



## Second-Party Opinion

# Yapı Kredi Sustainable Finance Framework

## Evaluation Summary

Sustainalytics is of the opinion that the Yapı Kredi Sustainable Finance Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 6, 7, 9, 11, 12, 13 and 15.



**PROJECT EVALUATION AND SELECTION** Yapı Kredi's Sustainable Finance Working Group will be responsible for the review and approval of eligible assets in accordance with the eligibility criteria and the Yapı Kredi's internal policies. Sustainalytics considers this process in line with market practice. Yapı Kredi has an Environmental and Social Risk Assessment System applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk management system to be adequate, and the project and evaluation process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** The net proceeds will be managed by the Treasury and Sales Departments using a portfolio approach. When necessary, existing assets will be substituted with new eligible assets in the portfolio. Pending allocation, proceeds will be temporarily held in cash or cash equivalents or other liquid marketable instruments. This process is in line with market practice.



**REPORTING** Yapı Kredi commits to report on allocation on its website annually until full allocation or until maturity for revolving credit facilities. Allocation reporting will include: i) total amount of sustainable finance instruments outstanding; ii) amount of proceeds allocated to eligible loans; iii) balance of unallocated proceeds; iv) share of financing or refinancing; and where possible v) geographical distribution of the projects. In addition, Yapı Kredi commits to reporting on relevant impact metrics, where possible. The process of allocation and impact reporting is aligned with market practice.

## Alignment of Deposits with Market Expectations

The Yapı Kredi Sustainable Finance Framework includes deposits as an eligible financial product. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the sustainable investment industry, as well as many of its norms and standards, are applicable to deposits, and that Yapı Kredi's internal processes and the use of funds aligns with those principles.

<sup>1</sup> The eligible use of proceeds categories are: Renewable Energy; Green Buildings; Clean Transportation; Energy Efficiency; Environmentally Sustainable Management of Living Natural Resources and Land Use; Terrestrial and Aquatic Biodiversity Conservation (Including the Protection of Coastal, Marine and Watershed Environments); Sustainable Water and Wastewater Management; Pollution Prevention and Control; Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes; Climate Change Adaptation; Access to Essential Services – Healthcare; Access to Essential Services – Education; Access to Essential Services – Disaster and Emergency Relief Following Natural Disasters or During Health Pandemics; Affordable Basic Infrastructure – Water and Sanitation; Affordable Basic Infrastructure – Telecommunications; Affordable Basic Infrastructure – Transportation; Affordable Basic Infrastructure – Energy Accessibility; Food Security – Access to Food; Employment Generation and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of MSME Financing; Affordable Housing.

**Evaluation Date**

July 12, 2024

**Issuer Location**

Istanbul, Türkiye

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## Introduction

Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi” or the “Bank”) is a private bank established in 1944 and headquartered in Istanbul, Türkiye. The Bank provides services in retail banking (comprising Payment Systems, Individual Banking, Business Banking, Private Banking and Wealth Management), Commercial and SME Banking, as well as Corporate 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 and Azerbaijan. As of March 2024, the Bank had a total assets of TRY 2.1 trillion (EUR 61.6 billion), with 15,421 employees and 781 branches across Türkiye.<sup>2</sup>

Yapı Kredi has developed the Yapı Kredi Sustainable Finance Framework dated July 2024 (the “Framework”) under which it intends to issue the following Sustainable Finance Instruments: green, blue, social and sustainability financial instruments, such as bonds, private placements<sup>3</sup>, commercial papers, loans, promissory notes, trade finance instruments (cash and contingent (non-cash) facilities including loans, forfaiting, documentary collections, letters of credit, letters of guarantee, promissory notes, customer deposits and other related sustainable finance liabilities.<sup>4</sup> Yapı Kredi intends to use the proceeds from the Sustainable Finance Instruments to finance or refinance, in whole or in part, existing or future projects expected to deliver positive environmental and social outcomes.

The Framework defines eligibility criteria under the following environmental and social categories:

1. Renewable Energy
2. Green Buildings
3. Clean Transportation
4. Energy Efficiency
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Terrestrial and Aquatic Biodiversity Conservation (Including the Protection of Coastal, Marine and Watershed Environments)
7. Sustainable Water and Wastewater Management
8. Pollution Prevention and Control
9. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
10. Climate Change Adaptation
11. Access to Essential Services – Healthcare
12. Access to Essential Services – Education
13. Access to Essential Services – Disaster & Emergency Relief Following Natural Disasters or During Health Pandemics
14. Affordable Basic Infrastructure – Water and Sanitation
15. Affordable Basic Infrastructure – Telecommunications
16. Affordable Basic Infrastructure – Transportation
17. Affordable Basic Infrastructure – Energy Accessibility
18. Food Security – Access to Food
19. Employment Generation and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of MSME Financing
20. Affordable Housing

Yapı Kredi engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),<sup>5</sup> Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP)<sup>6</sup>. The Framework has been published in a separate document.<sup>7</sup>

<sup>2</sup> Yapı Kredi, “Corporate Profile”, at: <https://www.yapikrediinvestorrelations.com/en/about-yapi-kredi/detail/Corporate-Profile/12/16/0>

<sup>3</sup> Yapı Kredi has confirmed to Sustainalytics that the private placements are debt private placements and do not include equities.

<sup>4</sup> Sustainalytics has only reviewed the financial instruments expressly listed here.

<sup>5</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>6</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>7</sup> The Yapı Kredi Sustainable Finance Framework is available on Yapı Kredi’s website at: <https://www.yapikrediinvestorrelations.com/en/debt-capital-markets/list-document/Sustainable-Bonds/571/0/0>

### Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>8</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15 which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Yapı Kredi's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Yapı Kredi representatives have confirmed (1) they understand it is the sole responsibility of Yapı Kredi to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Yapı Kredi.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Yapı Kredi has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Yapı Kredi Sustainable Finance Framework

Sustainalytics considers the Yapı Kredi Sustainable Finance Framework to be credible, impactful and aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics notes that in addition to these principles, Yapı Kredi intends to align the Framework with the IFC Guidelines for Blue Finance.<sup>9</sup> Sustainalytics highlights the following elements of the Framework:

<sup>8</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

<sup>9</sup> The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. IFC, "Guidelines Blue Finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles", (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgmt/ifc-guidelines-for-blue-finance.pdf>

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP, SBP, GLP, and SLP. The eligible categories are: Renewable Energy; Green Buildings; Clean Transportation; Energy Efficiency; Environmentally Sustainable Management of Living Natural Resources and Land Use; Terrestrial and Aquatic Biodiversity Conservation (Including the Protection of Coastal, Marine and Watershed Environments); Sustainable Water and Wastewater Management; Pollution Prevention and Control; Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes; Climate Change Adaptation; Access to Essential Services - Healthcare; Access to Essential Services - Education; Access to Essential Services - Disaster and Emergency Relief Following Natural Disasters or During Health Pandemics; Affordable Basic Infrastructure - Water and Sanitation; Affordable Basic Infrastructure - Telecommunications; Affordable Basic Infrastructure - Transportation; Affordable Basic Infrastructure - Energy Accessibility; Food Security - Access to Food; Employment Generation and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, including through the Potential Effect of MSME Financing; Affordable Housing.
  - The Framework has defined a look-back period of 36 months for the refinancing of eligible loans, which Sustainalytics considers to be aligned with market practice.
  - Under the Framework, Yapı Kredi may finance general-purpose loans to pure play companies that derive more than 90% of their revenue from activities that comply with the eligibility criteria in the Framework. Sustainalytics considers that project- and activity-based spending result in more direct environmental and social benefits and improve compliance with eligibility criteria. However, the financing of pure play companies through sustainable financial instruments is a commonly accepted approach likely to generate positive impacts.
  - Under the Renewable Energy category, Yapı Kredi may finance or refinance the acquisition, procurement, development, construction, operation, repair, maintenance or connection of new and existing renewable energy plants and systems for the transmission of renewable energy meeting the following criteria:
    - Solar power, including solar photovoltaic, concentrated solar power (CSP) and solar thermal power plants. Sustainalytics notes that the Framework limits financing to CSP projects that generate at least 85% of electricity from solar energy.
    - Onshore and offshore wind power.
    - Hydropower plants which: i) are run-of-river without an artificial reservoir; or ii) have a capacity smaller than 25 MW and either life cycle GHG emissions intensity lower than 100 gCO<sub>2</sub>e/kWh or a power density greater than 5 W/m<sup>2</sup>. Sustainalytics notes that Yapı Kredi has defined an emissions intensity threshold at below 100 gCO<sub>2</sub>e/kWh (following the EU Taxonomy criteria for the activity “Electricity generation from hydropower”). However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, therefore, Sustainalytics encourages Yapı Kredi to favour projects with emissions intensities below 50 gCO<sub>2</sub>e/kWh (following the Climate Bonds Standard criteria for hydropower). Yapı Kredi has confirmed to Sustainalytics that each hydropower project will undergo an environmental and social impact assessment to ensure that there is no significant impact of the project on the environment.
    - Geothermal power plants with a life cycle GHG emissions intensity below 100 gCO<sub>2</sub>e/kWh.
    - Electricity generation from biogas, biofuel and biomass that meet the following criteria:
      - The electricity generated has a life cycle GHG emissions intensity below 100 gCO<sub>2</sub>e/kWh; or life cycle emissions 80% lower than the fossil fuel baseline.
      - Feedstock sourced from sustainable and waste sources that do not compete with food sources or deplete existing terrestrial carbon pools, including agricultural and forestry residues.
        - Such feedstock may include sources certified by FSC, PEFC, Sustainable Biomass Program and RSB.
        - Sustainalytics notes that the Framework excludes: i) biofuel blending facilities (mixing with fossil fuels) for biofuel processing; ii) energy crops, non-waste feedstock and feedstock that depletes carbon

