to while ensuring internal customer satisfaction and the motivation of personnel has been increased by the visiting of 30 branches. During these visits to departments, regions and branches 240 people were met with individually.

Gender equality and equal Opportunity in the Recruitment Process

Under the principles of gender equality and equal opportunity, for open positions in our Bank, we offer creative platforms for new graduates to show their potential during the recruitment processes. We reach out to young graduates in agricultural engineering faculties from different provinces with special projects and career day events in order to consider them for our agricultural banking department, which is one of our bank's key areas.

Career Opportunities

In accordance to the Bank's human resources policy, Şekerbank prefers to recruit amongst existing staff in order to provide equal opportunities to employees. Accordingly, the vacant positions are shared with personnel via the "Internal Career Opportunities" bulletin. In 2016, there were 758 transfers. Pursuant to the Bank's sales-oriented approach, 92 employees from the Operations Department were nominated to the Sales Pool in line with the "Internal Career Opportunities in the Branch" announcement and have since been transferred to the Sales Department. Moreover, 312 employees of the Bank were promoted one level up after their performance appraisal.

Talent Management

In support of the Bank's growth strategy, Şekerbank aims to cultivate the managers of the future from its existing staff. Thus, the Bank continues to implement the Branch Manager Pool Program training for the career development of personnel. In 2016, 17 employees joined the Branch Manager Pool. As a result, Şekerbank appointed 37 Branch Managers and 52% of the Bank's need for managers was met through the Branch Manager Pool Program. Program participants include those employees who are identified as embodying the corporate culture and committed to meeting strategic targets, who have managerial skills as well as high leadership potential.

Remuneration

The Remuneration Committee is responsible for monitoring practices related to compensation, ensuring compliance with the Bank's ethical values, budget and strategic targets. Internal balances, market conditions, strategic targets, individual performance and assumed responsibilities are considered when determining wages at Şekerbank. Our employees are remunerated based on fixed and performance-based income in accordance with the principles set out by Human Resources and Premium Regulations of the Bank. We carefully evaluate the target management and sales performance measurements of business units and branches through the Şeker Kazan System (ScoreCard). In addition, we use the "Competency Based Performance Evaluation System" and "Performance Measurement Performance System" for all Bank employees.

3. Environment

Şekerbank has become a pioneer in an array of categories from financing energy efficiency investments to applying social and environmental risk management systems on loan allocation processes as well as measuring its carbon footprint through CDP. The bank has been enhancing its leading role in environmentally responsible banking not only in urban areas but also in rural regions thanks to its wide and deep rooted network throughout Turkey.

Social and Environmental Management System (SEMS) on Loan Allocation Processes

Development-focused efforts to combat climate change are not only limited to the internal operations of the Bank, but also include the external environmental and social impacts of financed projects. Şekerbank has assessed the social and environmental impacts of all projects during the loan allocation process since 2009. Based on the analysis of possible environmental and social impacts of loans provided by the Bank, the Social and Environmental Management System (SEMS) is an integral part of Şekerbank's lending processes.

As Şekerbank, we started implementing SEMS in 2009 following the approval of our Board of Directors and thus became one of the first commercial banks in Turkey to implement such a system.

In 2016, we updated our SEMS structure based on the extensive international information developed by the International Finance Corporation (IFC), which is also one of our shareholders.

We not only have periodic consultations with IFC but we also share information regarding developments on these processes and due to the dynamic structure of this system, we continuously work together on updates. With the exception of individual customers, we assess all commercial and corporate customer segments in terms of their environmental and social impacts under the scope of SEMS. In the cases where we find negative social and environmental impacts, we aim to give feedback to our customers in order to eliminate these impacts or help them reduce the effects of these impacts to acceptable levels, and thus contribute to increasing customer awareness. In this way, we believe we are supporting our customers' ability to reduce their environmental and social impacts by helping them to grow their businesses in a more sustainable way.

One of the First Banks in Turkey Measuring its Carbon Footprints to All its Stakeholders

Having adopted an Environmental and Social Awareness Regulation, which is rarely seen in the sector, the Bank maintains the highest level of awareness for fighting against climate change and specifies the areas which need improvement by measuring its carbon emissions. Having conducted annual carbon footprint measurements since 2010, Şekerbank continues to be a part of the Carbon Disclosure Project (CDP), which is one of the world's leading platforms that combats climate change and was one of the two banks to voluntarily participate in the CDP 2015 Turkey Water Program, which was the first-time Turkey was included, by performing measurements for the year 2014.

Şekerbank, which participated voluntarily in the "Water Program" was listed among the Leaders of Turkey and was awarded the "CDP 2016 Turkey Water Leadership" prize. Thanks to the improvements made in the operating buildings for water consumption and projects carried out for the efficient use of water in agriculture, the Bank received a Leader (A-) assessment score and was awarded within the CDP Water Program.

Direct water consumption by the Bank in 2017 Water Program Report realized as 50,035 m³ and the target of the Bank accomplished. On the other hand, the total amount of Scope 1 and Scope 2 emissions of the General Management Building has dropped 5,33% at the 2017 Climate Change Program of CDP.

With our responsible water consumption activities, we received the "CDP 2016 Turkey Water Leadership" award. Thus, we continue to maintain our leading role in financing sustainable development.

Pioneering Role in Financing Energy Efficiency

In 2009, Şekerbank developed the EKOkredi product with the aim of increasing energy savings and protecting natural resources. With EKOkredi, we promote awareness regarding efficient use of labor and natural resources by supporting individuals, farmers, tradesmen and businesses' energy efficiency investments offered with favourable loan terms.

