

SECOND PARTY OPINION (SPO) AND FRAMEWORK EXTERNAL REVIEW

Sustainability Quality of Akbank and Sustainable Finance Framework

Akbank T.A.S

11 April 2023

VERIFICATION PARAMETERS

PRE- ISSUANCE VERIFICATION	Type(s) of instruments contemplated	Sustainable Finance Instruments – Sustainable Deposits, Green, Social, and Sustainability and/or Thematic¹ bonds and loans
	Relevant standards	- Green Bond Principles and Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1) - Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021) - Green Loan Principles, as administered by the LMA (as of February 2023) - Social Loan Principles, as administered by the LMA (as of February 2023)
	Scope of verification	- Akbank's Sustainable Finance Framework (as of April 11, 2023) - Akbank's Eligibility Criteria (as of April 11, 2023)
	Lifecycle	Pre-issuance verification
EXTERNAL REVIEW	Scope of verification	- Akbank's Sustainable Finance Framework (as of April 11, 2023) - Akbank's sustainable finance classification system (as of April 11, 2023) - Akbank's Eligibility Criteria (as of April 11, 2023)
	Validity	Valid as long as the Framework remains unchanged

¹ Under the Thematic bonds category Akbank intends to finance blue bonds and Gender bonds.

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SCOPE OF WORK

Akbank T.A.S ('the Bank, 'the Bank' or 'Akbank') commissioned ISS Corporate Solutions (ICS) to assist with its Sustainable Finance Instruments² including Akbank Sustainable Loan Portfolio³ by assessing core elements to determine the sustainability quality of the instruments⁴ and to assist with its Sustainable Finance Framework ('SFF' or 'the Framework') to determine the quality of its classification system for sustainable finance activities⁵:

1. Akbank's Sustainable Finance Framework⁶ (as of April 11, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green and Social Bond Principles (GBP and SBP), and Sustainability Bond Guidelines (SBG), and the Loan Market Association's (LMA) Green and Social Loan Principles (GLP and SLP) for issuance and transaction of sustainable finance instruments
2. Akbank's Sustainable Finance Framework (as of April 11, 2023) – benchmarked against market practices and guidelines⁷ that enables capital and loan markets to contribute to environmental and social impacts (see Annex 2)
3. Akbank's Sustainable Finance Classification System – the soundness of the eligibility parameters to identify eligible sustainable financing activities (see Annex 2)
4. The Eligible Categories – whether the project categories contribute positively to the UN SDGs (see Annex 1)
5. ESG Risk Management – assessment of Akbank's overarching risk management procedures considered relevant in the context of the Bank's sustainable finance activities (see Annex 1)

² Including but not limited to Green, Social, and Sustainability Bonds and Loans, Blue Bonds and Loans, Gender Bonds and Loans, and other types of thematic borrowing instruments and sustainable deposits in line with the ICMA and LMA principles.

³ Green/Social/Thematic/Sustainability Loan financing provided by Akbank T.A.S to its clients in the eligible categories presented in Section 5.

⁴ The evaluation is based on Akbank's Sustainable Finance Framework (as of April 11, 2023), on the analyzed Eligibility Criteria as received on April 11, 2023, and on the ISS ESG Corporate Rating updated on September 26, 2022, and applicable at the SPO delivery date.

⁵ The methodology of external reviews provided for sustainable financing, lending, and responsible investment strategies has been developed based on ISS ESG's expertise in assessing a range of Sustainable finance-related instruments and Frameworks. In general, these types of external reviews are not to be treated as a "pass or fail" assessment of the Sustainability quality of sustainable financing, lending, or responsible investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching sustainable finance framework does not imply an evaluation of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products has not been conducted.

⁶ Under the Thematic bonds category Akbank intends to finance blue bonds and Gender bonds.

⁷ The assessment is based on current market practices for sustainable capital markets referring to different market standards and voluntary guidelines including but not limited to the International Capital Market Association's [Green](#), [Social Bond](#) Principles, and [Sustainability Bond Guidelines](#), [Sustainability-Linked Bond Principles](#), the Loan Market Association's [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability Linked Loan Principles](#), the [UNEP-FI PRB](#), and the [Climate Bonds Initiative \(CBI\) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority \(EBA\) with respect to Environmentally-Sustainable lending](#). The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

AKBANK T.A.S BUSINESS OVERVIEW

Akbank T.A.S has classified in the Commercial Banks and Capital Markets industry, as per ISS ESG's sector classification.

The Bank engages in the provision of commercial and private banking services. It operates through the following segments: Retail banking, SME banking, Commercial banking, Corporate-Investment banking, Private banking, and Wealth Management; and Treasury. The Retail banking segment offers a variety of retail services such as deposit accounts, consumer loans, credit cards, insurance products, and asset management services.

The Corporate-Investment banking, Commercial banking, SME banking, Private banking and Wealth Management segments provide financial solutions and banking services to large, medium, and small size corporate and commercial customers. The Treasury segment conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits.

The Bank was founded on January 30, 1948, and is headquartered in Istanbul, Turkey.

ASSESSMENT SUMMARY

SPO PRE-ISSUANCE VERIFICATION		
SECTION 1	SUMMARY	EVALUATION ⁸
Alignment with ICMA GBP, SBP, SBG and LMA GLP and SLP	The Bank has defined a formal concept for its dedicated financing transactions regarding the core components use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with ICMA GBP, SBP and SBG and LMA GLP and SLP.	Aligned
EXTERNAL REVIEW ASSESSMENT		
SECTION 2	SUMMARY	
Part I: Review of Akbank's Sustainable Finance Framework	The Sustainable Finance Framework (SFF) reflects market practices. Akbank has set forth a formal methodology for classifying financing as sustainable for the purpose of tracking and disclosing its performance against its sustainable finance targets. The Framework applies to all financing activities of Akbank. It is noted that Akbank has an appropriate process in place to identify and mitigate ESG risks associated with the eligible transactions. Akbank has set a formal concept and proposed concrete Sustainable Financing parameters under its Framework. Eligible types of Financing include Dedicated purpose and General-purpose Financing. The Bank defines an overall Sustainable Finance quantitative target in a preset timeframe enabling to measure the progress against its commitment. The pre-defined Green and Social eligibility criteria are precise and clearly described. Further, for its Dedicated Purpose Financing activities the Bank provides a list of impact indicators committing to report on the contribution to relevant sustainability objectives. An assessment to whether the categories contribute positively to the UN Sustainable Development Goals (SDGs) is summarized in Section 1 Part II of this Report. Internal procedures defined for Sustainable Financing product selection and evaluation for its Dedicated and General-Purpose Financing activities is clearly described and responsible across different departments are in place. The reporting occurs on an annual basis and is made publicly available on the Bank's investor relations webpage https://www.akbankinvestorrelations.com/en/. Sustainable Finance Team is responsible for coordination and organization. Responsibilities and accountabilities are defined, and duties are segregated. The E&S risk Management System (ESMS) is applicable to loan and bond transactions, issued by Akbank. These funds will be allocated to eligible loans and	

⁸ The evaluation is based on Akbank's Sustainable Finance Framework (as of April 11, 2023), and on the ISS ESG Corporate Rating updated on September 26, 2022, and applicable at the SPO delivery date.

	projects under this SFF. The balance from Akbank’s client’s sustainable deposits as well as eligible loans lent to its clients will also undergo ESMS. In addition, governance mechanisms are in place to ensure that the products classified as Sustainable remain in line with the criteria for Sustainable Financing products throughout their lifecycle, including declassification processes from products that cease to meet the eligibility criteria. Akbank reports on a quarterly and annual basis, the total amount of Sustainable Finance and the share of Sustainable Financing products and this is made publicly available on the Bank’s investor relations webpage https://www.akbankinvestorrelations.com/ . Akbank can further develop the tracking of the expected and achieved impact of Banks’ Sustainable Financing target against its sustainable finance objectives.	
Part II: Assessment of Akbank’s Classification Taxonomy	The Bank’s sustainable finance classification system partially reflects market practice. Where feasible, the Framework may be further improved with regards the use of EBITDA metric in the general-purpose financing approach.	
	Akbank has put forth eligibility parameters for its Financing activities to be classified as Sustainable: 1. Parameter 1 (Dedicated Purpose Financing): 100% of the selected eligibility criteria have either a limited, or a significant contribution to the Sustainable Development Goals. It is noted that Akbank refers to relevant market standards to define its eligibility criteria. 2. Parameter 2 (General Purpose Financing): The 90% thresholds proposed in the SFF are appropriate and in line with market practice of classifying Sustainable businesses specifically in combination with an exclusion list of unsustainable activities. Further, the inclusion of a 50%-90% revenue or EBITDA threshold is favorably highlighted for financing of only green % of a company that contributes to sustainability objectives on a pro-rated basis and where revenue derived from fossil fuel is less than 5%. However, the financing of a company with lower proportions, even when counted on a pro-rata basis, may indirectly enable the growth of those ineligible activities that comprise the other proportion in such companies, because the company is able to access the overall financing. Given the broad definition of EBITDA across industries, the use of EBITDA as an identification metric may not accurately reflect the companies’ impacts.	
ASSESSMENT OF THE ELIGIBLE CATEGORIES’ CONTRIBUTION TO THE UN SDG’S		
SECTION 3	SUMMARY	EVALUATION
Sustainability quality of the eligible categories	The Sustainable Finance Instruments will (re-)finance eligible asset categories which include Energy Efficiency, Renewable Energy, Green Buildings, Clean Transportation, Climate Change Adaptation, Sustainable Water and Wastewater Management, Terrestrial and Aquatic Biodiversity, Circular Economy Adapted Products, Production Technologies and Processes, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and	Positive

	Land Use, Employment Generation and Financial Inclusion, Access to Essential Services/Affordable Basic Infrastructure, Affordable Housing, Food Security, and Socioeconomic Advancement and Empowerment. The use of proceeds categories has a significant contribution to SDGs 1 'No Poverty', 2 'Zero Hunger', 3 'Good Health & Well-Being', 4 'Quality Education', 5 'Gender Equality', 6 'Clean Water and Sanitation', 7 'Affordable and Clean Energy', 8 'Decent work and Economic Growth', 10 'Reduced Inequalities', 11 'Sustainable Cities & Communities', 12 'Responsible Consumption', and 13 'Climate action'. The use of proceed categories also improve the operational impacts of Akbank's borrowers and mitigate potential negative externalities of their sectors on SDGs 3 'Good Health & Well-Being', 6 'Clean Water and Sanitation', 7 'Affordable and Clean Energy', 8 'Decent Work and Economic Growth', 12 'Responsible Consumption', 13 'Climate Action', 14 'Life Below Water' And 15 'Life on Land'.	
ASSESSMENT OF AKBANK'S ESG RISK MANAGEMENT PROCEDURES		
SECTION 4	SUMMARY	EVALUATION
ESG Risk Management	Based on an assessment of ESG risk management practices for financial institutions, the environmental and social risks associated with the Use of Proceeds categories and the Bank's sustainable financing activities are considered to be well managed.	Well Managed
CONSISTENCY WITH THE BANK'S SUSTAINABILITY STRATEGY		
SECTION 4	SUMMARY	EVALUATION
Linking the transactions and the Sustainable Finance Framework to Akbank's overall ESG profile	The Sustainable Finance Framework is consistent with the Bank's sustainability strategy and material ESG topics for the Bank's industry. The rationale for issuing Sustainable Financing Instruments and developing a Sustainable Finance Framework is described by the Bank. The project categories financed are in line with the sustainability objectives of the Bank.	Consistent with the Bank's Sustainability strategy

SECTION 1 PRE-ISSUANCE VERIFICATION

ALIGNMENT WITH ICMA GREEN, SOCIAL BONDS PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES AND LMA GREEN AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of the Akbank's Sustainable Finance Framework⁹ (as of April 11, 2023) with ICMA GBP, SBP, and SBG and LMA GLP and SLP¹⁰.