- pools; iii) peat and 10% or more feedstock from uncertified sources; iv) palm oil that is not RSPO-certified.
    - If the feedstock is from municipal solid waste, most of the recyclables are segregated before energy conversion. Additionally, for landfills and mixed residual waste, the Framework excludes the following sources: i) landfill gas captured for flaring; and ii) plastic-, rubber- or tire-derived fuels. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends Yapı Kredi to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
    - Yapı Kredi has communicated to Sustainalytics that wastewater from fossil fuel operations will be excluded as feedstock.
  - Biofuel production with life cycle emissions at least 65% lower than the fossil fuel baseline.
  - Hydrogen storage and refuelling infrastructure ,and fuel production of green hydrogen fuel by electrolysis powered 100% by renewables.
  - Development and improvement of transmission systems dedicated to connecting renewable energy to the grid. Expenditures include the following:
    - Construction, renovation and refurbishment of electricity grids dedicated to renewable electricity.
    - Energy efficiency enhancements for the distribution and transmission of electricity generated from renewables.
    - Projects that increase the share of renewable energy in total energy consumption, including smart grid, renewable electricity storage facilities and metering systems.
      - The Framework allows for allocation to smart grid investments. Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Yapı Kredi to select projects that are clearly anticipated to deliver tangible efficiency improvements.
      - Additionally, Yapı Kredi has communicated to Sustainalytics that electricity storage facilities will only be dedicated or connected to renewable energy, mainly wind and solar energy.
  - Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Green Buildings category, Yapı Kredi may finance or refinance the construction, acquisition or renovation of new and existing commercial and residential buildings that meet the following criteria:
- Commercial or residential buildings that achieve the energy performance of the top 15% most energy-efficient buildings in Türkiye.
  - Commercial or residential buildings rated B or above on energy performance by the Turkish energy performance certificate BEP-TR.<sup>10</sup> Sustainalytics highlights that the BEP-TR programme is equivalent to energy performance certificates (EPCs) implementing the EU's Energy Performance of Buildings Directive.<sup>11</sup> In addition, the Climate Bonds Standard does not provide a current baseline for the top 15% low-carbon

<sup>10</sup> BEP-TR: <https://beptr.csb.gov.tr>

<sup>11</sup> European Commission, “Energy Performance of Buildings Directive”, at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)

residential and commercial buildings in Türkiye. Considering that only 10% to 15% of the total building stock in Türkiye is rated by a BEP-TR certificate, it is very likely that buildings with a BEP-TR rated B belong in the top 15% in Türkiye. Sustainalytics encourages Yapı Kredi to favour buildings that qualify in the top 15% most energy-efficient buildings to align with market practice.

- Commercial or residential buildings that meet the requirements of nearly zero-energy buildings<sup>12</sup> by: i) achieving energy performance class B or better on the energy performance certificate and; ii) having at least 5% renewable energy supplied for a building's primary energy requirement until 1 January 2025 and at least 10% thereafter.
  - Commercial or residential buildings that have achieved or will achieve at least one of the following green building certifications: LEED (Gold or Platinum);<sup>13</sup> BREEAM (Very good or above);<sup>14</sup> DGNB (Gold or Platinum);<sup>15</sup> HQE (Excellent or Exceptional); EDGE (EDGE Certified or above);<sup>16</sup> B.E.S.T (Very Good or above)<sup>17</sup> and Yes-TR (Very Good or above).<sup>18</sup> With respect to BREEAM certification, Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages Yapı Kredi to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfil the requirements for BREEAM Excellent in that category.
  - Refurbishment of commercial or residential buildings that lead to at least a 30% energy efficiency improvement compared to the pre-retrofit building performance. Sustainalytics views this to be aligned with market practice.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Clean Transportation category, Yapı Kredi may finance or refinance zero emissions vehicles and infrastructure associated with public and private transportation that meet the following criteria:
- Passenger and freight rail transportation with zero direct CO<sub>2</sub> emissions.
  - Vehicles and vessels meeting the following criteria:
    - Passenger road vehicles with: i) up to 50 gCO<sub>2</sub>e/pkm emissions until 31 December 2025 and 0 gCO<sub>2</sub>e/pkm after; or ii) zero direct CO<sub>2</sub> emissions.
    - Freight road vehicles with: i) up to 25 gCO<sub>2</sub>e/tkm emissions until 31 December 2025 and 0 gCO<sub>2</sub>e/tkm after; or ii) zero direct CO<sub>2</sub> emissions.
    - Hybrid electric vehicles and vessels with: i) 50 gCO<sub>2</sub>e/km emissions until 31 December 2025 and 0 gCO<sub>2</sub>e/km after; or ii) zero direct CO<sub>2</sub> emissions.
  - Development, operation and upgrade of passenger and freight electric-powered rail transport run by a local or central government of Türkiye.
  - Bicycle path construction.
  - Green Hydrogen vehicles.
  - Design and manufacturing of components dedicated to clean transportation. Yapı Kredi has confirmed to Sustainalytics that the components are limited to specialized parts specifically for green transportation to enable green transportation technology. Such components may include: i) EVs; ii) EV batteries and directly associated components; iii) associated components for Green Hydrogen vehicles and hybrid vehicles; and iv) charging units.
  - Charging infrastructure for electric vehicles. Yapı Kredi has communicated to Sustainalytics that the charging infrastructure will exclude general parking facilities unrelated to the charging infrastructure.
  - Additionally, Sustainalytics notes that the Framework excludes expenditures related to infrastructure and projects dedicated to the transport or storage of fossil fuels.
  - Sustainalytics considers these expenditures to be aligned with market practice.

<sup>12</sup> European Commission, "Nearly Zero-Energy Buildings", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<sup>13</sup> LEED: <https://www.usgbc.org/leed>

<sup>14</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>15</sup> DGNB: <https://www.dgnb.de/en>

<sup>16</sup> EDGE: <https://edge.gbci.org/>

<sup>17</sup> B.E.S.T: <https://www.cedbik.org/best>

<sup>18</sup> Yes-TR is a green building certification system developed by the Turkish Ministry of Environment and Urbanization.

- Under the Energy Efficiency category, Yapı Kredi may finance or refinance energy efficiency projects meeting the following criteria:
  - Renovation projects that lead to an improvement in energy efficiency of at least 20% or a reduction in GHG emissions by at least 20%.
  - Installation, maintenance and repair of energy efficiency equipment, including:
    - Windows, energy-efficient HVAC systems and LED lights.
    - Household appliances rated in the top two classes of the Turkish national energy efficiency labelling system. Sustainalytics notes that the Turkish Framework Regulation for Energy Labelling is aligned with the EU Regulation 2017/1369 on the energy labelling of appliances<sup>19</sup> and the EU Taxonomy Delegated Act.<sup>20,21</sup>
    - The Bank has disclosed that it will use the Green Technology Selector<sup>22</sup> platform developed by the European Bank for Reconstruction and Development (EBRD) as a standalone criterion for financing some of the energy-efficient technologies in this category. Sustainalytics notes that the Green Technology Selector has a wide spectrum of equipment and appliances, including household appliances, and encourages the Bank to report on the energy efficiency levels and positive impacts achieved for the technologies financed under this category. For household appliances, financing will be limited to appliances that are rated in the highest two classes of the applicable national energy efficiency labelling system in Türkiye.<sup>23</sup> Yapı Kredi has further confirmed to Sustainalytics that there will be no double counting of impact from the expenditures made using the Green Technology Selector criteria.
  - Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance, such as electric smart meters.
    - Sustainalytics notes that Yapı Kredi may finance smart metres for gas, which is consistent with the EU Taxonomy, even if such investments may prolong fossil fuel consumption. Sustainalytics considers investments tied to natural gas and associated components and systems more suitable for transition finance.
  - Manufacturing of steel by electric arc furnaces using green hydrogen.
  - Sustainalytics notes that this category excludes: i) projects that relate to fossil fuel extraction, production, refining and operation, as well as those that will result in lock-in of fossil fuel technologies; and ii) projects associated with hard-to-abate and carbon intensive sectors.
  - These are aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use, Yapı Kredi may finance or refinance agricultural practice, forestry and urban greening activities that meet the following criteria:
  - Projects that certify sensitive agricultural products for improved supply chain transparency with the following certifications: Rainforest Alliance,<sup>24</sup> Better Cotton Initiative (BCI),<sup>25</sup> USDA Organic<sup>26</sup> and EU Organic.<sup>27</sup>
    - In contrast with most credible certification schemes, BCI does not require adherence to specific performance targets, focusing instead on encouraging improved performance over time. In addition, Sustainalytics also notes that BCI allows for the use of genetically modified organisms. Notwithstanding these drawbacks, and noting the positive ambition of the BCI scheme,