We offer different opportunities for each segment through EKOkredi, which was developed as a first in the Turkish banking sector and helped inspire the development of many products in this field. With EKOkredi, we finance not only insulation but also all kinds of energy efficiency investments from solar and wind energy systems to waste treatment and waste management, from natural gas conversion to class A electrical appliances, and from efficient heating/cooling to efficient lighting systems to modern irrigation equipment.

In order to promote energy saving and support the sustainability of natural resources, Şekerbank has so far provided loans in the energy efficiency field for over TRY 771 million. Thus, the Bank has introduced energy saving to 82,390 retail customers, 7,956 SME, tradesmen and farmer customers, totaling over 90,000 people. Thanks to the energy efficiency investments that involved EKOkredi, 26.5 billion kWh of energy has been saved and 5.7 million tons of CO2 emission in total has been prevented so far. Furthermore, 121 million cubic meters of natural gas has been saved thanks to the insulation projects carried out on over 128 thousand houses, financed by EKOkredi. Our continued success with EKOkredi is leading to new collaborations and strong partnerships with international financial institutions and development agencies.

Thanks to its international recognition in sustainable development finance, Şekerbank received 19% of its total internationally borrowed funds to fund energy efficiency and renewable energy projects. With its widespread customer base in Anatolia, the Bank fulfills its responsible banking mission by providing tens of thousands of tradesmen, individuals, businesses and farmers with affordable long-term resources for energy saving and efficiency.

Partnership with European Bank for Reconstruction and Development on Energy Efficiency

Şekerbank is the first bank to participate in the European Bank for the Reconstruction and Development (EBRD) Energy Efficiency Finance Facility Program in Turkey (TuREEFF), providing energy efficiency loans within the scope of urban transformation. Through the program, risky buildings are demolished and we offer loan possibilities for their reconstruction in accordance with energy efficiency criteria. In addition, by building partnerships with many leading construction companies, consultants and industry leaders, we provide our customers with support and reassurance that their buildings will have less carbon emissions and energy loss.

Our goal is to support the financing of greener, more energy efficient commercial and residential buildings and to contribute to the development of registered green businesses in our supply chain.

4. Anti-corruption

Well aware of the importance of corporate governance practices as much as financial performance, Şekerbank decided to comply in principle with the Corporate Governance Principles set as recommendations by the Capital Markets Board of Turkey (CMB), thus, the Report of Compliance with Corporate Governance Principles has been prepared based on the bank's belief in the Corporate Governance Principles adopted by the CMB, its approach in strengthening management mechanisms, deeply rooted corporate structure and consideration of the international principles and sector.

The content of the Bank's website has been improved to keep shareholders, investors and stakeholders informed about the Bank's operations in a more transparent manner. The bank continued its efforts to comply with the Corporate Governance Principles throughout the year.

On January 25, 2017, as a result of the annual regular assessment of compliance with the Corporate Governance criteria set by the Capital Markets Board, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) announced the Şekerbank's corporate governance rating for the year 2016 within the context of "Shareholders", "Public Disclosure and Transparency", "Stakeholders" and "Board of Directors" as being 9.19 (91.90%).

Within the scope of its Program for Compliance with Legislation Against the Laundering of Criminal Proceeds and Terrorism Financing, Şekerbank has completed such processes as designation of a compliance officer, establishment of the Compliance Unit and setting of in-house policies in written form; and the Bank undertakes control, monitoring, risk management, training and internal audit operations against criminal proceeds.









By expending these efforts, Şekerbank prioritizes to comply with laws as well as regulations adopted by agencies authorized by law; to prevent the use of the Bank's facilities for money laundering purposes; identify any risky transactions, services and locations which might be prone to money laundering; raise awareness among employees in regard to compliance with legal obligations; protect the Bank's reputation and the quality of its customer base, while running banking operations.

In line with its customer acceptance policy created for this purpose, Şekerbank takes preventive measures to avoid accepting as customers those individuals and institutions whose wealth and funds might not have been acquired through legitimate means, refrains from establishing customer relations - including the extension of retail or commercial loans-with such individuals, and refuses the collateral and guarantee of such individuals even when they are not its direct customers, and does not include banks in risky regions in its correspondent bank network.

While providing banking services, it is essential to comply with laws as well as regulations adopted by agencies authorized by the law. For this purpose, the Internal Control and Compliance Department monitors relevant legislative changes, provides comments on it, and announces them across the Bank. The effect of such legislative changes on banking practices are assessed, and related units work in coordination to resolve any issues that might arise during the implementation phase. Furthermore, compliance controls are performed to ensure that the Bank's current or planned activities as well as new transactions and products are in full compliance with the Banking Law and other applicable legislation, in-house policies and rules, as well as widely accepted banking practices.

Voluntary memberships and endorsed initiatives within the scope of sustainable banking

INTERNATIONAL

	UNEP FI - United Nations Environmental Program
	IIF - Institute of International Finance
	UN - Global Compact
	GRI - Global Reporting Initiative
	CPLC - Business Leadership Criteria on Carbon Pricing
	WEPs - Women's Empowerment Principles
	CDP - Climate Change and Water Programs
	IFC - Social and Environmental Performance Standards

NATIONAL

	TÜSİAD - (Turkish Industrialists' and Businessmen's Association)
	TBB - (The Banks Association of Turkey)
	SKD - (Sustainable Development Association)
	TKYD - (Corporate Governance Association of Turkey)
	ÇEDBİK - (Turkish Green Building Council)
	FODER - Financial Literacy and Inclusion Association