ICMA'S GBP, SBP, AND SBG, LMA GLP AND SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	The Use of Proceeds description provided by Akbank's Sustainable Finance Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP. The Bank' Green and Social Project categories align with the project categories as proposed by the ICMA and LMA. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category will be provided in the annual report and environmental and social benefits are described. Moreover, the Bank defines a look-back period of up to 36 months before the issuance. The Bank also defines exclusion criteria for harmful projects categories.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by Akbank's Sustainable Finance Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Bank. The Bank has defined the target population for each category where relevant. Moreover, the Bank is transparent about the responsibilities of the Sustainable Finance Allocation

⁹ According to ICMA, it is recognized that a number of transactions have been promoted as 'Blue Bonds' or similar terminology with the objective of emphasizing the importance of the Sustainable use of maritime resources and of the promotion of related Sustainable economic activities. These efforts are also supported by dedicated market initiatives including official sector support. Such 'Blue Bonds' could be considered Green Bonds as long as they align with the four core components of the Green Bond Principles.

¹⁰ For loans, the Issuers' approach will be followed in alignment with LMA. The Borrower must adhere to the reporting, disclosures, and external reviews requirement in line with the LMA principles.

		Committee in the process for project evaluation and selection, and various stakeholders will be involved, in line with best market practice. The Bank identifies alignment of their framework and some eligible green projects with EU Taxonomy. This SPO do not provide alignment assessment to EU taxonomy.
3. Management of Proceeds	✓	The Management of Proceeds proposed by Akbank's Sustainable Finance Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP. The net proceeds collected will match the amount allocated to eligible projects, with no exceptions. The Bank discloses that the unallocated proceeds will be temporarily invested in cash and/or cash equivalent and/or other liquid marketable instruments and that the temporary allocation of these proceeds will be communicated to lenders. The Bank commits to allocate the proceeds to a portfolio of loans and manage per loan/bond. Moreover, the Bank defines an expected allocation period of three years following issuance.
4. Reporting	✓	The allocation and impact reporting proposed by Akbank's Sustainable Finance Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP. The Bank commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Akbank explains the level of expected reporting and the type of information that will be reported. Moreover, the Bank commits to report annually until the maturity of bonds/loans. The allocation and impact reporting will be made public on the Bank's website¹¹. The Bank commits to disclosing the expected environmental and/or social impacts at least at the category level and on an aggregated basis, when available, for projects (re)financed. The Bank discloses a list of potential quantitative environmental and social impact indicators to be reported on, depending on the data availability.

¹¹ Akbank Investor Relations, Sustainable Finance: <https://www.Akbankinvestorrelations.com/en/wholesale-funding/detail/Sustainable-finance/600/1675/0>

SECTION 2 EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

In its Sustainable Finance Framework, Akbank defines its methodology for classifying financing as sustainable for the purpose of tracking and disclosing its performance against its sustainable finance targets.

These processes are reviewed against current market practices for sustainable capital and loan markets derived from market standards and voluntary guidelines. The assessment is based on derived key principles for transparency, disclosure and non-contamination of sustainable labelled-products, such as proposed by the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles and best market practices from other market standards for Sustainable Finance, such as the Loan Market Association Green and Social Loan Principles and Sustainability-Linked Loans Principles, the EU Green Bond Standards usability guide (March 2020), the TEG final report on the EU Taxonomy and Technical Annex, for ESG factor integration in equity and fixed-income.

SECTION	SUMMARY AND OPINION
1. Objectives, targets & Progress	Akbank defined a Sustainable Finance Framework to outline a methodology for classification of financial products and services as sustainable and tracking of performance against its sustainable finance commitments. Akbank has set long-term targets covering all of Akbank's operations, which include providing TL 200 billion in sustainable loan financing until 2030 as well as reaching TL 15 billion in sustainable investment funds until 2030. These targets cover Akbank T.A.S excluding the subsidiaries.¹² Akbank is on track to achieve its long-term goals in sustainable finance and as of the fourth quarter of 2022 its sustainable financing amounted to TL 87 billion. Akbank defined 4 key focus areas aligned with Sustainable Development Goals which are most relevant to the stakeholders and to the business. These are: Sustainable Finance to support a more sustainable economy; Ecosystems Management to enhance businesses & financial health; Climate Change to mitigate operational & portfolio emissions; People & Community to empower the people and communities. All 4 key areas support Akbank's goal of sustainable financial performance by reducing risk and creating new business opportunities. Akbank aims to decrease the impact of the loan portfolio on climate change until 2030. In addition, Akbank aims to be net zero by 2050. Akbank is committed to the UNEP FI Responsible Banking Principles and signatory to the UNEP FI Financial Health and Inclusion Commitment. The Bank has set forth a list of Sustainable Finance products that reference specific green, social or sustainable use of proceeds, that are broadly divided under Dedicated Purpose Financing and General-Purpose Financing. Opinion: <i>The sustainability strategy and objectives defined by Akbank for its entire activities and for its financing activities specifically are credible and relevant to its sector and business mode as outlined in Part 5 of this report. In its Sustainable Finance Framework, the Bank puts</i>

¹² Akbank AG, AKLease, AKYatırım (AK Investment) , AKPortföy (AK Asset Management), AKÖde

forth a clear definition of the sustainability objectives in line with the wider company strategy. The Bank sets a quantitative target, measures, and reports on annual basis on its progress against commitments.

2. Definition of sustainable finance activities

In the Akbank SFF, 'sustainable finance' refers to green, social and sustainability loans provided by Akbank which can either be dedicated purpose or general corporate purpose. The Use of Proceeds from the Green, social and sustainability bonds, loans, and deposits issued by Akbank are allocated to Akbank's Sustainable Loan Portfolio that meet the use of proceeds eligibility criteria. Akbank bases its definition of sustainable financing on established national and international standards, Frameworks, and principles. Among others, these include the Green Loan Principles, the Social Loan Principles and the Sustainability Loan Principles of the Loan Market Association, the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Principles of the International Capital Market Association.

Eligible types of financing

Akbank's SFF sets out 2 types of financing which are eligible as sustainable financing for tracking and disclosing its performance against its public targets, which include:

- Dedicated Purpose Financing where 100% of the use of proceeds satisfies either the green or social eligibility category defined in the SFF.
- General Purpose Financing:
 - For companies where 90% of their revenue or EBITDA or 90% of the energy generation derived from renewable energy sources for power/electricity generator companies are derived from eligibility activities based on the thresholds set out in the Framework.
 - For companies where 50% - 90% of their revenue or EBITDA derived from eligibility categories set out in the Framework or which derives its energy generation from renewable energy sources.

In addition to the above requirements, an Environmental and Social Risk Assessment will need to be passed successfully for its ESG financing activities to be classified as 'sustainable'.

Product Scope

The following products are considered within the scope of Akbank's sustainable finance commitment which covers 100% of Akbank's operations. However, according to the Bank, this is a non-exhaustive list and the Framework remains flexible for the inclusion of other product types but our external review is nevertheless the less limited to this list of instruments here.

Product	Description
Debt Capital Markets	Issuance of green/ social/ thematic/ sustainability bonds to qualified investors either under Akbank's Global Medium-Term Program or on standalone basis.
Green/Social/Thematic/Sustainability Loans	These loans are borrowed from International financial institutions and/or banks under a loan agreement, whose proceeds are allocated to finance where product purpose is towards financing and/or refinancing of eligible green, social, or thematic projects or a mix of

	such projects which meet the eligibility criteria presented in Section 5 of the Framework.
Green/Sustainable Deposits	Any green and/or sustainable deposits are allocated for eligible projects. Akbank categorizes green/ sustainable deposits aligned with eligibility criteria under this Framework and not blend it with wider deposit pool.
Green/Social/Thematic/Sustainability Loans (Akbank Sustainable Loan Portfolio)	Financing provided by Akbank T.A.S to its clients in the eligible categories presented in Section 5 of the Framework.
Sustainable Supply Chain/Trade Finance ¹³	Supply Chain finance (SCF), Guarantees, Letters of Credit, Trade Loans, Factoring, Invoice Financing and Receivable services

The Bank provides a comprehensive exclusion list¹⁴ which includes the following:

- Production or trade of any product or service deemed illegal in accordance with national legislation and international agreements to which our country is a party
- Production and trade of weapons of mass destruction, land mines, and weapons that may endanger national/international security and violate human rights
- Arms trade activities in countries that pose a high risk for human rights violations
- Activities involving illegal child labor and human rights violations
- Unchained (prohibited) production or trade of asbestos
- Production or trade of products that deplete the ozone layer (products within the scope of the Regulation on Reduction of Substances that Deplete the Ozone Layer, which entered into force by being published in the Official Gazette dated 07.04.2017 and numbered 30031)
- Production or trade of products containing PCB (polychlorinated biphenyl) - a group of highly toxic chemicals - regardless of industry (Products within the scope of Article 5 ("General Principles") of the Regulation on the Control of Polychlorinated Biphenyls and Polychlorinated Terphenyls, published in the Official Gazette dated 27.12.2007 and numbered 26739)
- Cross-border trade of wastes and waste products to comply with the Basel Convention on the Control of Transboundary Transport and Disposal of Hazardous Wastes and the relevant international conventions to which our country is a party
- Production or trade of any product or service subject to international prohibitions/embargoes, such as pharmaceuticals, insecticides, pesticides
- Fishing activities with nets longer than 2.5 km, using explosives or poisonous substances

¹³ Please note that each specific financial instrument included under 'Sustainable Supply Chain/Trade Finance' has not been assessed under this External Review.