<sup>19</sup> FAO, "Framework Regulation for energy labelling", at: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC207937/>

<sup>20</sup> European Commission, "Regulation (EU) 2017/1369 of the European Parliament and of the Council of 4 July 2017 setting a framework for energy labelling and repealing Directive 2010/30/EU," at: <https://eur-lex.europa.eu/eli/reg/2017/1369/oj>

<sup>21</sup> European Commission, "Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088," at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32020R0852>

<sup>22</sup> Green Technology Selector: <https://techselector.com/turkiye-en/> ,

<sup>23</sup> FAO, "Framework Regulation for energy labelling", at: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC207937/>

<sup>24</sup> Rainforest Alliance: <https://www.rainforest-alliance.org/>

<sup>25</sup> Better Cotton Initiative: <https://bettercotton.org/>

<sup>26</sup> USDA Organic: <https://www.usda.gov/topics/organic>

<sup>27</sup> EU Organic: [https://agriculture.ec.europa.eu/farming/organic-farming/organics-glance\\_en](https://agriculture.ec.europa.eu/farming/organic-farming/organics-glance_en)

Sustainalytics does not consider the use of BCI as an eligibility criterion that detracts from the credibility of the Framework.

- Sustainalytics considers the expenditures under this category to be aligned with market practice.
  - Forestry, forest management and land restoration projects that are certified by the following schemes: Forest Stewardship Council (FSC),<sup>28</sup> Programme for the Endorsement of Forest Certification (PEFC)<sup>29</sup> and Rainforest Alliance. Reforestation and afforestation projects will use tree species that are well adapted to the site conditions besides being certified by FSC, PEFC or Rainforest Alliance.
  - Development of green areas, such as parks with tree species well adapted to the site conditions and a sustainable management plan certified by FSC or PEFC.
  - Fishery and aquaculture practices that are certified by the following: Marine Stewardship Council (MSC),<sup>30</sup> Aquaculture Stewardship Council (ASC),<sup>31</sup> Best Aquaculture Practices (BAP) Farm Standard (2 stars or above).<sup>32</sup>
  - Agricultural practices with whole agricultural units certified by the following: RSPO,<sup>33</sup> PEFC, SFI,<sup>34</sup> Rainforest Alliance, UTZ,<sup>35</sup> ProTerra,<sup>36</sup> RSB,<sup>37</sup> or ISCC.<sup>38</sup>
  - Improved farming techniques and equipment for agricultural activities, such as: i) restoration of degraded pasture; ii) soil recovery; iii) use of organic fertilizer; and iv) crop rotation. Expenditures for the restoration of degraded pasture and soil recovery will not be related to the contamination or negative environmental externality from the borrower's own activities. Additionally, Sustainalytics encourages Yapı Kredi to promote the holistic deployment of conservation agriculture practices<sup>39</sup> through its lending criteria for agriculture projects.
  - The Framework excludes activities associated with: i) conversion of high-carbon stock lands; ii) non-RSPO certified palm oil; iii) genetically modified organisms and crops; and iv) industrial scale livestock production.
  - Sustainalytics considers this to be in line with market practice.
- Under the Terrestrial and Aquatic Biodiversity Conservation (Including the Protection of Coastal, Marine and Watershed Environments) category, Yapı Kredi may finance or refinance terrestrial and aquatic biodiversity conservation projects and projects to protect coastal, marine, watershed and other aquatic ecosystems. Eligible projects and activities financed under this category will adhere to the following criteria:
  - Projects focusing on conservation, preservation and restoration of biodiversity.
  - Regarding reforestation and afforestation projects, Yapı Kredi will use tree species that are well adapted to the site conditions and have a sustainable management plan certified by FSC, PEFC or Rainforest Alliance. Additionally, reforestation projects that meet the same eligibility and exclusionary criteria outlined under the "Environmentally Sustainable Management of Living Natural Resources and Land Use" category above.
  - Projects to protect, restore and prevent pollution in ecosystems, including creating protected areas, conserving watersheds and forests, and establishing tourist centres for education and awareness on ecosystem conservation.
    - The Bank has confirmed that, under this category, it may finance the construction of eco-tourism hotels and resorts that are built in line with the criteria in the Green Buildings category. With respect to potential eco-tourism projects, Yapı Kredi has confirmed to Sustainalytics that it will not finance activities that are hosted in these hotels and resorts except for environmental

<sup>28</sup> FSC: <https://fsc.org/en>

<sup>29</sup> PEFC: <https://www.pefc.org/>

<sup>30</sup> MSC: <https://www.msc.org/>

<sup>31</sup> ASC: <https://asc-aqua.org/>

<sup>32</sup> BAP: <https://www.bapcertification.org/>

<sup>33</sup> RSPO: <https://rspo.org/>

<sup>34</sup> SFI: <https://forests.org/>

<sup>35</sup> UTZ: <https://www.rainforest-alliance.org/utz/>

<sup>36</sup> ProTerra: <https://www.proterrafoundation.org/>

<sup>37</sup> RSB: <https://rsb.org/>

<sup>38</sup> ISCC: <https://www.iscc-system.org/>

<sup>39</sup> Conservation Agriculture (CA) is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems. Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

- activities under this category. Yapı Kredi has also confirmed that it will avoid double counting the projects financed under this category with those under the Green Buildings category.
- Sustainalytics considers this to be in line with market practice.
  - Under the Sustainable Water and Wastewater Management category, Yapı Kredi may finance or refinance the development, construction, operation and maintenance of the following types of projects:
    - Collection, treatment, reuse and recycling of wastewater. Yapı Kredi has confirmed to Sustainalytics that this activity excludes wastewater from fossil fuel operations.
    - Projects related to protecting water security and water quality and preventing water pollution.
      - Yapı Kredi has communicated to Sustainalytics that these activities may include deployment of systems and measures to enable water efficiency gains.
      - Yapı Kredi has communicated to Sustainalytics that the Bank will not finance recreational projects under this category.
      - Sustainalytics notes that the Framework excludes the following projects under this category: i) landscaping projects that use invasive species and drought-tolerant species as a result of modified genetics; ii) projects with equipment and methods that are dependent on fossil fuels; iii) projects with systems and measures to provide water for fossil fuel operations, fracking, nuclear and mining; iv) projects in hard-to-abate industries.
    - Desalination projects that are based on reverse osmosis technology and powered by electricity with life cycle carbon intensity of less than 100 gCO<sub>2</sub>e/kWh. Yapı Kredi has confirmed to Sustainalytics that eligible desalination projects will require reasonable assurance of appropriate waste management plan for brine disposal.
    - Sustainable urban drainage systems.
      - Sustainalytics notes that the Framework excludes business-as-usual renovation and retrofits of the drainage systems.
      - Additionally, Yapı Kredi has communicated to Sustainalytics that such drainage systems will have: i) a vulnerability assessment of realized climate impacts and potential climate risks to support the argument for financing such drainage systems; and ii) a management response plan to the conclusions and findings of the vulnerability assessment, noting how identified climate risks will be addressed.
    - Sustainalytics considers these expenditures to be aligned with market practice.
  - Under the Pollution Prevention and Control category, Yapı Kredi may finance or refinance the projects related to sustainable waste management and recycling according to the following criteria:
    - Waste reduction and waste recycling projects, include the development, operation and upgrade of recycling plants and associated activities for metals, plastic and paper. Sustainalytics notes that: i) chemical recycling of plastics will not be financed under the Framework; ii) the recycling of electronic waste will be accompanied by a robust waste management plan to mitigate associated risks; iii) segregation of waste will be carried out; and iv) waste collection vehicles will be required to meet the emissions threshold defined under Clean Transportation category.
    - Waste-to-energy facilities for electricity or heat generation heat with life cycle GHG emissions of the energy produced below 100 gCO<sub>2</sub>e/kWh. The Bank has confirmed to Sustainalytics that: i) the majority of recyclables (especially plastics) are separated before energy conversion; ii) plastics-, rubber- or tyre-derived fuels are excluded from energy or fuel conversion. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, namely waste prevention and recycling. Additionally, the composition of the residual waste, particularly fossil carbon content, is a crucial consideration for such projects to have low emissions intensities. However, Sustainalytics also notes that energy from waste can offer a better residual waste management option than landfills in many cases, considering constraints on recycling

- in many parts of the world. Sustainalytics recommends Yapı Kredi to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
- Monitoring and measurement systems aiming to reduce water, soil or air pollution. The Bank has confirmed that: i) projects intended for fossil fuel operations will not be financed under the Framework; and ii) pollution prevention measures financed will not be applied to fossil fuel-powered equipment or technologies.
  - These expenditures are aligned with market practice.
  - Under the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes category, Yapı Kredi may finance or refinance waste recycling and reuse projects including the development, operation and upgrade of recycling plants and associated activities for plastic and aluminium.
    - Sustainalytics notes that for production of plastics, the following criteria will apply: i) at least 90% of input is recycled or sustainably sourced bio-based materials that are certified; ii) at least 90% of plastic produced are not for single use; and iii) all products are recyclable. Chemical recycling of plastics will not be financed under the Framework. Yapı Kredi has confirmed to Sustainalytics that the bio-based materials for plastics production will be sustainably sourced through the FSC; Bonsucro;<sup>40</sup> International Sustainability and Carbon Certification (ISCC Plus);<sup>41</sup> RSB; and Round Table on Responsible Soy (RTRS)<sup>42</sup> certifications.
    - For the production of aluminium-based products, the Bank has confirmed that it will finance products where: i) at least 90% of the input is recycled or scrapped aluminium; or ii) 75-90% of the input is recycled or scrapped aluminium and the remaining virgin or primary aluminium has a carbon intensity below 2.5 tCO<sub>2</sub>e/tonne of aluminium.
    - Sustainalytics considers these expenditures to be aligned with market practice.
  - Under the Climate Change Adaptation category, Yapı Kredi may finance or refinance projects related to increasing resilience to climate change, including measures to address physical climate risks caused by climate change, such as drought, desertification, extreme weather events, sea level rise, decline in agricultural productivity, forest fires, pests and loss of biodiversity. The Bank has confirmed that: i) climate adaptation projects will be supported by a vulnerability assessment; ii) the Bank will also assess the project's consistency with Türkiye's Climate Change Adaptation Strategy and Action Plan<sup>43</sup>, regional and provincial strategies, provincial climate change roadmaps and published action plans. Sustainalytics considers these expenditures to be aligned with market practice.
  - Under the Access to Essential Services – Healthcare category, Yapı Kredi may finance or refinance projects according to the following criteria:
    - Construction, development, operation, renovation and maintenance of medical facilities, services, systems or equipment for free or subsidized public and non-profit private healthcare. Sustainalytics notes that Türkiye has a universal public health insurance that provides access to public healthcare facilities and services to all. Regarding non-profit private healthcare financed in this category, Yapı Kredi has confirmed that it is limited to the hospitals in the public-private partnership (PPP) programme, which are subsidized by the government and covered by the public health insurance.<sup>44</sup>
    - Emergency relief projects in the context of a natural or health disaster, including the provision of medical products and supplies, medical equipment, disease control services, and vaccines.
    - Sustainalytics views expenditures under this category to be socially impactful.
  - Under the Access to Essential Services – Education category, Yapı Kredi may finance or refinance projects according to the following criteria:

<sup>40</sup> Bonsucro: <https://bonsucro.com/>

<sup>41</sup> ISCC: <https://www.iscc-system.org/certification/iscc-certification-schemes/iscc-plus/>

<sup>42</sup> RTRS: <https://responsiblesoy.org/?lang=en>

<sup>43</sup> Climate Change Laws of the World, "Türkiye's National Climate Change Adaptation Strategy and Action Plan", at: [https://climate-laws.org/documents/Türkiye-s-national-climate-change-adaptation-strategy-and-action-plan\\_cc01?id=Türkiye-s-national-climate-change-adaptation-strategy-and-action-plan\\_75e0](https://climate-laws.org/documents/Türkiye-s-national-climate-change-adaptation-strategy-and-action-plan_cc01?id=Türkiye-s-national-climate-change-adaptation-strategy-and-action-plan_75e0)

<sup>44</sup> IFC, "Public-Private Partnership Stories", at: <https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/2022-03/IFC%2BPPP%2BStories%2BTurkey%2BAdana.pdf>

- Construction, development, operation, renovation and maintenance of educational facilities, services, systems or equipment for public and government-subsidized education such as schools and universities.
- Construction, development of student housing as well as provision of loans to students to pay rent for student housing targeting youth and general public from low-income families. Financing pertaining to student housing will be available to all students, and the Bank will further prioritize the allocation of student housing or student loans according to the criteria set by the Turkish Ministry of Youth and Sports.<sup>45</sup> The Bank has confirmed to Sustainalytics that it will offer favourable terms to the beneficiaries, such as subsidized rates and interest rate payment deferrals.
  - Construction of affordable student housing with rents lower than local housing units. Sustainalytics notes that Yapı Kredi's role is limited to being a loan provider for such investments and, therefore, the Bank does not exercise any control over deciding the detailed criteria for determining the low-income or marginalized students deemed eligible for the student housing units or the pricing of student housing financed under the Framework. Sustainalytics recognizes the importance of prioritizing target populations for such expenditures and is of the opinion that such expenditures have the potential to create a positive social impact in target regions and encourages Yapı Kredi, where feasible, to provide further disclosure on the pricing of student housing financed and relevant beneficiaries defined by regional governments, and to report on the social impact achieved as part of its annual reporting commitments.
  - Sustainalytics notes that the Bank intends to finance student loans with the aim of enhancing access to tertiary education for the general population in Türkiye and that the Framework does not limit financing of such loans to a specific target group such as socioeconomically disadvantaged students. Sustainalytics further notes that Türkiye has one of the lowest rates of tertiary education in the OECD.<sup>46</sup> In addition, there are also clear inequalities in sub-national regions reflecting socioeconomic disparities: in 2020, the difference between the region with the highest proportion of people with tertiary education aged 25-64 (Ankara, 32%) and the region with the lowest (Southeast Anatolia - Central, 13%) was 20 percentage points, consequently constraining the supply of highly skilled workers in the country.<sup>47</sup>
- Projects aimed at the physical or mental development of young generation such as amateur sport clubs, youth projects, youth camps. Yapı Kredi has confirmed to Sustainalytics that services and facilities will be affordable to all regardless of ability to pay.
- Sustainalytics considers these expenditures to be socially impactful.
- Under the Access to Essential Services - Disaster & Emergency Relief Following Natural Disasters or During Health Pandemics category, Yapı Kredi may finance or refinance projects according to the following criteria:
  - Reconstruction of basic infrastructure such as housing, electricity transmission network, water distribution network, public schools and universities. The Bank has confirmed to Sustainalytics that: i) transmissions and distribution systems are not a dedicated connection to fossil fuel power plants; ii) the activity excludes construction of fossil fuel power plants.
  - Provision of financial support, such as loans to prevent unemployment, extension of maturities and delayed payment of loans, to people living in the affected areas. Financial support for retail and commercial clients that are located in the disaster-affected areas defined by AFAD, the official government body responsible for disaster relief in Türkiye.<sup>48</sup> Yapı Kredi has confirmed that: i) financing will exclude large

<sup>45</sup> Ministry of Youth and Sports, at: <https://kygm.gsb.gov.tr/Sayfalar/3227/3200/yurt-hizmetleri.aspx>

<sup>46</sup> OECD, "Education GPS - Türkiye", at: <https://gpseducation.oecd.org/CountryProfile?primaryCountry=TUR&treshold=10&topic=EO>

<sup>47</sup> OECD, "Education at a glance - Türkiye", at: <https://www.oecd-ilibrary.org/sites/9bb9830a-en/index.html?itemId=/content/component/9bb9830a-en>

<sup>48</sup> The Disaster and Emergency Management Authority, "About Us", at: <https://en.afad.gov.tr/>

corporates; ii) the Bank will offer favourable terms to the beneficiaries.<sup>49</sup> Sustainalytics notes that the Framework does not place a restriction on the size of the businesses that may receive financing. Sustainalytics recognizes that such financing is likely to benefit entrepreneurs affected by a disaster or health pandemic, however, considers it good practice to prioritize financing SMEs because they typically face greater challenges in accessing capital than larger companies. Therefore, Sustainalytics considers financing loans to non-SMEs as business-as-usual lending and a deviation from what it considers good practice.