¹⁴ Akbank Exclusion List, <https://www.akbankinvestorrelations.com/en/images/pdf/Akbank-ES-Risk-Framework.pdf>

- Project activities refusing to submit all Independent Consultant reports required for construction projects such as excavation, embankment, flooding, canal or dam in an area greater than 25 km
- Commercial activities using rainforests, trade in CITES -restricted wildlife elements and products
- Activities in regions defined by the Alliance for Zero Extinction (AZE)
- Activities related to diamond mines and diamond trade in countries not included in the Kimberley process
- Activities that do not comply with local legislation and international agreements on the protection of biodiversity resources and cultural heritage
- Activities that threaten the cultural heritage qualities of regions defined as UNESCO World Cultural Heritage
- Activities involving the production and trade of palm oil that do not hold a Certificate of Sustainable Palm Oil Formation (RSPO)
- The production or trade of wood and other forestry products from forestry activities that are not sustainably managed
- Production or trade of radioactive products (except for the purchase of medical equipment, quality control (measurement) equipment, or other equipment whose radioactive source is insignificant and/or adequately protected)
- Ship dismantling operations
- Accommodation with a casino
- Activities considered prohibited in the relevant legislation in the country of operation, such as pornography, prostitution, drug production and trafficking
- Activities carried out in areas designated as Ramsar areas within the scope of the Convention on Wetlands of International Importance (RAMSAR)
- New coal mining investments
- New coal-fired thermal power plant projects and projects that will increase the production capacity of existing coal power plants
- Activities that cause any forcible removal or displacement
- Fur production and all activities related to fur production
- Activities involving force-feeding of geese and ducks
- Genetic engineering and genetic modifications in animals for non-medical reasons
- Illegal wildlife trade
- Animal fights
- Activities involving all kinds of tests and experiments on endangered creatures and non-human primates
- Whaling
- Shark fin trade, and
- The following activities are not financed specifically for SME segment customers: Production or trade of weapons and ammunition and coal mining, coal transport (such as port and railway operations transporting to coal-fired power plants) and coal-fired power plants (Production and trade such as heating and charcoal are not within this scope).

Opinion: Akbank presents a clear definition including precise parameters of what it considers sustainable financing under Dedicated and General-Purpose Financing, (assessed further in Section 2 Part II) and refers to relevant market principles and guidelines. The Bank provides an exhaustive list of eligible categories for its Dedicated

	<i>Purpose Financing and for General Purpose Financing (assessed in Section 1 Part II) and the Sustainable Finance Framework defines exclusion criteria. The pre-defined Green and Social eligibility criteria are precise and clearly described. For its Dedicated and General transactions, the Bank commits to aligning with commonly used market guidelines and principles contributing to the standardization of Sustainable Finance transactions. Where feasible, the Framework may be further improved with regards to disclosing an estimated share of each instrument mentioned in its Framework.</i>
3. Evaluation & Selection process	Akbank has a dedicated Sustainable Finance Allocation Committee (SFAC) who are responsible for assessing and classifying finances as sustainable in compliance with the requirements of this Framework. The sustainable finance selection process applies to both on and off-balance sheet instruments. The Framework covers the bonds and loans issued by Akbank and Akbank's Sustainable Loan Portfolio (financing provided by Akbank T.A.S to its' clients in the eligible categories). Environmental and Social Management System Akbank applies the Environmental and Social Management System (ESMS) and Environmental and Social Impact Assessment (ESIA) System to both on-balance and off-balance instruments in order to identify the environmental and social risks and/or opportunities that may arise as a result of the financing and to manage them effectively. E&S due diligence process is done for all clients to check clients' strategy in managing physical risks and transitional risks. Akbank has an Environmental and Social Credit Policy Unit who is responsible for the execution of the Akbank's Environmental and Social Risk Management Framework. Sustainable Finance Selection and Evaluation Projects which meet minimum ESMS requirements go through a multi-step assessment process as follows: ▪ Sustainable Finance Team carries out the initial sustainable finance eligibility assessment of sustainable finance deals (Sustainable Financing Instruments and other relevant mechanisms that aligned with Akbank's Sustainable Finance Framework). ▪ Sustainable transactions/asset pool which is proposed to be eligible in line with eligibility criteria are then agreed with the Akbank's "Sustainable Finance Allocation Committee" (SFAC) during the SFAC meetings. ▪ SFAC meetings are held on a monthly basis in accordance with sustainable finance pipeline. Sustainable Finance Team are responsible for coordination and organization of this Committee. Opinion: <i>A comprehensive and documented process is described to ensure that the financed projects align with the eligibility criteria. Akbank uses ESMS screening process to mitigate E&S risks when considering both on and off-balance sheet instruments as per the financing materiality threshold. Only projects that pass the ESMS screening process will be considered through the Bank's classification system. Akbank has a dedicated Sustainable Finance Allocation Committee (SFAC) who is responsible for assessing and classifying finances as sustainable in compliance with the requirements of this framework.</i>

**4. Governance
& monitoring**

Akbank has a dedicated Sustainable Finance Allocation Committee (SFAC) who is responsible for assessing and classifying finances as sustainable in compliance with the requirements of this Framework.

Further, the SFA Committee:

- Discusses new sustainable finance deals customized for selected sectors and segments with related mechanisms.
- Discusses Sustainable Financing Instruments with related business units
- Discusses with related business departments (as necessary) to identify and recommend eligible projects or expenditures for inclusion as Eligible Use of Proceeds. It is expected that the projects will be aligned to the Akbank environmental/social strategy and other priorities.
- Reviews all proposed Eligible Use of Proceeds to determine their compliance with the Akbank's Sustainable Finance Framework in order to approve the allocation of proceeds.
- Flags approved project(s) (if proceeds are waiting to be allocated), which is managed by the SFAC.
- SFAC meetings are held on a monthly basis in accordance with sustainable finance pipeline. Sustainable Finance Team is responsible for coordination and organization of this Committee.
- Reviews on a monthly basis the allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary (for instance, in the event that projects or expenditures have been cancelled, sold or otherwise become ineligible).
- Reviews of compliance with eligibility criteria are tracked annually throughout the loan term and the bond tenor.
- Decides to exclude or replace select Eligible Projects if an Eligible Project no longer meets the eligibility criteria, or the Eligible Project in the pool no longer requires funding
- Also reviews and be in charge of the management of proceeds and facilitate reporting
- Approves new sustainable finance deals with its mechanisms with related business units
- Ensures that eligible loans will comply with related regulations stated under Sustainable Finance Framework
- Checks reporting and verification process
- Manages any future updates of the Framework and corresponding Second Party Opinion (SPO)
- Collaborate with financial institutions for potential sustainable finance funds aligned with eligible projects listed in Sustainable Finance Framework

The E&S Risk Management Framework is applicable to loan and bond transactions, issued by Akbank. These funds are allocated to eligible loans and projects under the SFF. The balance from Akbank's client's sustainable deposits, as well as eligible loans lent to its clients, also undergoes ESMS. The Environmental and Social Credit Policy Unit is responsible for the execution of the Akbank's Environmental and Social Risk Management Framework, after which it undergoes additional review for eligibility to be classified as Sustainable Finance based on the classification criteria set out in its Framework. Board provides their oversight during sustainability committees. Sustainable Finance team inform the members regarding the changes in SFF and procedures, achievements, etc. and the board members share their insights. All loans are subject to environmental and social risk management system, including revolving and overnight loans. However, Akbank only considers recognizing revolving and overnight loans as sustainable finance if the customer business is as per green eligible criteria set for general purpose financing and their daily operations are green.

	Opinion: All eligible Sustainable Financing instruments ¹⁵ are subject to the Bank's overarching sustainability criteria governed by the Sustainable Finance Allocation Committee (SFAC) and are reviewed on a monthly basis for both on balance sheet and off-balance sheet instruments ensuring compliance with the eligibility criteria throughout their lifecycle. All qualifying transactions undergo due diligence and any transaction which is found to no longer meet the minimum requirements set out in this Framework during the due diligence checks is disqualified.
5. Reporting	Akbank's Sustainable Finance Framework builds the basis for tracking and reporting the Banks performance against its Sustainable Finance commitment which include providing TL 200 billion in sustainable financing until 2030 as well as reaching TL 15 billion in sustainable investment funds until 2030. Akbank reports on an annual basis, the total amount of Sustainable Finance and the share of Sustainable Financing products and this is made publicly available on the Bank's investor relations webpage https://www.akbankinvestorrelations.com/. In addition, Akbank intends to provide impact reporting on the expected environmental and social impacts of the Eligible Green or Social Projects. Impact reporting is intended to be made at least at the category level and on an aggregated basis, subject to the availability of the relevant data. Opinion: The Bank commits to publicly reporting its' Sustainable Financing volume reached and its impact reporting. It is suggested to further developing tracking of the performance against the target and reporting of the overall progress of the Sustainable financing objectives. It is suggested to further develop tracking of the expected and/or achieved impact of banks' sustainable financing activities on environmental and social objectives, as data availability in terms of impact reporting improves.
6. External Review	Akbank has appointed ISS ICS to provide a pre-issuance verification and an External Review of the Framework, and its alignment with the Bank's Sustainable finance strategy. This document will be made available to stakeholders on the Bank's website. Opinion: Akbank has sought an external review of the Sustainable Finance Framework at its launch, in line with market practices. The publication of the SFF and associated external review on the Banks website is welcomed. A new external review will be sought upon any subsequent update.

¹⁵ The Framework covers the bonds and loans issued by Akbank and Akbank's Sustainable Loan Portfolio (financing provided by Akbank T.A.S to its' clients in the eligible categories).

PART II: ASSESSMENT OF AKBANK'S CLASSIFICATION TAXONOMY

Assessment of the criteria outlined in Akbank's eligibility sustainable finance classification system

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by Akbank, we evaluate the prevalence and robustness of the selection parameters, taking into account market practices across different sustainable finance asset classes.

Akbank has set the following sets of eligibility criteria for its financing activities to be classified as sustainable¹⁶:

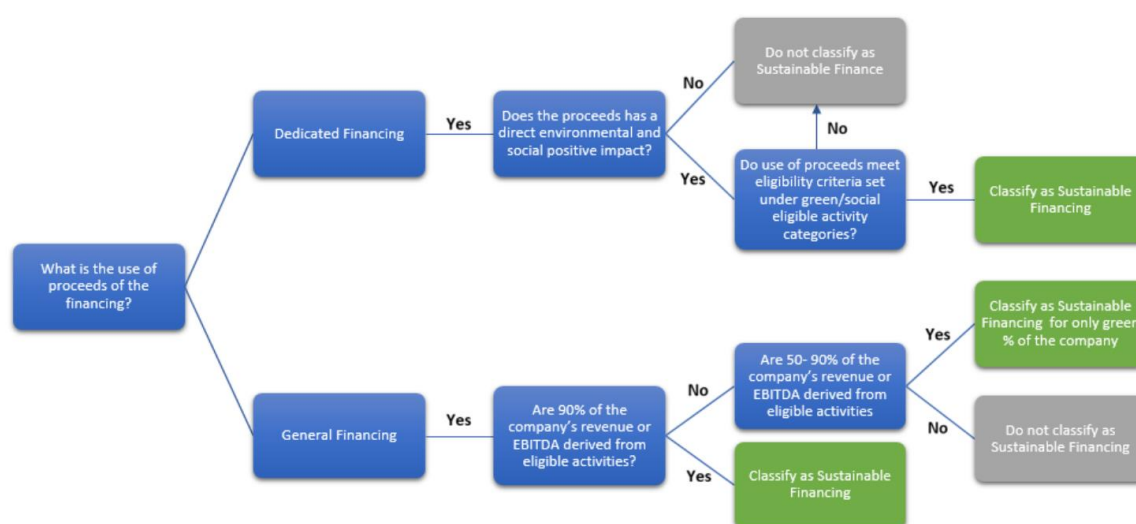


Figure 1 - Sustainable Finance of Akbank's Sustainable Finance Classification System

In the below table, each parameter outlined in Akbank's Sustainable Finance Framework split into "General Financing" and "Dedicated Financing" is assessed. The evaluation is based on criteria, derived from market practices¹⁷.

PARAMETER	ISS ESG CRITERIA	ASSESSMENT OF AKBANK'S CLASSIFICATION PARAMETERS
Dedicated Purpose Financing (standard approach)	Dedicated Purpose Financing contributes to sustainability objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.	According to Akbank Sustainable Finance Framework, transactions classified as Dedicated Purpose Financing if 100% of the funds are directed toward projects that fulfill eligible green or social criteria. A detailed SDG assessment of the impact of the eligibility criteria presented in the SFF can be found in section 3. Based on its proprietary SDG Solutions Assessment (SDGA)

¹⁶ Please note that, all projects first go under Environmental & Social Risk assessment. Projects may be excluded if listed under Exclusion List. Also, their risk scores are assigned and managed accordingly by ES Team.

¹⁷ These include, but are not limited to the ICMA GBP, SBP, and SBG, the SLBP and the Climate Transition Handbook; the GLP and SLP, the SLBP and SLLP, as administered by the LMA; the UNEP FI PRB and the EBA Loan guidelines for environmentally sustainable lending.

		methodology assessment, 100% of the eligible categories have either a limited, or a significant contribution to the Sustainable Development Goals. It is noted that Akbank refers to relevant market standards to define its eligibility criteria. Opinion: <i>100% of the eligible categories have either a limited, or a significant contribution to the Sustainable Development Goals. It is noted that Akbank refers to relevant market standards to define its eligibility criteria. Akbank also intends to publish its impact reports including the allocation of the use of proceeds by categories and the associated SDGs mapped according to Akbank internal methodology on an annual basis.</i>
General Purpose Financing (standard approach)	General-purpose financing contributes to sustainable objectives if the funds are allocated to companies for whom a majority of their revenue/CAPEX and R&D from designated eligibility criteria. Generally accepted thresholds in the market are $\geq 90\%$¹⁸ to designate green or social 'Pure Players' with a defined exclusion list for the remaining share.	Akbank commits to aligning the transactions with ICMA and LMA principles in line with market practice. For a transaction to be classified as sustainable, the financing recipient needs to derive from its core business at least 90% of its revenues or EBITDA from eligible green and/or social categories proposed in the underlying Framework OR 90% of its energy generation from renewable energy sources (specific to power/electricity generators only). Akbank commits to report the transactions that are classified as sustainable on an annual basis. It is noted that no systematic Second Party Opinions are included for all eligible transactions, yet Akbank can seek on a case-by-case basis to ask for an external review to verify alignment with ICMA and LMA principles. Opinion: <i>The 90% threshold proposed to be appropriate and in line with the market practice of classifying Sustainable businesses. There are concerns with respect to the use of EBITDA as an identification metric, given that margins across businesses may significantly differ and may not accurately reflect the companies' impacts. We also note that Akbank has defined an exclusion list in its Framework and will not involve activities within the exclusion sectors/ activities. It is also noted that Akbank commits to report on an annual basis and although no systematic second party opinion is sought but instead on a case-by-case basis Akbank will have an external review conducted for SFF transactions. Finally, Akbank</i>

¹⁸ Green Bond Principles, Appendix I (June 2022), Note I, https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf and Climate Bond Initiatives, Green Bond Database Methodology, July 2022, https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

		<i>should consider forward-looking CAPEX and R&D as metrics for pre-revenue entities and funding dispersals for non-profit entities. We commend aligning transactions with the four core components of the LMA/APLMA/LSTA Green or Social Loan principles or the ICMA Green or Social Bond Principles or Sustainability Bond Guidelines.</i>
Company Profile (General Purpose Financing, pro-rata approach)		According to the Akbank SFF, a pro-rata approach foresees those activities can proportionally be classified as sustainable in case the recipient derives between 50% and 90% of its revenues or EBITDA from eligible activities OR of its energy generation from renewable energy sources (specific to power/electricity generators only). The Bank commits to a proportional approach of Financing considered Sustainable in relation to the share of eligible activities financed. Opinion: <i>The inclusion of a safeguard threshold of 50%, in order to prevent financing of a company that only marginally contributes to sustainability objectives is welcomed. Similarly, the thresholds also draw on common market practice, as outlined by the London Stock Exchange¹⁹, and are complemented by an overarching exclusion policy from the Bank. We also note that Akbank has defined an exclusion list in its Framework and will not involve activities within the exclusion sectors/activities. It is noted that best market practice of considering a company as Sustainable is linked to the 90% threshold, included in the discussion of the aforementioned standard approach to general-purpose financing. There are concerns with respect to the use of EBITDA as an identification metric, given that margins across businesses may significantly differ and may not accurately reflect the companies' impacts. The financing of a company with lower proportions, even when counted on a pro-rata basis, may indirectly enable the growth of those ineligible activities that comprise the other proportion in such companies, because the company is able to access the overall financing.</i>

¹⁹ The LSEG's 'Green Economy Mark' refers to companies that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy.

SECTION 3: SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES

CONTRIBUTION OF ELIGIBLE CATEGORIES TO THE UN SDGs

Financial Institutions can contribute to the achievement of the SDGs by financing eligible services/products addressing global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their financing along the entire value chain. The aim of this section is to assess the SDG impact of the eligible categories selected by the Bank in two different ways, depending on whether the proceeds are used to (re)finance:

1. products/services,
2. improvements of operational performance.

1. Products and services

The assessment of eligible categories for (re)financing products and services are based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of a Bank's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards, and sustainability criteria).

The assessment of eligible categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Dedicated Purpose Financing Instruments' Use of Proceeds categories²⁰ has been assessed for its contribution to, or obstruction of, the SDGs:

GREEN CATEGORIES

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable energy Financing or refinancing equipment, R&D, manufacturing, assembly, repair, construction, operation, connection, procurement and maintenance of renewable energy generation assets and related infrastructure, as well as transmission and distribution for: ▪ Wind power (on-shore/off-shore) ▪ Solar power	Significant Contribution	 

²⁰ The review is limited to the examples of projects spelled out in the framework.

- Hydropower with generation capacity of 10MW or less
- Geothermal
- Green hydrogen derived from renewable energy source
- Hydrogen storage facilities for green hydrogen (including conversion of existing gas storage facilities) (no direct fossil fuel powered storage facilities)
- Storage of energy derived from renewable energy
- Smart grid for renewable energy, including next generation power electronics and equipment/electronics
- New electricity grids and expansion supporting/ integrating exclusively renewable electricity

Renewable energy

Financing or refinancing equipment, R&D, manufacturing, assembly, repair, construction, operation, procurement, connection, and maintenance of renewable energy generation assets and related infrastructure, as well as transmission and distribution for:

- Hydropower with generation capacity of 10MW to 25MW, or >25 MW and <1000MW with conditions either a lifecycle carbon intensity of $\leq 100\text{gCO}_2/\text{kWh}$ or power density $\geq 5\text{W}/\text{m}^2$
- Pumped storage hydropower less than 1,000 MW
- Electricity generation facilities using renewable non-fossil gaseous and liquid fuels of renewable origin with lifecycle emission $\leq 100\text{g CO}_2\text{e}/\text{kWh}$, such as steam²¹
- Waste to energy: Anaerobic digestion of sewage sludge and bio-waste for energy generation with direct emissions $\leq 100\text{g CO}_2\text{e}/\text{kWh}$
- Electricity generation by biomass²²

Limited
Contribution



²¹ The assessment is limited to the examples of projects listed in the framework.

²² With direct emissions $\leq 100\text{g CO}_2\text{e}/\text{kWh}$, and/or same with sector average, and/or less than Turkish Grid Emission Factor, and sustainable sources including certified feedstocks, and/or does not compete with food sources, and not from waste incineration.

- Production of biogas and biofuel for electricity²³
- Electric heat pumps dedicated to renewable energy generation provided that the specified inclusion criteria for renewable in this category are met

Renewable energy

Composting of biowaste

Significant Contribution



Green buildings

Public, commercial, and residential buildings that is certified with²⁴:

- LEED (Gold and above)
- BREEAM (Very Good and above)
- DGNB (Gold and above)
- HQE (Excellent and above)
- ÇEDBİK Green Building certification Very Good and above (Commercial and Residential Certificate)

Significant Contribution



Green buildings

Public, commercial, and residential buildings that is certified with²⁵:

- EDGE (Certified, Advanced and Zero Carbon)

Limited Contribution



Green buildings

Public, commercial, and residential buildings that is certified with: Top 15% of the most energy-efficient buildings in the correspondent local market, as determined via Energy Performance Certificate (BEP-TR) issued in accordance with Turkish regulation and/or the Turkish Building Code

Renovations or upgrades of existing buildings leading to at least 30% improvement in energy efficiency

Limited Contribution



²³ Same as above.

²⁴ The assessment is limited to the examples of projects listed in the framework.

²⁵ The assessment is limited to the examples of projects listed in the framework.

Green buildings Buildings with NZEB (Nearly Zero Energy Building) qualifications as stated in Energy Performance Regulation	Limited Contribution	
Clean transportation Financing or refinancing production (including component manufacturing), R&D, establishment, acquisition, expansion, upgrades, maintenance, and operation of clean (zero-emission) land-transport and shipping, and associated infrastructure for personal, public and freight transportation: Land transport vehicles and components that are: - Fully electric - Green hydrogen - Hybrid electric - Charging infrastructure for electric vehicles - Electrified rail transportation Infrastructure for rail transport (only for electrified trackside infrastructure)²⁶	Limited Contribution	
Clean transportation Financing or refinancing production (including component manufacturing), R&D, establishment, acquisition, expansion, upgrades, maintenance, and operation of low carbon airport infrastructure²⁷ (Ref: EU Taxonomy 6.17)	Significant Contribution	
Clean transportation Shipping and sea passenger transport that are vessels with zero direct CO₂ emissions²⁸ (Ref: EU Taxonomy 6.10)	Limited Contribution Significant Contribution	

²⁶ The infrastructure is not dedicated to the transport or storage of fossil fuels.