- Under the Affordable Basic Infrastructure - Water and Sanitation category, Yapı Kredi may finance or refinance projects related to the development of water infrastructure and services intended to improve access to potable water, sewage treatment and sanitation for residential and public-access facilities. Sustainalytics notes that desalination plants will be excluded from this category. Sustainalytics views expenditures under this category to be socially impactful.
- Under Affordable Basic Infrastructure - Telecommunications, Yapı Kredi may finance or refinance the deployment, extension or improvement of telecommunications and fixed or mobile broadband connectivity services in unconnected areas or areas of low socioeconomic development. Yapı Kredi defines low socioeconomically developed areas as areas which have lower GDP than the average in Türkiye. Additionally, Yapı Kredi confirms that the areas financed under the Framework will not have mobile broadband 3G or above. Sustainalytics views expenditures under this category to be socially impactful.
- Under Affordable Basic Infrastructure - Transportation, Yapı Kredi may finance or refinance the construction, maintenance or installation of transportation infrastructure in less socioeconomically developed areas. Yapı Kredi further confirms that this infrastructure will not include major roads or highways. Sustainalytics views expenditures under this category to be socially impactful.
- Under Affordable Basic Infrastructure – Energy Accessibility, Yapı Kredi may finance or refinance the following:
  - Transmission infrastructure (including generated from non-renewable sources) in low socioeconomic development areas, if such areas have lack of access to electricity. Yapı Kredi has confirmed to Sustainalytics that infrastructure will not be connected to fossil fuel power plants.
  - Transmission of electricity in areas where there is no electricity.
  - Subsidy programme for electricity consumption in low socioeconomically developed areas.
  - Sustainalytics views expenditures under this category to be socially impactful.
- Under Food Security - Access to Food, Yapı Kredi may finance or refinance the following:
  - Food security and livelihood programmes to ensure access to food and the protection of livelihoods during and immediately after an emergency.
  - Sustainalytics notes that under these activities only companies that exclusively produce organic certified products or services that are accredited by the International Federation of Organic Agriculture Movements (IFOAM)<sup>50</sup> and that use organic fertilizers and pesticides will be considered. Yapı Kredi confirms that the projects will be developed for prevention of food loss. Sustainalytics notes that in Türkiye more than 20% of the food produced annually is lost or wasted.<sup>51</sup>
  - Sustainalytics views expenditures under this category to be socially impactful.
- Under Employment Generation, and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, Including Through the Potential Effect of MSME Financing, Yapı Kredi may finance or refinance micro, small and medium enterprises (MSMEs).<sup>52</sup> The Bank has identified MSMEs in socioeconomically disadvantaged areas, MSMEs with high women representation and MSMEs with young entrepreneurs as the target groups for this category. Eligible MSMEs should meet at least one of following criteria:

<sup>49</sup> Favourable loan terms could include lower interest rates, longer grace period and longer tenor.

<sup>50</sup> IFOAM, "About us", at: <https://www.ifoam.bio/about-us>

<sup>51</sup> Food and Agriculture Organization (FAO), "Reduction of food loss and waste in Central Asia, Azerbaijan and Turkey", at: <https://www.fao.org/in-action/fao-turkey-partnership/projects/project-detail/en/c/1363051/#>

<sup>52</sup> MSMEs are defined following the Official Gazette (Mevzuat Bilgi Sistemi), at: <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=7297&MevzuatTur=21&MevzuatTertip=5>

- MSMEs where at least 51% of shares belong to women; or where the company has at least 20% female ownership, with women occupying at least one managerial role or where the overall operational management responsibility is held by women, and where majority of the board represented by women; or MSMEs where more than 50% of employees are women.
  - MSMEs located in cities that have lower income than the average in Türkiye.
  - MSMEs owned by migrants or displaced persons.
  - MSMEs affected by natural disasters.
  - MSMEs with less than 5 years of activity.
  - MSMEs where more than 50% of shares are owned by young entrepreneurs or where 51% majority of management is under the age of 35.
  - Sustainalytics notes that the MSMEs will be located in Türkiye, where MSMEs may have limited access to capital.
  - Sustainalytics views these expenditures as socially impactful.
- Under the Affordable Housing category, Yapı Kredi may finance or refinance social housing mortgages to disadvantage groups and social housing organizations as follows:
  - Social housing projects under the housing programme of the Housing Development Administration of Türkiye's (TOKİ). Sustainalytics highlights the TOKİ definition of the target population, which focuses on low- and middle-income groups, based on the public-sector wage index and maximum net monthly household income. Sustainalytics further notes that TOKİ ensures that the sales price and repayment conditions are defined according to the income and saving patterns of the target groups, and the terms do not apply to the private sector.<sup>53</sup>
    - Regarding the homeownership programmes, financial advantages could include lower interest rates, longer-term repayment options, more flexible payment plans, lower down payment options and tax benefits to ensure affordability. The Bank has responsible lending practices in place to understand the borrowers' financial situation, mitigate risk for borrowers and help ensure that they understand loan terms (for more details, refer to Section 2).
  - Yapı Kredi may also finance My First Home loan package, which targets those who have not previously owned a home under TOKİ. The Bank confirms to Sustainalytics that this loan package will have the same requirements of TOKİ housing programmes, and that interest rates will be well below market rates and have maturities up to 15 years.
  - Sustainalytics views such financing to be socially impactful.
- Sustainalytics notes that the Framework excludes manufacturing or activities that encompass harmful or exploitative forms of forced labour, child labour, any unlawful product or activity under Turkish law, manufacturing friable asbestos fibre, products that contain polychlorinated biphenyls or hazardous chemicals, internationally forbidden pesticides, insect repellents or ozone-depleting substances, wildlife or wildlife-related products subject to the Convention on International Trade in Endangered Species (CITES),<sup>54</sup> waste and waste products that are non-compliant with the Basel Convention and its regulations,<sup>55</sup> activities conducted on the wetlands as defined by the RAMSAR Convention on Wetlands,<sup>56</sup> activities banned by the host country's legislation or international treaties with respect to protection of biodiversity and cultural heritage, drift net fishing in open sea using drift nets longer than 2.5 km, companies that produce weapons of mass destruction and land mines, new coal mining projects and new coal-fired thermal power plant projects.
- Project Evaluation and Selection:
  - The Sustainable Finance Working Group will be in charge of reviewing, selecting and approving the eligible assets according to the eligibility criteria of the Framework. The working group comprises members from the Treasury Department, Corporate Communications Department-

<sup>53</sup> TOKİ, "Housing Programs", at: <https://www.toki.gov.tr/en/housing-programs.html>

<sup>54</sup> CITES, "What is CITES?", at:

[https://cites.org/eng/disc/what.php#:~:text=CITES%20\(the%20Convention%20on%20International,the%20survival%20of%20the%20species](https://cites.org/eng/disc/what.php#:~:text=CITES%20(the%20Convention%20on%20International,the%20survival%20of%20the%20species)

<sup>55</sup> The Basel Convention, "Text of the Convention", at: <https://www.basel.int/TheConvention/Overview/TextoftheConvention/tabid/1275/Default.aspx>

<sup>56</sup> RAMSAR, "The Convention on Wetlands", at: <https://www.ramsar.org/about/our-mission/international-cooperation>

- Sustainability Division, Corporate Banking, Commercial and SME Banking Management, Investor Relations Department, Retail Banking Department and Credits Department.
- Eligible assets will be screened against minimum environmental and social requirements based on Yapı Kredi's internal policy framework as well as the exclusion list to minimize the potential environmental and social risks associated with the eligible assets.
  - Yapı Kredi has an Environmental and Social Risk Assessment Policy applicable to all allocation decisions made under the Framework. The assessment follows the Yapı Kredi Environmental and Social Risk Assessment Model, which was established based on local legislation as well as the Environmental and Social Performance Standards of the International Finance Corporation (IFC). Sustainalytics considers these environmental and social risk management system to be adequate and aligned with market expectation. For additional details, see Section 2.
  - Based on the established process for project selection and risk management system, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - Yapı Kredi's Treasury and Sales Departments will manage the net proceeds through a dedicated portfolio (the "Eligible Loan Portfolio"). Eligible assets will be tracked using Yapı Kredi's credit monitoring system and monitored annually. When necessary, existing assets will be substituted with new eligible assets in the portfolio.
    - The Bank intends to achieve a level of allocation for the Eligible Loan Portfolio that will match or exceed the balance of the net proceeds from the Sustainable Finance Instruments. Yapı Kredi has communicated to Sustainalytics that it expects to be able to allocate net proceeds within 36 months from each issuance and will report on its progress in doing so.
    - Yapı Kredi has further communicated to Sustainalytics that loans obtained under the Framework may include multi-tranche loan facilities. For such facilities, the Bank intends to label only those tranches whose proceeds will be fully allocated according to the eligibility criteria defined in the Framework. Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or other liquid marketable instruments.
    - Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Until full allocation, Yapı Kredi commits to provide allocation reporting on its website. Allocation reporting will provide information on the total amount of sustainable finance instruments outstanding, the amount of proceeds allocated to eligible loans, the balance of unallocated proceeds, the share of financing or refinancing, and where possible, the geographical distribution of the projects.
    - Yapı Kredi has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
    - Yapı Kredi intends to report on key impact indicators, depending on the availability of the suitable data, to include quantitative metrics such as installed renewable energy capacity in MW, expected annual renewable energy generation in MWh, estimated annual GHG emissions avoided or reduced in tCO<sub>2</sub>e, green building certifications obtained, number of people reached with improved healthcare, number of people receiving educational services, and number of eligible MSMEs financed.
    - Yapı Kredi may engage an external auditor to conduct a limited assurance review of the allocation of proceeds until full allocation.
    - Sustainalytics considers this reporting process to be in line with market practice.

#### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Yapı Kredi Sustainable Finance Framework with the four core components of the GBP, SBP, GLP and SLP.