²⁷ Coal transportation is excluded

²⁸ Vessels are not dedicated to the transport of fossil fuels.

Clean transportation Shipping and sea passenger transport that are hybrid vehicles and tugs	Limited Contribution	
Climate change adaptation²⁹ Projects related to increasing the resilience of eco-systems: - Climate observation and early warning systems - Flood prevention systems (for projects within the scope of flood management in regions defined as High and Very High risk in the Flood Risk Maps included in the Flood Management Plans published by the Turkish Ministry of Agriculture and Forestry, General Directorate of Water Management for river basins in Turkey) - Land slide prevention structures - Projects addressing drought, desertification, forest fires, epidemics, the loss of biological diversity and ecosystem resulting from global temperature increases Consulting and engineering activities that will support institutions and organizations to adapt to climate change - Consulting and engineering services for the activities under 'Disaster Management' exclusively in relation to projects	Limited Contribution	
Sustainable water and wastewater management Financing or refinancing projects and R&D that reduce water withdrawal, consumption, recycling and/or improve the efficiency of resources, that includes: - Water recycling, reuse, saving technologies and water metering - Water leakage detection systems	Significant Contribution	

²⁹ Akbank has a process in place to ensure that for each underlying project, risks and vulnerabilities are identified, and contributions to addressing these risks/vulnerabilities are assessed on a case-by-case basis. The Bank will also evaluate if the project is consistent with Turkey's Climate Change Adaptation Strategy and Action Plan, regional and provincial strategies provincial climate change action roadmaps and action plans published.

Wastewater treatment and Sewage Treatment Plants: - Anaerobic digestion of sewage sludge - Anaerobic digestion of bio-waste - Wastewater recycling/reuse - Wastewater discharge units - Advanced treatment - Chemical/bio-chemical treatment - Pumping stations		
Sustainable water and wastewater management Drinking water treatment, storage, and sustainable supply systems	Limited Contribution	 
Sustainable water and wastewater management Desalination powered by renewable energy	Limited Contribution	
Sustainable water and wastewater management Construction, extension and operation of wastewater collection and treatment	Significant Contribution	

SOCIAL CATEGORIES

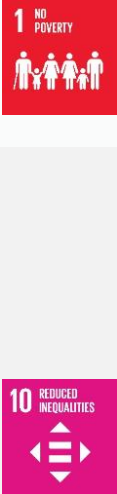
USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Employment generation and financial inclusion Projects that finance or refinance SMEs³⁰, micro enterprises³¹ that qualify for at least 1 of the below: - SMEs operating in developing and underdeveloped regions of Turkey³² - SMEs operating in areas negatively affected by natural disasters or health pandemics - Projects that finance or refinance businesses owned by vulnerable groups³³ and/or focusing on creating employment for vulnerable groups and aiming to increase the involvement of vulnerable groups in the workforce through supportive practices such as local hiring programs, training programs for increasing specific skills, etc. - SMEs owned and/or operated by migrants, youth (up to 30 years old) and other vulnerable groups - SMEs having a maximum operation period of 7 years and operating under the following NACE codes: 620201, 620901, 620902, 465101, 582101, 582901, 631201, 620101, 620301, 631108 - SMEs that increase the number of employees (at least 1) within 1 year prior to financing	Significant Contribution	

³⁰ According to the official definition provided by the “Regulation on the definition of SMEs, their properties and segmentation” dated 18.11.2005 with Official Gazette No: 25997 (accessible at <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=20059617&MevzuatTur=21&MevzuatTertip=5>), Small Enterprises are businesses that employ less than 50 people and whose annual net sales revenue or financial balance sheet does not exceed 50 million TL and Medium-Sized Enterprises are businesses that employ less than 250 people and whose annual net sales revenue or financial balance sheet does not exceed 250 million TL.

³¹ According to the official definition provided by the “Regulation on the definition of SMEs, their properties and segmentation” dated 18.11.2005 with Official Gazette No: 25997 accessible at: <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=20059617&MevzuatTur=21&MevzuatTertip=5>, a) Micro-enterprise: Businesses that employ less than 10 people and whose annual net sales revenue or financial balance sheet does not exceed 5 million TL.

³² Developing and underdeveloped regions of Türkiye refers to all provinces except the developed ones: İstanbul, Ankara and İzmir which are reported as the 3 most developed cities in Türkiye in the Socio-Economic Development Ranking Report published by the Ministry of Industry and Technology of Türkiye

³³ For a definition of vulnerable groups, please refer to the [definition of United Nations](#)

Employment generation and financial inclusion Projects that finance or refinance businesses owned by women focusing on creating employment for women	Significant Contribution	
Access to essential services - Projects that finance or refinance energy accessibility through electricity distribution and transmission infrastructure (generated from non-renewable sources) in regions of lower socioeconomic development than average, if these lower socioeconomically developed areas³⁴ have lack of access to electricity and transmission of electricity in regions where there is no electricity (generated from non-renewable sources) - Subsidy program for electricity consumption (generated from non-renewable sources) in less socioeconomically developed areas	Limited Contribution	
Access to essential services - Projects that finance or refinance water accessibility in regions of lower socioeconomic development than average, if these lower socioeconomically developed areas have lack of access to water - Building new facilities to increase the amount of water that can be produced or stored in order to make it more readily available to a growing population. For e.g. (water drilling, modern equipped wells, mini drinking water supply, drinking water treatment plant, water towers and storage, drinking water fountains and special connections, supply, and distribution pipes) Target population: Under-served, owing to a lack of quality access to essential goods and services	Significant Contribution	

³⁴ Lower socioeconomically developed areas are classified as the areas which has lower gross domestic products than average Turkish gross domestic products. Gross domestic product by province statistics is published by TURKSTAT. Please refer to <https://data.tuik.gov.tr/Bulten/Index?p=Il-Bazinda-Gayrisafi-Yurt-Ici-Hasila-2020-37188>

Access to essential services Projects that finance or refinance access to basic sanitation including septic tanks and treatment facilities	Limited Contribution	
Access to essential services Projects that finance or refinance construction, maintenance of equipment such as pipework for supply of clean water	Limited Contribution	
Access to essential services Construction telecommunication equipment for less connected population groups	Limited Contribution	 
Access to essential services Financing and refinancing construction, equipping, maintenance, installation of transportation infrastructure in regions of lower socioeconomic status to improve less developed regions connectivity and develop community transportation: ▪ Pedestrian and cycling infrastructure (bike lanes, bicycle lanes)	Significant Contribution	
	Limited Contribution	
Access to essential services Financing or refinancing maintenance, and operation of subsidized public and private education and vocational training infrastructures and services to ensure affordability to students. Funding educational institutions including universities and tertiary education centers, technical/ vocational training centers and programs	Significant Contribution	
Access to essential services Funding educational institutions including primary and secondary schools	Significant Contribution	
	Limited Contribution	
Access to essential services Financing or refinancing developments and construction of subsidized public and private education and vocational training infrastructures and services to ensure affordability to students such as educational	Limited Contribution	

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Access to essential services Projects that finance or refinance investments for trading of vaccinations.	Limited Contribution	
Access to essential services Projects that finance or refinance operations of subsidized healthcare infrastructures and services such as providing affordable or free essential healthcare services to the underprivileged and underserved (including services towards inclusion of the aging population)	Significant Contribution	
Access to essential services Projects that finance or refinance Construction, development, refurbishment and modernization of hospitals and healthcare facilities and medical equipment, healthcare technology	Limited Contribution	
Access to essential services Projects that finance or refinance production, purchase and distribution of healthcare materials and equipment needed for prevention and treatment of health issues, pandemics etc. (e.g., COVID 19)	Limited Contribution	
Affordable housing Projects that finance or refinance social housing mortgages to eligible people ³⁵ and Affordable housing³⁶ as aligned to Turkish national regulation and projects under the TOKI (Toplu Konut İdaresi Başkanlığı) social housing projects	Limited Contribution	
Food security Projects related to physical, social, and economic access to sufficient, safe, nutritious food, Access to adequate food and meeting nutrition needs³⁷	Significant Contribution	

³⁵ Eligible people are defined by TOKI based on various criteria, please see <https://a.toki.gov.tr/basvuru-sartlari>

³⁶ The assessment for affordable housing and social housing are similar since both sub-categories target the same population.

³⁷ This category is in line with the Republic of Turkey – Sustainable Finance Framework, page 17, <https://ms.hmb.gov.tr/uploads/2021/11/Republic-of-Turkey-Sustainable-Finance-Framework.pdf>

- Food security and livelihoods programs ensuring access to food and the protection of livelihoods during and immediately after an emergency

Target population: People living in lower socioeconomically developed areas³⁸

Food security

- Increasing Agricultural productivity: Projects related to manufacture machinery/equipment improving agricultural productivity
- Resilient agriculture:
 - Adoption of modern technologies related to crop breeding
 - Adoption of modern technologies related to agronomic practices such as soil management, cultivation, and row cropping
 - Hydroponic farming

Only companies that exclusively produce organic certified products/services that are accredited by IFOAM and that use organic fertilizers and pesticides will be eligible

Target population: People living in lower socioeconomically developed areas³⁹

Limited
Contribution



Socioeconomic advancement and empowerment

Projects that finance or refinance the developments, construction, maintenance, and operation of sports facilities including community health centers, public sports fields, and sponsorships for these facilities in regions of lower socioeconomic development to increase employment capacity

Significant
Contribution



Limited
Contribution



Socioeconomic advancement and empowerment

Projects that finance or refinance the developments, construction, maintenance, and operation of cultural facilities including leisure centers, museums, theatres, and cinemas; and sponsorships for these facilities in

Limited
Contribution



³⁸ Lower socioeconomically developed areas are classified as the areas which has lower gross domestic products than average Turkish gross domestic products. Gross domestic product by province statistics is published by TURKSTAT. Please refer to <https://data.tuik.gov.tr/Bulten/Index?p=Il-Bazinda-Gayrisafi-Yurt-Ici-Hasila-2020-37188>

³⁹ Lower socioeconomically developed areas are classified as the areas which has lower gross domestic products than average Turkish gross domestic products. Gross domestic product by province statistics is published by TURKSTAT. Please refer to <https://data.tuik.gov.tr/Bulten/Index?p=Il-Bazinda-Gayrisafi-Yurt-Ici-Hasila-2020-37188>

regions of lower socioeconomic development to increase employment capacity

Socioeconomic advancement and empowerment

Financing or refinancing developments, construction, maintenance, and operation of infrastructure to increase accessibility (including public transport) by providing greater guidance and support for disability-inclusive infrastructure such as provision of ramps, rails, lifts, adaption of toilets for wheelchair users, signages and auditory signals, tactile flooring

Significant Contribution



Access to quality and affordable healthcare- Emergency relief

Manufacturing of prescription pharmaceuticals excluding contraception pharmaceuticals and medical cannabis products.

Significant Contribution



Access to quality and affordable healthcare- Emergency relief

- Logistics and distribution of prescription pharmaceuticals excluding contraception pharmaceuticals and medical cannabis products
- Financing sale of affordably priced or subsidized medicines on the WHO essential medicines list
- R&D for development medical products which could serve in the fight against such crises
- Research into neglected diseases and/or drugs on the World Health Organization (WHO) essential medicines list
- Finance hospitals to hire more medical personnel to assist in the prevention and/or treatment during pandemics/epidemics

Limited Contribution



Access to quality and affordable healthcare - Emergency relief

- Investing in educational and vocational training for medical care, emergency care and public health professionals
- Training of medical personnel in the event of a pandemic, epidemic to assist in the control and/or treatment
- Funding improvements of the facilities, equipment, programs used for healthcare training (construction of new buildings excluded)

Significant Contribution



Access to quality and affordable healthcare – Emergency relief

- Third-party retailing/trading of professional diagnostic and/or treatment devices, assistive devices, basic medical equipment, and over-the-counter medical supplies
- Financing and refinancing projects related to contact tracing⁴⁰:
 - Companies implementing/procuring the services for contact tracing (the service can be through call centers or an application)
 - Companies manufacturing such mobile applications or a technology which is beneficial for contact tracing or call centers providing service on contact tracing
- Financing and refinancing projects related to quarantine and isolation, population-wide testing⁴¹:
 - Companies procuring the test kits to be used in their own-operations and Companies providing isolation and quarantine measures in their own operations
 - Companies manufacturing of products for isolation such as biological sampling cabinets manufactured for Covid-19 sampling
 - Funding temporary health centers

**Limited
Contribution**



Disaster Relief

- Retail and commercial activities in the affected cities/provinces
- Investments for reconstruction of the affected cities/ provinces such as reconstruction of livelihoods, factories
- Loans or other financial services to support initiatives designed to prevent or alleviate unemployment
- Financing of displaced persons as a result of the earthquake
- Financing other vulnerable groups, including as a result of natural disasters
- Trade finance purposes in the affected cities/provinces
- Providing discounted or preferential rates in the earthquake cities
- Extending maturities for the loans

**Limited
Contribution**



⁴⁰ If used explicitly for Covid-19 tracing and there is direct coordination with a healthcare professional

⁴¹ Retrospectively until March 11, 2020 the date when the first Covid-19 case has been reported in Türkiye as well as Covid-19 was declared a pandemic by the World Health Organization (WHO).

- Delaying the payment of principle/installments

Disaster Relief

- Investments for reconstruction of the affected cities/ provinces such as reconstruction of health centers

Limited Contribution



2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Bank.

Akbank finances operations/processes in third-party sectors which are not listed in the Bank’s Framework. As such, the exposure to negative externalities linked to the sector of the operations/processes financed is not displayed. This could have an impact on the overall sustainability quality of the issuance.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁴²	SUSTAINABLE DEVELOPMENT GOALS
Energy Efficiency Finance or refinancing manufacturing, establishment, acquisition, expansion, upgrade, R&D, and/or installation of associated infrastructure for technologies, infrastructure, projects, and products that result by at least 20% energy efficiency improvement or at least 20% greenhouse gas emissions reduction, including but not limited to: ▪ LED fixture installation ▪ Building insulation materials ▪ Monitoring and other EE systems (such as compressed air systems, energy efficient machinery⁴³- energy efficient process	✓	

⁴² Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

⁴³ energy efficient transportation such as Electric forklifts, tractors, loaders, excavators; motors & pumps, process technologies, appliances, lighting, cleaning, and washing equipment

technologies, appliances, lighting, cleaning, and washing equipment, combustion, cooling and fan systems, pumps (water and absorption) and electric motors etc.)

- Construction, refurbishment and operation of pipelines and associated infrastructure for distribution of heating and cooling based on renewable energy providing that the specified inclusion criteria in renewable energy category is met, where fossil fueled projects and cogeneration and CHP plants powered by coal natural gas are excluded.
- Waste heat recovery systems
- Transmission and distribution, lines that would facilitate reduction in energy loss during transmission that result in energy efficiency
- Industry 4.0 products, services and enabling capabilities (e.g., NB-IoT, LTE-M, LPWA, AI, IoT analytics, other smart monitoring systems, etc.), excluding spectrum acquisition and license renewal
- Activities aligned with EUT CM 8.2

Energy Efficiency

Installation, maintenance, and repair of energy efficiency equipment and charging stations for electric vehicles in buildings (Ref: EU Taxonomy).

✓⁴⁴



Sustainable water and wastewater management

- Water distribution systems with improved efficiency/quality
- Renewal of water collection, treatment, and supply systems (REF: EU Taxonomy 5.2)
- Renewal of wastewater collection and treatment (REF: EU Taxonomy 5.4) Water recovery systems and water-efficient sanitary installations
- The development of unconventional water resources , e.g., reclaimed water, rainwater
- Projects that monitor and protect water security (water quality and pollution prevention) for critical water bodies and basins

✓



⁴⁴ The Issuer has aligned its selection criteria with the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

Terrestrial and aquatic biodiversity

Financing or refinancing investments related to the conservation and enhancement of terrestrial and aquatic biodiversity (including the protection of coastal, marine and watershed environments), include blue economy, that is the protection of variability among living organisms from coastal, marine, watershed environments and other aquatic ecosystems. Eligible activities include, but are not limited to^{45, 46}:

- Prevention or reduction of pollution in coastal, marine, river, and watershed ecosystems. (e.g., systems against mucilage, elimination or reduction of point (e.g. WWTPs) and non-point pollution (e.g. agricultural land) sources)
- Establishing or maintaining coastal protection and management projects
- Establishing or maintaining systems for marine, coastal, river and watershed
- Biodiversity preservation
- Restoration and/or conservation of natural terrestrial and marine landscapes



Terrestrial and aquatic biodiversity

Sustainable tourism activities: Environmentally Friendly Hotels Label⁴⁷, Green Building standards (please refer to the criteria under Green Buildings Project Category⁴⁸)



Circular economy adapted products, production technologies and processes

- Increasing recycled content ratio in products and packaging
- Increase recyclability/ reusability Solutions that extend the product life cycle, through product refurbishment, re-usable materials, or refillable schemes
- Production that uses waste, renewable or recycled resources as feedstock



⁴⁵ The assessment is limited to the examples of projects listed in the framework.

⁴⁶ Akbank confirms that the eligible activity under this category initiates or accelerates the recovery of an ecosystem from a degraded state, without previously being detrimental.

⁴⁷ <https://www.resmigazete.gov.tr/eskiler/2017/06/20170619-8.htm>

⁴⁸ Green building standards under Green Buildings Project Category of this framework includes LEED, BREEAM, DGNB, HQE, ÇEDBİK, and EDGE

- Recycling facilities
- Material recovery from non-hazardous waste
- Separate collection and transport of non-hazardous waste in source segregated fractions

Circular economy adapted products, production technologies and processes

- Bio Sourced (or green) monomer and polymer production
- Recycling of batteries
- Recycling, reusing, recovering critical raw materials in line with EU Taxonomy Activity 5.9⁴⁹

Sustainable food packaging including packaging material productions if produced with biomaterials and recycled materials:



- Plastics packaging⁵⁰ that use Bio-based plastics or mono material structure to enable recycle and exclude use of EPVC, PVDC, Polystyrene (PS), or Expanded PS
- Paper & paper board that do not use fluorine-containing compounds (PFAS) and are certified by FSC, PEFC or SFI.

Pollution prevention and control

- Reduction and monitoring of end-of-pipe air pollution
- RS/GIS systems that contribute to waste and leakage monitoring
- Preventing or minimizing any adverse impact on human health and the environment of the production, use or disposal of chemicals
- Remote full-automatic pollutant monitoring and measurement systems that aims to reduce air, water, and soil pollution if they do not directly rely on fossil fuels.



Pollution prevention and control

Soil and groundwater monitoring and remediation



⁴⁹ https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials_en

⁵⁰ 90% input is recycled or bio-based, 90% not intended for single use, and all input materials are recyclable.

Pollution prevention and control

- Projects which result in at least 15% chemical and raw material consumption reduction
- Integrated waste management facilities, pre-treatment facilities such as material recovery facilities and transfer station



Environmentally sustainable management of living natural resources and land use

Sustainable agriculture:

- Sustainable agriculture that has national/international certificates (i.e. RSPO, Global G.A.P, Red Tractor, Rainforest Alliance, UTZ, ProTerra, Ecocert, RSB, ISCC), or which save water and improve the recovery of local farming and agriculture lands
- Sustainable agriculture activities such as ⁵¹ : restoration of degraded pasture, soil recovery, use of natural fertilizer, crop rotation etc.



Land restoration and sustainable forest management:

- Certification and implementation of supply chain transparency practices (Rainforest alliance, BCI, etc.) for sensitive agricultural products (cotton, cacao, coffee, etc.)
- Sustainable management of forests, restoration of degraded forests as well as afforestation/ reforestation/ conservation activities and forestry activities certified to FSC, PEFC, or an equivalent standard.

Environmentally sustainable management of living natural resources and land use

Urban greening projects:



Sustainable urban drainage systems

Environmentally sustainable management of living natural resources and land use

Sustainable agriculture



⁵¹ The assessment is limited to the examples of projects listed in the framework.

- Sustainable agriculture that has national/international certificates (FSC, PEFC, SFI)

Land restoration and sustainable forest management:

- Development of parks and green areas, eligible if they are aligned with national and international sustainable forestry certification (e.g., FSC, SFI, PEFC)

Access to essential services - Water

Rehabilitating/expanding existing ones to increase the amount of water that can be produced or stored in order to make it more readily available to a growing population. For e.g. (water drilling, modern equipped wells, mini drinking water supply, drinking water treatment plant, water towers and storage, drinking water fountains and special connections, supply, and distribution pipes).



Target population: Under-served, owing to a lack of quality access to essential goods and services

Food Security

- Increasing Agricultural productivity: Financing of companies implementing/procuring technologies to improve agricultural productivity
- Resilient agriculture: Digital sensors for resource optimization of water & fertilizers



Only companies that exclusively produce organic certified products/services that are accredited by IFOAM and that use organic fertilizers and pesticides will be eligible.