## Alignment of Deposits with Market Expectations

Sustainalytics is of the opinion that the Framework is credible and that the deposits<sup>57</sup> will fund overall impactful social and environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely those of impact and transparency.

- **Impact**  
The Framework will advance the sustainability objectives of Yapı Kredi by investing in projects with positive environmental and social impact.
- **Transparency**  
Transparency is recognized as a key principle with regards to sustainable finance, as it provides assurance that investments are delivering positive impact. Sustainalytics highlights the following elements of the Framework that facilitate transparency to clients:
  - **Disclosures regarding management of proceeds**
    - Yapı Kredi has confirmed to Sustainalytics that the Bank will i) track and report the outstanding amounts of deposits separately from other financial instruments issued under the Framework; and ii) earmark the net proceeds raised from deposits to a consolidated pool of eligible assets covering all financial instruments issued under the Framework.
    - Yapı Kredi intends to allocate the proceeds towards eligible projects within 36 months.
    - Unallocated proceeds raised from customer deposits will be managed in accordance with the procedures outlined in the Framework. The Bank intends to achieve a level of allocation for the Eligible Loan Portfolio that will match or exceed the balance of the net proceeds from the Sustainable Finance Instruments. Sustainalytics considers this level of disclosure to investors as sufficient to ensure the credibility of the management of proceeds.
  - **Reporting**
    - Yapı Kredi will include deposits raised under the Framework in its annual allocation and impact reports for all sustainable finance instruments issued under the Framework. These reports will include environmental and social impact metrics and will include information regarding the proceeds of all sustainable finance instruments, including deposits, to ensure accurate funding and asset pool matching of funds.
- Yapı Kredi has communicated its intent to ensure no double counting between deposits and other sustainable finance instruments and impact reporting commitments made under the Framework.

## Section 2: Sustainability Strategy of Yapı Kredi

### Contribution to Yapı Kredi's sustainability strategy

Yapı Kredi's Sustainability Strategy comprises four main pillars, namely: i) Climate crisis and environment; ii) Sustainable finance; iii) Risk management and corporate governance; and iv) Human and society.<sup>58</sup> Yapı Kredi's Sustainability Strategy and business practices are based on the United Nations SDGs, the Paris Climate Agreement, Türkiye's national development plans and Intended Nationally Determined Contribution Statement, as well as national and international initiatives and best practices. Yapı Kredi's Sustainability Committee is responsible for the integration of sustainability strategy into the Bank's business model and monitors overall sustainability performance. The Sustainability and Corporate Social Responsibility Unit supervises the activities of the Sustainability Working Groups and ensures proper implementation of the Bank's sustainability targets and commitments.<sup>59</sup>

On the environmental front, Yapı Kredi has made a commitment to achieve net zero by 2050 and support the decarbonisation of Türkiye's economy, in addition to submitting a commitment to the Science Based Targets Initiative (SBTi) and joining the Net-Zero Banking Alliance (NZBA) in 2023.<sup>60</sup> Furthermore, it has been an official supporter of the TCFD since 2021 and is a signatory of the United Nations Environment Programme

<sup>57</sup> Sustainalytics notes the Framework allows for deposits, including those from retail customers of Yapı Kredi. It further notes that the Framework does not define the term of the deposits (fixed-term or perpetual saving accounts).

<sup>58</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.73, at: [https://assets.yapikredi.com.tr/WebSite/assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>59</sup> Yapı Kredi, "Sustainability Management System", at: <https://www.yapikredi.com.tr/en/sustainability/our-sustainability-approach/sustainability-management-system>

<sup>60</sup> Yapı Kredi, "2023 Integrated Annual Report", (2024), p.128, at: <https://www.yapikrediiinvestorrelations.com/en/images/pdf/annual-reports/2023/yk23-integrated-annual-report.pdf>

Finance Initiative (UNEP FI)<sup>61</sup> and UN Global Compact and Türkiye's Declaration of Sustainable Finance<sup>62</sup>, demonstrating its commitment to promoting responsible lending and sustainable financial activities.

To achieve its commitments, Yapı Kredi started a project to understand the emissions associated with its financing activities under the Carbon Transformation Programme initiated by Koç Holding<sup>63</sup> in 2021.<sup>64</sup> Since then, the Bank has been calculating emissions from its financed loan portfolio related to Category 15 (Investments) scope 3 emissions according to the PCAF (Partnership for Carbon Accounting Financials) methodology.<sup>65</sup> In 2023, the Bank developed interim net zero emissions reduction targets and submitted them to the SBTi for approval.<sup>66</sup>

In addition, Yapı Kredi incorporated the results of the first climate change risk assessment of its entire loan portfolio in 2021, incorporating physical and transition risks into its strategy and objectives for climate change risk management.<sup>67</sup> In 2022, the Bank started integrating climate change risk into its credit risk assessment processes and models, and relevant training and workshops were organized to improve the technical knowledge capacity of the Bank's sustainability team.<sup>68</sup> In the future, Yapı Kredi aims to integrate climate change risk into all lending processes. The Bank has also declared that it will not finance any new projects involving coal-fired power stations or coal mining from 2021.<sup>69</sup>

The Bank also offers a number of financial products that are environmentally focused, including sustainability-related loans, renewable energy and energy efficiency loans, nature-friendly mortgages, nature-friendly car loans and clean energy funds.<sup>70</sup> Similarly, it is enhancing investment in renewable energy, with a 22% renewable energy financing rate in total project financing as well as 2.4 million tonnes of CO<sub>2</sub>e avoided with renewable energy financing in 2022.<sup>71</sup> Yapı Kredi collaborated with investment funds sources such as the Green for Growth Fund,<sup>72</sup> providing EUR 15 million for renewable energy and energy efficiency projects.<sup>73</sup>

In the social context, Yapı Kredi has a range of initiatives in SME financing, support for women entrepreneurs, as well as disaster recovery assistance. In 2022, Yapı Kredi signed a protocol with the Credit Guarantee Fund (CGF)<sup>74</sup> to support SMEs and non-SMEs through three of CGF's programmes: the Enterprise Expenditures Support Package (TRY 953 million, approximately USD 48.87 million), the Export Support Package (TRY 1.7 billion, approximately USD 87.17 million) and the Investment Support Package (TRY 1.1 billion, approximately USD 56.41 million).<sup>75</sup> In 2023, the CGF Support Loan 3 programme was launched and TRY 1.7 billion (approximately USD 1,833 million) credit was provided to support SMEs.<sup>76</sup> To support women entrepreneurs, Yapı Kredi participated in the TURWIB programme in April 2022, in cooperation with the European Bank for Reconstruction and Development (EBRD), which aims to provide financial support and promote women's active participation in economic activities. Through this initiative, Yapı Kredi provided loans totalling TRY 350 million (approximately USD 10.9 million) to enterprises led by women business owners.<sup>77</sup> The Bank has extended its loans under the scope of the CGF Investment Support Package and Export Support Package

<sup>61</sup> UNEP Finance Initiative, "About United Nations environment Programme Finance Initiative", at: <https://www.unepfi.org/about/>

<sup>62</sup> United Nations Global Compact, "Global Compact Network Türkiye publishes the "Declaration on Sustainable Finance", at: <https://www.unglobalcompact.org/news/4281-10-23-2017>

<sup>63</sup> Yapı Kredi's 20.22% of the shares are directly owned by Koç Holding A.Ş. and 40.95% of the Bank's shares are owned by Koç Financial Services ("KFS"), which is 100% owned by Koç Group.

<sup>64</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.235, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>65</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.621, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>66</sup> Yapı Kredi, "2023 Integrated Annual Report", (2024), p.130, at: <https://www.yapikrediiinvestorrelations.com/en/images/pdf/annual-reports/2023/yk23-integrated-annual-report.pdf>

<sup>67</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.120, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>68</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.88, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>69</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.87, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>70</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.124, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>71</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.75, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>72</sup> Green for Growth Fund, "About the Fund", at: <https://www.ggf.lu/about-green-for-growth-fund>

<sup>73</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.161, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>74</sup> Presidency of Türkiye, "Credit Guarantee Fund", at: <https://www.cbfo.gov.tr/en/licensing-organization/credit-guarantee-fund>

<sup>75</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.161, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>76</sup> Yapı Kredi, "2023 Integrated Annual Report", (2024), p.174, at: <https://www.yapikrediiinvestorrelations.com/en/images/pdf/annual-reports/2023/yk23-integrated-annual-report.pdf>

<sup>77</sup> Ibid.

programmes with the equity protocol signed by Export Development Corporation (İGE) in 2021.<sup>78</sup> Within the scope, two separate programmes for women entrepreneurs and green transformation were launched in 2023, the Export Women Support Package provides loans of up to TRY 3 million (approximately USD 93,000) to female entrepreneurs who are exporters or potential exporters and the Energy Efficiency Programme for SMEs aims to facilitate the green transformation process of SMEs by providing financial support for energy and resource efficiency investments by exporters and potential exporters, with a guarantee from İGE.<sup>79</sup> In addition, the Bank aims to support a total of 20,000 women entrepreneurs with its products and service packages over a five-year period until 2026.<sup>80</sup> In disaster relief, the Bank also provided TRY 580 million (approximately USD 29.57 million) in donations to the Agency for Disaster and Emergency Management (AFAD) immediately after the Istanbul earthquake in February 2023, and delivered more than 370,000 commodities, including water and food, and 5,000 container units for temporary shelters. 5,000 container units for temporary shelters were delivered to the affected areas. Overall, the Bank provided approximately TRY 650 million (approximately USD 33.14 million) in disaster relief funds. In addition, the Bank extended loans to all customers in severely affected cities for a period of one month without interest. Similarly, all retail loans, including to SMEs in the heavily affected cities, were also extended for six months without interest.<sup>81</sup>

Sustainalytics is of the opinion that the Yapı Kredi Sustainable Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further Yapı Kredi's action on its key environmental and social priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that Yapı Kredi is not directly accountable for the environmental and social risks associated with the transactions financed but notes that the Bank is exposed to some key risks, including environmental and social risks associated to lending activities, predatory lending, money laundering and business ethics, and community relations.