Food Security

Resilient agriculture: Adoption of modern technologies related to water management, drip irrigation, terracing, swales for return agricultural irrigation flow, artificial wetlands



Only companies that exclusively produce organic certified products/services that are accredited by IFOAM and that use organic fertilizers and pesticides will be eligible.

SECTION 4 ASSESSMENT OF AKBANK'S ESG RISK MANAGEMENT PROCEDURES

The table below evaluates the assessment of Akbank's ESG-specific risk management measures and policies that are considered relevant in the context of the Bank's Sustainable financing activities. The KPIs emphasize specific ESG risks outlined in Akbank's Sustainable Finance Framework as well as general sustainability-related risks considered relevant to the Banks' operations.

The KPIs are derived leveraging the [ISS ESG Corporate Rating](#) to identify the relevant topics based on its industry; these KPIs are then further integrated with additional elements derived from market principles such as the task force on Climate-Related Financial Disclosure⁵².

The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI. The framework covers all Akbank's operations.)

ASSESSMENT AGAINST KPIs

ESG investment guidelines for financial institutions

Akbank confirms that the lending products/borrowers and investing products/investees for this specific transaction are located in Turkey.

Akbank has defined an Environmental and Social Risk Framework to identify risks and/or opportunities applicable for the assets underlying this specific transaction. The Bank further applies the Environmental and Social Management System (ESMS) and Environmental and Social Impact Assessment system (ESIA) in order to manage the risks.

Akbank has defined detailed steps and procedures regarding managing the risks that may rise under the transaction. The ESMS system includes E&S Risk Scoring, ESMS Questions, Exclusion Control, E&S Due Diligence, Limited activities Control, and Annual Reporting, which applies to the borrowers in the Corporate, Commercial, and SME segments with commercial activities. Akbank manages the risks by (i) first checking the Non-financing Activity List to control whether the project is covered by the lists. In case the project activity is not listed, (ii) the Bank directs forms and questions to the customer, focusing on ESG, Occupational Health & Safety, Climate Change, Legal Compliance, and Environmental & Social Due Diligence forms in case the customer's status is defined as risky based on activities related to natural risk category and international standards such as IFC Performance Standards. Akbank also commits to evaluating the projects under ESIA process, if the new investment requests for the projects within the Category A Activity (i) has an investment over USD 10 million, and (ii) belong to a sector that has high E&S risks or a B1 risk score defined by the ESIA Team.

Akbank commits not to finance activities listed on the non-financing Activity List. In case an ESG risk is identified and cannot be managed within the scope of the financed activities, the ESIA team

⁵² Task force on Climate-related Financial Disclosures, 2022 Status report, <https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf>

informs the Credit Committee in order to decide on suspending or withdrawing from a loan based on the E&S Framework.

Akbank confirms that the ESMS process is applied to the borrowers in the Corporate, Commercial, and SME segments with commercial activities, regardless of any amount limitation. Moreover, the ESIA process is applied to the activities within the scope of Category A Activity List, new investment loan requests with an investment amount over USD 10 Million, project financing requests in the sectors that are known to have high E&S risks, and the activities with high E&S risks defined by ESIA team.

Fossil fuel-related financing

- Akbank does not disclose the amount and the volume of fossil fuel-related financing throughout its overall business units and subsidiaries that are not within the scope of the Sustainable Finance Framework.
- Akbank does not have policies in place to scale down or phase out fossil fuel-related financing activities. However, the Bank commits not to finance new and/or capacity-development projects of coal-fired thermal power plants (TPPs), coal mining investments and coal transportation.

Financed emissions

- Akbank does not currently have a procedure to measure financed emissions in line with relevant methodologies (i.e., Partnership for Carbon Accounting Financials). However, the Bank plans to initiate the decarbonization strategy project where financed emissions in corporate and commercial banking segments will be calculated based on PCAF and PACTA methodologies. Moreover, Akbank plans to commit to PCAF after finalizing the project, in line with its goal to operate at a net-zero target by 2050.

Health and Safety

- ✓ Akbank ensures health and safety standards in the projects underlying the transaction are respected, by adhering to (i) IFC Performance Standards, (ii) IFC Environmental, Health, and Safety standards, and (iii) Good International Industry Practices to ensure that H&S standards in the projects underlying the transaction are respected. Moreover, the Bank has a policy in order to ensure national and international standards, by carrying out evaluations during the ESMS process, and site visits or company meetings during the ESIA process. Akbank further commits to appointing an additional OHS consultant to the ESIA team to carry out investigation and monitoring.

Labor Standards

- ✓ Akbank commits to ensuring that labour standards for the underlying projects are respected by (i) following EBRD Performance Requirements, IFC Performance Standards, Equatorial Principles, the International Labor Organization (ILO) Basic Principles in Working Life, and Bill of Rights; and (ii) assigning an independent E&S consultant in case the project risk score is defined as medium or above. The Bank

further confirms that its borrowers are all located in countries that adhere to the ILO core conventions.

Biodiversity



Akbank ensures that the assets financed under this Framework feature the respect of biodiversity as an integral part of the planning process, by evaluating biodiversity impacts during ESMS and ESIA processes. The Bank commits to checking if borrowers adhere the IFC Performance Standards and makes sure that those standards are respected. If any biodiversity-related impact is identified, the Bank commits to (i) prepare a BAP based on IFC Performance Standard 6 and assign Biodiversity Consultants, (ii) escalate the Credit Committee if any significant risks prior to credit allocation identified by ESIA Team. Akbank also commits to following Blue Finance Principles for projects on oceans and seas.



Akbank commits to following National Legislation that covers the international standards of Ramsar Convention 1971, Bern Convention, UN Convention of Biological Diversity and CITES; and International Standards of IC PS6 and EBRD PR6 in order to ensure the respect of biodiversity.

Community Dialogue



Akbank has a policy that ensures high social standards are respected. More specifically, the Bank extended the scope of its Environmental and Social Credit Policies and initiated the Environmental and Social Risk Framework that focuses on requirements of the United Nations Universal Declaration of Human Rights, the eight fundamental conventions of the ILO and the OECD Guidelines for Multinational Companies.



Akbank has a policy in place to ensure that assets financed under the Sustainable Finance Framework feature community dialogue as an integral part of the planning process. The Bank applies Contact Forum tools on its website for those who wish to provide feedback and commits to performing company meetings and site visits when the E&S risk is obtained as Very High (A), High (B1), or Medium (B2), as part of stakeholder engagement and grievance mechanism process. Moreover, the Bank requires its customers to prepare a stakeholder engagement plan on the impacts of the projects and mitigates the impacts to meet the needs of stakeholders, including the communities. Highlighting the community consultation, Akbank's E&S Risk teams follow the stakeholder engagement plans and the meeting records.

Inclusion



Akbank has measures in place to ensure universal access to basic services financed under the framework. The Bank identifies vulnerable and disadvantaged populations affected by the project during the stakeholder engagement process, Resettlement Action Plan, and the LRP preparation process. The impacts are managed in accordance with the Good International Industry Practices. Furthermore, Akbank ensures that the projects financed under this framework provide non-discriminatory service and give priority to affordable products and services for vulnerable and disadvantaged people during the CSR process.



Akbank has a policy that follows the United Nations Universal Declaration of Human Rights, the eight fundamental conventions of the ILO, and the OECD Guidelines for Multinational Companies in order to ensure the non-discriminatory access and affordable product and services.

Marketing



Akbank adheres to the Consolidated ICC Code of Advertising and Marketing Communications Practice which includes a comprehensive commitment to marketing that is truthful, not misleading, accurate, and balanced. Furthermore, Akbank has a Conduct Risk Management Policy in place that systematically ensures the assets financed under this Framework provide responsible marketing. Responsible marketing is implemented in accordance with the policy, where Akbank includes the definition and the principles of correct pricing, its measurement, and organizational responsibilities, commits to providing transparent information to customers through conducting risk reporting.

Responsible treatment of costumers with debt problems



Akbank has procedures in places to ensure that assets financed under this framework provide responsible treatment towards customers with debt problem. As pre-emptive actions, the bank blocks the limits of restructured clients under covenants limiting indebtedness, applies conservative loan-to-value ratios by classifying the restructuring operations in stage two and by determining a higher provision ratio, and provides guiding measures to all retail and SMEs for long-term fixed interest rates. Moreover, Akbank carries out transactions in accordance with the Turkish Enforcement and Bankruptcy Law regarding mortgage sales, which applies strict exclusion of sale without customer consent and only selling with the public authority judgement.

Exclusion Policy

Akbank has exclusion criteria as part of the Environmental and Social Risk Framework (ESRF). More specifically, the Bank excludes spirits (except beer and wine), games of chance, tobacco, unsustainable forestry, and large-scale petrochemicals from the activities that are financed and define forced displacement as a limited allocation activity for SMEs.

Akbank has a policy in place for the exclusion of entities and individuals found to have engaged in anti-corruption and anti-bribery, and money laundering⁵³.

⁵³ Akbank Anti-Bribery & Anti-Corruption Policy, <https://www.Akbankinvestorrelations.com/en/corporate-governance/detail/Anti-Bribery-Anti-Corruption-policy/164/1800/0>

SECTION 5 LINKING THE TRANSACTIONS TO AKBANK'S ESG PROFILE

PART I: CONSISTENCY OF THE SUSTAINABLE FINANCING FRAMEWORK WITH AKBANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Bank

In January 2021, Akbank launched its sustainability strategy to fully integrate sustainability into the Bank's operations and developments and set a primary objective to mitigate environmental footprint while increasing positive impact. As part of its strategy, Akbank defined long-term targets that cover four key areas:

1. Sustainable Finance

- a. The Bank commits to providing TL 200 billion in Sustainable Loan Financing and Sustainable Investment Funds⁵⁴ reaching TL 15 billion by 2030 to increase sustainable financing secured by the Bank by 2030.
- b. The Bank has identified three main pillars under Sustainable Finance Management, which are Environment, Technology, and Social. Akbank prioritizes the Technology pillar that covers (i) the circularity incorporated into design, production and recovery models and recycling facilities, (ii) innovative essential healthcare; (iii) clean transportation; and (iv) business transformation to serve as a key for transition to low carbon economy by 2050 with emerging solutions for both environmental and social pillars. The identified priority areas for Environment pillar are as the following: (i) increasing mitigating the impact of climate crisis; (ii) increasing the use of alternative and renewable energy; (iii) protecting and improving natural resources; and (iv) supporting sustainable agriculture, forestry, and livestock. Moreover, the identified priority areas for social pillar are as the following: (i) reducing inequalities; (ii) developing sustainable cities; (iii) improving occupational health and safety; (iv) supporting training and education; and (v) supporting affordable housing.