Sustainalytics is of the opinion that Yapı Kredi is able to manage and/or mitigate potential risks through implementation of the following:

- In order to minimize the environmental and social risks associated with its lending activities, Yapı Kredi implemented the Environmental and Social Risk Assessment (ESRA) system in 2017. The ESRA system, which was based on local legislation and the International Finance Corporation's (IFC) Environmental and Social Performance Standards,<sup>82</sup> requires each loan application to comply with Yapı Kredi's Environmental and Social Policy and Exclusion List, in addition to the Bank's credit policies.<sup>83</sup> As part of this assessment, all loan applications undergo a screening process based on the established threshold for various risk factors included in the Environmental and Social Risk Assessment Model, which was established as part of Yapı Kredi's Sustainability Management System. Through this process, the Bank determines risk categories based on the identified impacts and monitors the measures taken by the beneficiary institution to mitigate the risks and comply with the prepared Environmental and Social Action Plan.<sup>84</sup> In addition, all new investments and project finance with an investment value of USD 10 million or more are subject to conduct an environmental and social assessment, which classifies the risk category (Category A to C) of the respective investment against the sector criteria of national and international standards.<sup>85</sup> If the investments are categorized as Category A and B+ (high and medium-high risk), Yapı Kredi conducts further due diligence, including: i) Environmental Impact Assessment (EIA) documentation,<sup>86</sup> ii) annual monitoring and reporting of the projects by external and independent third parties, and iii) implement

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

<sup>80</sup> Yapı Kredi, "2022 Integrated Annual Report", (2023), p.124, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>81</sup> Yapı Kredi has shared its Social Term Loan Facility Lenders Presentation with Sustainalytics on a confidential basis.

<sup>82</sup> IFC, "IFC Performance Standards on Environmental and Social Sustainability", (2012), at: [https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd4b55-95a2-b3395d204279/IFC\\_Performance\\_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk](https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk)

<sup>83</sup> Yapı Kredi, "2022 Annual Integrated Report", (2023), p.120, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>84</sup> Yapı Kredi, "Environmental and Social Policy", at: [https://www.yapikredinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk\\_environmental\\_and\\_social\\_policy.pdf](https://www.yapikredinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_environmental_and_social_policy.pdf)

<sup>85</sup> Yapı Kredi, "2022 Annual Integrated Report", (2023), p.122, at: [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>86</sup> Food and Agriculture Organization of United Nations, "Regulation on Environmental Impact Assessment", at: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC151849/>

an Environmental and Social Status Assessment/Action Plan and Monitoring Plan in accordance with IFC's Environmental and Social Sustainability Performance Standards.

- Regarding predatory lending and business ethics, the Bank has a Code of Ethics and Business Conduct, which sets out its requirements for ethical business practices, including expectations of its staff, as well as anti-bribery, anti-corruption and anti-money laundering policies.<sup>87</sup> In addition, the Bank has formulated a Responsible Lending Statement and is committed to providing transparent and accurate information about its products and services.<sup>88</sup> Furthermore, Yapı Kredi is a signatory of the UN Global Compact and adheres to its Ten Principles to mitigate human rights abuses, forced or child labour and environmental degradation.<sup>89,90</sup> The Bank has also developed a Human Rights Statement based on the UN Guiding Principles on Business and Human Rights, the International Labour Organization and the Universal Declaration of Human Rights.<sup>91</sup> The Bank also works with its clients to identify, assess and manage environmental and social risks, including human rights abuses, associated with transactions.<sup>92</sup>
- To further manage risks associated with money laundering, Yapı Kredi has adopted the Corporate Policy on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism.<sup>93</sup> The Bank's risk management consists of the implementation of KYC procedures including the assessment of customer risk, service risk and country risk prior to the establishment of the business relationship. The policy also requires the Bank to conduct constant monitoring, internal audit, training and regulatory tracking to comply with relevant laws, regulations and guidance.
- To address risks related to community relations, the Bank engages with its internal and external stakeholders on environmental and social issues and follows up on its key impact indicators annually.
- Yapı Kredi has an exclusion list within its Environmental and Social Policy that excludes direct or indirect transactions or activities associated with forced or child labour, new coal mining and coal fired thermal power plants, hazardous chemicals, internationally forbidden pesticides, insect repellents, ozone-depleting substances, and inadequate protection of cultural heritage, biodiversity and ecology, including drift net fishing.<sup>94</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Yapı Kredi has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of investments in renewable energy and energy efficiency in Türkiye

Türkiye's total GHG emissions amounted to 564,4 MtCO<sub>2</sub>e<sup>95</sup> in 2021, increasing 7.7% against the previous year and 157.1% against 1990.<sup>96</sup> The energy sector accounted for 71.3% of the country's non-land-use GHG emissions in 2021.<sup>97</sup> Within the energy sector, modern renewable energy<sup>98</sup> met approximately 14% of the final

<sup>87</sup> Yapı Kredi, "Code of Ethics and Business Conduct", at:

[https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2021/YKB\\_Code\\_of\\_Ethics\\_and\\_Business\\_Conduct.pdf](https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2021/YKB_Code_of_Ethics_and_Business_Conduct.pdf)

<sup>88</sup> Yapı Kredi, "Responsible Lending Statement", at:

[https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk\\_responsible\\_lending\\_statement.pdf](https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_lending_statement.pdf)

<sup>89</sup> Yapı Kredi, "2022 Annual Integrated Report", (2023), p.114, [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>90</sup> UN Global Compact, "The Ten Principles of the UN Global Compact", at: <https://unglobalcompact.org/what-is-gc/mission/principles>

<sup>91</sup> Yapı Kredi, "2022 Annual Integrated Report", (2023), p.114, [https://assets.yapikredi.com.tr/WebSite/\\_assets/pdf/en/corporate-social-responsibility/integrated\\_annual\\_report\\_2022.pdf](https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/corporate-social-responsibility/integrated_annual_report_2022.pdf)

<sup>92</sup> Yapı Kredi, "Human Rights Statement", at:

[https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk\\_human\\_rights\\_statement\\_and\\_appendices.pdf](https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_human_rights_statement_and_appendices.pdf)

<sup>93</sup> Yapı Kredi, "Corporate Policy on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism", at:

[https://www.yapikrediinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/2022/Financial\\_Group\\_Corporate\\_Policy\\_on\\_Prevention\\_of\\_Laundering\\_Proceeds\\_Of\\_Crime\\_and\\_Financing\\_of\\_Terrorism.pdf](https://www.yapikrediinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/2022/Financial_Group_Corporate_Policy_on_Prevention_of_Laundering_Proceeds_Of_Crime_and_Financing_of_Terrorism.pdf)

<sup>94</sup> Yapı Kredi, "Environmental and Social Policy", at:

[https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk\\_environmental\\_and\\_social\\_policy.pdf](https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_environmental_and_social_policy.pdf)

<sup>95</sup> The total GHG emissions exclude emissions associated land use, land use change and forestry.

<sup>96</sup> Turkish Statistical Institute, "Turkish Greenhouse Gas Inventory 1990-2021", (2023), at:

<https://enerji.gov.tr/Media/Dizin/EVCED/tr/%C3%87evreVe%C4%B0klim/%C4%B0klimDe%C4%9Fi%C5%9Fikli%C4%9Fi/UlusalSeraGaz%C4%B1EmisyonEvnvanteri/Belgeler/Ek-1.pdf>

<sup>97</sup> Ibid.

<sup>98</sup> Modern renewable energy sources are those that exclude traditional uses of biomass, such as burning collected wood.

energy consumption in Türkiye in 2022.<sup>99</sup> In the same year, the share of electricity generated from renewables was 41.9% in Türkiye.<sup>100</sup> According to the Climate Action Tracker, Türkiye would need to phase out coal-fired power generation by 2030, increase the share of renewable electricity in its generation capacity to 80% by 2030 and fully decarbonize its electricity generation by 2050 to achieve its climate targets.<sup>101</sup> Additionally, Türkiye needs to invest an estimated USD 5.3 billion to USD 7 billion annually until 2030 to finance its energy transition.<sup>102</sup>

In 2021, Türkiye committed to achieving nationwide net zero GHG emissions by 2053<sup>103</sup> and updated its National Determined Contribution in 2023,<sup>104</sup> setting a target to reduce GHG emissions, including land use, land use change and forestry by 41% compared to a business-as-usual scenario by 2030.<sup>105</sup> Türkiye's 2022-2035 National Energy Plan, aiming to contribute to regional and global energy security, as well as increase the share of domestic and renewable energy in electricity production,<sup>106</sup> includes renewable energy targets of achieving 52.9 GW, 29.6 GW and 5.1 GW in solar, wind and geothermal and biomass power, respectively, by 2035.<sup>107</sup> In 2023, the Turkish government has announced an investment of USD 10 billion in the electricity grid as part of its 2024-2030 energy efficiency plans, which also include a target of reducing 100 million tonnes of carbon emissions by 2030.<sup>108</sup>

Based on the above, Sustainalytics is of the opinion that Yapı Kredi's investments in renewable energy and energy efficiency projects will facilitate domestic renewable energy generation and energy efficiency improvement, create environmental benefits and contribute to Türkiye's national climate-related goals.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Yapı Kredi Sustainable Finance Framework are expected to help advance the following SDGs and targets:

| Use of Proceeds Category | SDG                                    | SDG target                                                                                                                                                                                                                                                                                                |
|--------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Renewable Energy         | 7. Affordable and Clean Energy         | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix                                                                                                                                                                                                                |
| Green Buildings          | 11. Sustainable Cities and Communities | 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries                                                                                                                         |
| Clean Transportation     | 11. Sustainable Cities and Communities | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons |

<sup>99</sup> IEA, "Türkiye", at: <https://www.iea.org/countries/turkiye/renewables>

<sup>100</sup> IEA, "Türkiye", at: <https://www.iea.org/countries/turkiye/renewables>

<sup>101</sup> Climate Action Tracker, "Scaling up climate action: Türkiye", (2019), at: [https://climateactiontracker.org/documents/672/CAT\\_2019-11-29\\_ScalingUp\\_TURKIYE\\_FullReport\\_ENG.pdf](https://climateactiontracker.org/documents/672/CAT_2019-11-29_ScalingUp_TURKIYE_FullReport_ENG.pdf)

<sup>102</sup> Shura, "Financing the Energy Transition in Türkiye", (2019), at: [https://www.shura.org.tr/wp-content/uploads/2019/10/Financing\\_the\\_Energy\\_Transition\\_in\\_Turkiye\\_Executive\\_Summary.pdf?ga=2.198476841.762103424.1667371630-1005410882.1667282016](https://www.shura.org.tr/wp-content/uploads/2019/10/Financing_the_Energy_Transition_in_Turkiye_Executive_Summary.pdf?ga=2.198476841.762103424.1667371630-1005410882.1667282016)

<sup>103</sup> UNDP, "UNDP supports Türkiye in charting a course to net zero by 2053", (2021), at: <https://www.undp.org/turkiye/press-releases/undp-supports-turkiye-charting-course-net-zero-2053>

<sup>104</sup> UNFCCC, "Republic of Türkiye Updated First Nationally Determined Contribution", at: [https://unfccc.int/sites/default/files/NDC/2023-04/T%C3%9CRK%C4%B0YE\\_UPDATED%201st%20NDC\\_EN.pdf](https://unfccc.int/sites/default/files/NDC/2023-04/T%C3%9CRK%C4%B0YE_UPDATED%201st%20NDC_EN.pdf)

<sup>105</sup> Climate Action Tracker, "Türkiye", (2023), at: <https://climateactiontracker.org/countries/Turkiye/targets/>

<sup>106</sup> Government of Türkiye, Ministry of Foreign Affairs, "Türkiye's International Energy Strategy", at: <https://www.mfa.gov.tr/Turkiyes-energy-strategy.en.mfa>

<sup>107</sup> Government of Türkiye: Ministry of Energy and Natural Resources, "Türkiye National Energy Plan", (2022), at: [https://enerji.gov.tr/Media/Dizin/EIGM/tr/Raporlar/TUEP/T%C3%BCrkiye\\_National\\_Energy\\_Plan.pdf](https://enerji.gov.tr/Media/Dizin/EIGM/tr/Raporlar/TUEP/T%C3%BCrkiye_National_Energy_Plan.pdf)

<sup>108</sup> Government of Türkiye: Ministry of Energy and Natural Resources, "Türkiye's reliance on imported energy resources declines in 2022: Energy Minister", (2023), at: <https://enerji.gov.tr/news-detail?id=21219>

|                                                                                                                            |                                            |                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Energy Efficiency                                                                                                          | 7. Affordable and Clean Energy             | 7.3 By 2030, double the global rate of improvement in energy efficiency                                                                                                                                                                                                                                              |
| Environmentally Sustainable Management of Living Natural Resources and Land Use                                            | 15. Life on Land                           | 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally                                                                                                         |
| Terrestrial and Aquatic Biodiversity Conservation (Including the Protection of Coastal, Marine and Watershed Environments) | 15. Life on Land                           | 15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements                                                          |
| Sustainable Water and Wastewater Management                                                                                | 6. Clean Water and Sanitation              | 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally                                                             |
| Pollution Prevention and Control                                                                                           | 12. Responsible Consumption and Production | 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment |
| Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes                              | 12. Responsible Consumption and Production | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse                                                                                                                                                                                                               |
| Climate Change Adaptation                                                                                                  | 13. Climate Action                         | 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries                                                                                                                                                                                                   |
| Access to Essential Services – Healthcare                                                                                  | 3. Good Health and Well-Being              | 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all                                                                                          |
| Access to Essential Services – Education                                                                                   | 4. Quality Education                       | 4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all                                                                                                                                      |
| Access to Essential Services – Disaster and Emergency Relief Following Natural Disasters or during Health Pandemics        | 9. Industry, Innovation and Infrastructure | 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all                                                                            |
| Affordable Basic Infrastructure – Water and Sanitation                                                                     | 6. Clean Water and Sanitation              | 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations                                                                                                            |

|                                                                                                                                                                                     |                                            |                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Affordable Basic Infrastructure – Telecommunications                                                                                                                                | 9. Industry, Innovation and Infrastructure | 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all                                                                                                   |
| Affordable Basic Infrastructure – Transportation                                                                                                                                    | 11. Sustainable Cities and Communities     | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons                                   |
| Affordable Basic Infrastructure – Energy Accessibility                                                                                                                              | 7. Affordable and Clean Energy             | 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services                                                                                                                                                                                                                                                     |
| Food Security – Access to Food                                                                                                                                                      | 2. Zero Hunger                             | 2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round                                                                                                                                              |
| Employment Generation and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, including through the Potential Effect of MSME Financing | 1. No Poverty                              | 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance |
| Affordable Housing                                                                                                                                                                  | 11. Sustainable Cities and Communities     | 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums                                                                                                                                                                                                                           |

## Conclusion

Yapı Kredi has developed the Yapı Kredi Sustainable Finance Framework under which it may issue green, blue, social and Sustainability Finance Instruments, namely bonds, private placements, commercial papers, loans, promissory notes, trade finance instruments (cash and contingent non-cash facilities that include loans, forfaiting, documentary collections, letters of credit, letters of guarantee, promissory notes), customers deposits and other related sustainable finance liabilities. Yapı Kredi intends to use the proceeds to finance projects in the following categories: Renewable Energy; Green Buildings; Clean Transportation; Energy Efficiency; Environmentally Sustainable Management of Living Natural Resources and Land Use; Terrestrial and Aquatic Biodiversity Conservation (Including the Protection of Coastal, Marine and Watershed Environments); Sustainable Water and Wastewater Management; Pollution Prevention and Control; Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes; Climate Change Adaptation; Access to Essential Services - Healthcare; Access to Essential Services - Education; Access to Essential Services - Disaster and Emergency Relief Following Natural Disasters or During Health Pandemics; Affordable Basic Infrastructure - Water and Sanitation; Affordable Basic Infrastructure - Telecommunications; Affordable Basic Infrastructure - Transportation; Affordable Basic Infrastructure – Energy Accessibility; Food Security - Access to Food; Employment Generation and Programmes Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, including through the Potential Effect of MSME Financing; Affordable Housing. Sustainability considers that the eligible projects are expected to provide positive environmental and social impacts.

The Yapı Kredi Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainability considers that the Yapı Kredi Sustainable Finance Framework is aligned with the overall sustainability strategy of Yapı Kredi and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 1, 2, 3, 4, 6, 7,

9, 11, 12, 13 and 15. Additionally, Sustainalytics is of the opinion that Yapı Kredi has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Yapı Kredi is well positioned to issue the Sustainable Finance Instruments and that the Yapı Kredi Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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