2. Climate Change

- a. The Bank commits to identifying and assessing principal and emerging physical and transition risks and opportunities related to climate, in order to ensure the management of the portfolio and its own operations enhance its resilience to any risks during the transition to a net zero carbon economy by 2050. In accordance, Akbank has a target to become a carbon-neutral bank by eliminating operational emissions by 2025, as well as a target to become a net-zero bank by 2050.
- b. In line with the Bank's goal of becoming a carbon-neutral bank, Akbank has achieved its target of having 80% of its electricity generated from renewable energy sources in 2022. Additionally, the Bank plans to perform carbon offsetting following its operational emission reduction and decrease its energy consumption with energy-efficient infrastructure as

⁵⁴ Akbank Investor Relations, Akbank customers running to 2 billion TL in social investments, refer: <https://www.akbankinvestorrelations.com/en/news/detail/Akbank-customers-running-to-2-billion-TL-in-social-investments/591/1627/0>

follows: obtaining LEED Gold Green Building Certification and 1.4 power usage efficiency in Data and Living Center; performing Akbank Industry 4.0 project which performs remote monitoring of energy consumption in all buildings and branches and increasing the ISO 14001 and ISO 50001 coverage by 2024.

3. Ecosystem Management

- a. The Bank plans to extend digital and innovative products and services that serve increasing the number of people who are financially empowered.
- b. The Bank commits to disclose the measurable targets in financial health and inclusion by 2023, as the founding member of UNEP FI Financial Health and Inclusion.

4. People & Community

- a. The Bank aims to improve the performance of Akbank volunteerism as part of its goal of strengthening diversity and inclusion. In that regard, the Bank plans to ensure the effectiveness of Akbank's voluntary activities via an online volunteering platform that has been launched, starting in 2023, in addition to the Good State of the City that is currently in place.
- b. The Bank aims to increase social returns for community investments as part of its goal of strengthening diversity and inclusion. Accordingly, Akbank commits to measure and report the social return on investments of its key community investment projects annually starting in 2022 and decide on its further actions based on the measured social return. More specifically, these projects include Boost the Future Accelerator Program, Akbank Youth Academy, and the volunteer programs stated above.

The Bank aims to increase its investments in its employees by organizing regular digital training that covers social, cognitive, and digital skills. The Bank targets to keep the balance of women employees at a minimum of 50% of the workforce. Moreover, Akbank plans to increase part-time opportunities for disadvantaged people and people with disabilities in order to become more inclusive.

For all sustainability priorities, Akbank defined specific sustainability objectives and activities, as well as a period of the relevance of the objectives.

Rationale for Sustainable Finance Framework

Akbank established the Sustainable Finance Framework to demonstrate the Bank's commitment to mitigating the environmental footprint of its business operations and facilitating positive environmental and social impact through its products and services. In that regard, Akbank is issuing Sustainable Finance Instruments to finance the activities defined by its sustainability objectives outlined in the Bank's Sustainable Finance Framework.

Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges

ISS ESG mapped the Use of Proceeds categories financed under this Sustainable Finance Framework with the sustainability objectives defined by the Bank, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks and Capital markets

industry. Key ESG industry challenges are issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g., Sustainability impacts of lending and other financial services or products. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE BANK	KEY ESG INDUSTRY CHALLENGES	LEVEL OF CONTRIBUTION
Energy Efficiency	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Climate Change Adaptation	✓	✓	Contribution to a material objective
Sustainable Water and Wastewater Management	✓	✓	Contribution to a material objective
Employment Generation and Financial Inclusion	✓	✓	Contribution to a material objective
Access to Essential Services	✓	✓	Contribution to a material objective
Affordable Housing	✓	✓	Contribution to a material objective
Food Security	✓	✓	Contribution to a material objective
Socioeconomic Advancement and Empowerment	✓	✓	Contribution to a material objective
Terrestrial and Aquatic Biodiversity	✓	✓	Contribution to a material objective
Circular Economy Adapted Products, Production Technologies, and Process	✓	✓	Contribution to a material objective
Access to Essential Services	✓	✓	Contribution to a material objective
Pollution Prevention and Control	✓	✓	Contribution to a material objective
Environmentally Sustainable Management of Living Natural Resources and Land Use	✓	✓	Contribution to a material objective

Opinion: *The key sustainability activities and the rationale for issuing Sustainable Financing Instruments are clearly described by the Bank. The project categories financed are in line with the sustainability objectives of the Bank, key industry challenges, and material ESG topics. The Bank sets clear and credible sustainability financing criteria for its ESG-linked products under the Framework. The Framework's aim to outline Sustainable Financing products is embedded in the Bank's overarching Sustainability strategy.*

PART II: AKBANK'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Bank is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Bank's industry

The Bank is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability Impacts of lending and other financial services or products
Customer and product responsibility
Sustainable investment criteria
Labor standard and working conditions
Business Ethics

ESG performance of the Bank⁵⁵

The consistency between the issuances subject to this report and the Bank's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Bank's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Bank's production process.

⁵⁵ Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED TOTAL BUSINESS VOLUME ⁵⁶	DIRECTION OF IMPACT	UN SDGS
Social Impact of the Product Portfolio	3.75%	CONTRIBUTION	   
Financing of renewable energy	5%	CONTRIBUTION	 

Breaches of international norms and ESG controversies

At Bank level

At the date of publication, ISS ESG has not identified any severe controversy in which the Bank would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks and capital markets industry are as follows: Failure to respect the right to just and favorable conditions of work, Anti-competitive behavior, and Failure to respect consumer health and safety. Please note, that this is not a company-specific assessment but areas that can be of Particular relevance for companies within that industry.

⁵⁶ Percentages presented in this table are not cumulative.

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ANNEX 1: Methodology

SECTION 1 PART II: ASSESSMENT OF THE CONTRIBUTION TO THE SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Fonterra's Sustainable Finance Instruments contributes to related SDGs has been identified.

ISS ESG ESG RISK MANAGEMENT KPIS

The ISS ESG Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described. If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

In addition, the ISS ESG KPIs assess sustainability-related risks considered relevant to the financing operations of a Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g., Due Diligence procedures).

ANNEX 2: Methodology External Review

SECTION 2 PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

We consider relevant market guidelines in the assessment of the governance procedures for sustainable finance strategies including but not limited to fixed income transactions. The analysis included criteria from a set of different market standards and voluntary guidelines and best practices e.g. the International Capital Market Association's Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, the Loan Market Association's Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles, the UNEP-FI PRB, and the Climate Bonds Initiative (CBI) – Climate Bonds Standard V3.0, Guidelines proposed by the European Banking Authority with respect to environmentally-sustainable lending. The application of the ICMA and LMA principles, comprising voluntary guidelines is limited to the assessment of the characteristics of a specific transaction or issuance.

SECTION	ASSESSMENT CRITERIA
1. Objectives, Targets & Progress	For a financing strategy to be classified as sustainable, Banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts and mitigate ESG risks. The sustainability strategy is expressed by referring to alliances such as the UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional frameworks.
2. Definition of Sustainable Financing Activities	The sustainable financing strategy should define clearly and comprehensively what financing products are deemed as sustainable based on precise parameters. Ideally, the Bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified threshold, or impact indicators) while ensuring that other objectives are not harmed.
3. Evaluation & Selection Process	Banks should have a comprehensive and documented process in place to ensure that the funded projects align with the eligibility criteria for sustainable financing instruments. Moreover, where applicable, information about climate and sustainability-related business objectives of the borrowers and/or investors should be collected.
4. Governance & Monitoring	Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable investment, lending, or financing instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Monitoring systems and clear accountability

	should be established. With respect to borrowers and dedicated financing transactions, Banks should ensure that they diligently monitor the allocation of proceeds toward sustainable projects and activities.
5. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate on the allocation of proceeds, as well as the impact and progress of the sustainable financing strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics. Borrowers should make and keep readily available up-to-date information on the use of proceeds and a brief description of the projects, and the amounts allocated and their expected impact. Information need only be provided to those institutions participating in the loan. Issuers of Green, Social or Sustainability Bonds should make, and keep, readily available up-to-date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact.
6. Verification	It is recommended that the sustainable financing strategy for specific issuances should be reviewed by an external independent third party. The external reviews should be made available to the respective stakeholders involved.

SECTION 2: ASSESSMENT OF AKBANK'S SUSTAINABLE CLASSIFICATION TAXONOMY

This section examines the sustainability quality of each of the parameters included in Akbank's sustainable finance classification system and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, we identify the extent to which Akbank's eligibility criteria contribute to the UN SDGs.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which the Bank's eligible categories contribute to related SDGs has been identified

SECTION 4: ESG Risk Management KPIs

The Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described.

If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks. In addition, the KPIs assess sustainability-related risks considered relevant to the financing operations of the Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g., Due Diligence procedures).

PART III: SUSTAINABLE FINANCE FRAMEWORK'S LINK TO AKBANK'S SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the group's overarching sustainability policies as well as the management of related ESG risks.

ANNEX 3: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/esg/methodology-information/>

ANNEX 4: Quality Management Processes

SCOPE

Akbank commissioned ISS Corporate Solutions to compile a sustainable financing instrument's SPO. The Second Party Opinion process includes verifying whether the eligibility criteria aligns with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association and to assess the sustainability credentials of its bonds and loans, as well as the Bank's sustainability strategy.

Further Akbank commissioned ISS Corporate Solutions to compile a Sustainable Finance Framework external review. The external review process includes verifying whether the Sustainable Finance Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's classification taxonomy.

CRITERIA

Relevant Standards for this Second Party Opinion and External Review stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- International Capital Market Association's (ICMA) Green, Social Bond Principles, and Sustainability Bond Guidelines, Sustainability-Linked Bond Principles
- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles
- Guidelines proposed by the European banking Authority (EBA) with respect to environmentally Sustainable lending Guidelines proposed by the European Banking Authority (EBA) with respect to environmentally Sustainable lending

BANK'S RESPONSIBILITY

Akbank's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- Eligibility criteria
- ESG Impact and Risk Management for sustainable financing activities
- Internal governance, monitoring, and control procedures for sustainable financing activities

ISS ESG VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis, and rating houses. The company has been actively involved in the Sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS Corporate Solutions has conducted this independent Second Party Opinion of the Sustainable Financing Instruments to be issued by Akbank based on ISS ESG methodology and in line with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, administered by International Capital Market Association's and the Green Loan Principles and Social Loan Principles, administered by the Loan Market Association. Further ISS Corporate Solutions has conducted this independent external review of the Bank's Sustainable Finance Framework based on ISS ESG methodology and in line with market practices and relevant guidelines for sustainable financing strategies.

The engagement with Akbank took place between September 2022 and April 2023.

ISS ESG BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG

ISS ESG is one of the world's leading rating agencies in the field of Sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our sustainable (Green & Social) Bond services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Bank themselves. Following these three steps, we draw up an independent opinion so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

ISS provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of our client's frameworks.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Sustainable Finance Instrument's SPO and External Review, please contact: SPOOperations@iss-esg.com

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