

Green Bond Allocation and Impact Report 2021



**DEDICATION
TO DELIVER
FOR A SUSTAINABLE
FUTURE.**

 **YapıKredi**

Dedication to deliver.



Contents

Table of Contents

1. INTRODUCTION	1
1.1 YAPI KREDI AT A GLANCE	1
1.2 SUSTAINABILITY AT YAPI KREDI	2
1.3 YAPI KREDI SUSTAINABILITY MANAGEMENT SYSTEM	2
1.4 CONTRIBUTION TO UN SDGS	3
2. YAPI KREDI'S INAUGURAL GREEN BOND	4
3. ALLOCATION AND IMPACT OF PROCEEDS	4
4. CALCULATION METHODOLOGY	5
5. EXTERNAL REVIEW	6

1. Introduction

1.1 Yapı Kredi at a glance

Yapı ve Kredi Bankası A.Ş. [hereinafter referred to as “Yapı Kredi”], established in 1944 as Turkey’s first retail focused private bank with a nationwide presence, is the 3rd largest private bank in Turkey with total assets worth TRY 591.2 billion as the end of first nine months of 2021. Yapı Kredi has a strong shareholding structure which ensures sustainable and profitable growth. Yapı Kredi’s 9.02% of the shares are directly owned by Koç Holding A.Ş. and 40.95% of the Bank’s shares are owned by Koç Financial Services, which is 100% owned by Koç Group. Yapı Kredi has always played a pioneering role in the banking sector and has been sustainably strengthening its market positioning through a customer-centric approach and focus on innovation. Targeting to constantly increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi provides service to its customers with 15,795 employees and 826 branches covering all regions of Turkey. Total cash and non-cash loans of the Bank increased by 21% and reached TRY 465 billion in 9M21, while its total assets were worth TRY 591 billion.

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

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

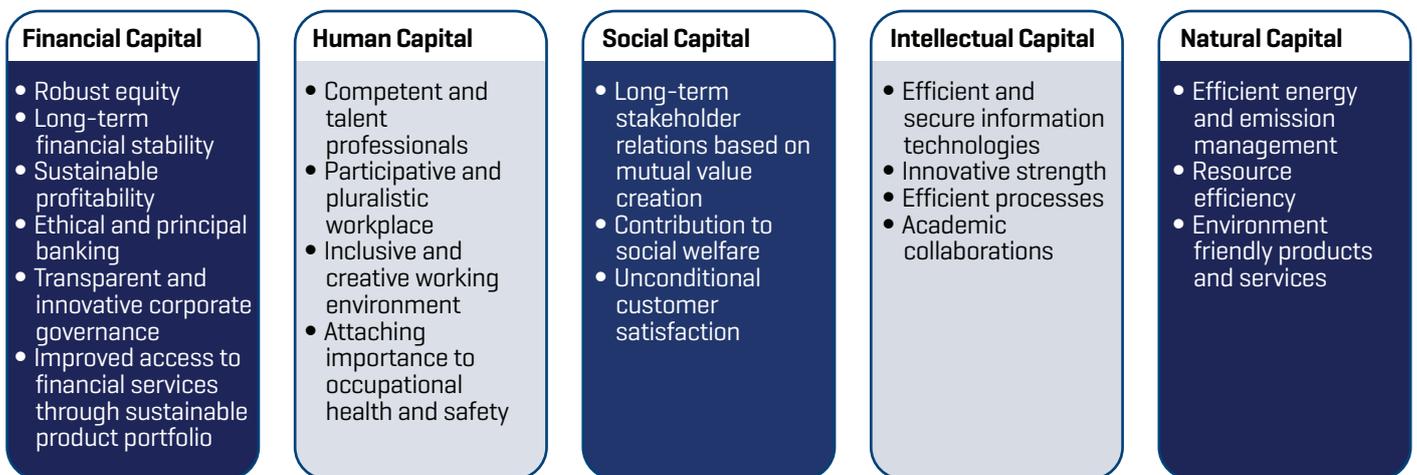
1.2 Sustainability at Yapı Kredi

As one of the leading financial institutions in Turkey, Yapı Kredi believes it has a role to play in low carbon transition and a sustainable future for the society. Sustainable finance, and combatting climate change and environmental degradation are two of the four major pillars of Yapı Kredi's sustainability strategy. In that respect, guided by the United Nations Sustainable Development Goals (SDGs), Yapı Kredi aims to increase and expand its sustainable product portfolio that drive innovation, sustainability and profit, strengthen green industries and manage its environmental and social impacts. Yapı Kredi supports its clients with its financial solutions to facilitate implementation of sustainable business models and transition strategies.

Yapı Kredi believes economic sustainability cannot be achieved without social and environmental sustainability, therefore its sustainability approach is integral and comprehensive. While managing its impact on environment and society, Yapı Kredi also aims to contribute to sustainable development of society and transition to a low carbon economy.

Yapı Kredi embraces a distinctive business model that aims at sustainable profitability and the long-term social and economic benefit of communities it serves, striving to create value for all stakeholders in line with its sustainability approach.

For this purpose, Yapı Kredi employs its five core capitals. These five basic resources, that form the foundation of the Bank's achievements and that are affected by the Bank's operations, products and services, are its Financial Capital, Human Capital, Social Capital, Intellectual Capital, and Natural Capital. Policies, practices, performance results and goals associated with Yapı Kredi's material issues are detailed under the following five main groups.



1.3 Yapı Kredi Sustainability Management System

Yapı Kredi acts with the purpose of creating sustainable value for its customers, shareholders, employees and all other stakeholders, and integrates this approach across its entire business models and regularly engages with its stakeholders to understand their needs and expectations from the Bank. Yapı Kredi's stakeholders are including but not limited to customers, employees, investors, regulators, civil society and academia.

Yapı Kredi evaluates the impact of its sustainability performance on its business outcomes, and shapes its business strategy in accordance with the requirements arising from its sustainability principles. In this context, Yapı Kredi leverages the expertise of Koç Holding, its main shareholder, in the field of sustainability. The positive momentum of the sustainability performance is secured through measuring, monitoring, evaluation and reporting activities, which are continuously developed upon in terms of scope and efficiency.

The performance in this area is also shared with stakeholders through transparent and effective communication channels.

The Yapı Kredi Sustainability Management System [SMS] has been developed to ensure continuous monitoring and improvement of the sustainability performance. The system evaluates all business activities from a holistic perspective, and monitors them in accordance with relevant policies and procedures. At Yapı Kredi, as sustainability is one of the strategic areas that the Bank focuses on, the Bank considers ESG factors in its corporate governance strategy. Yapı Kredi embeds sustainability in its day to day business cycle within the scope of SMS. Sustainability is incorporated in decision making mechanisms through SMS, while the same is true also for defining associated duties and responsibilities.

Within the scope of SMS, sustainability activities are followed up holistically within the framework of policies and procedures. Within SMS, actions are taken aimed at the environmental and social impacts of the Bank’s both operational and banking activities. All performance results within the scope of SMS are reviewed semi-annually by the Sustainability Committee. Integrated reports are published annually and are shared with all stakeholders of the Bank.

1.4 Contribution to UN SDGs

Yapı Kredi believes sustainable economic development cannot be achieved without social and environmental development. Guided by the United Nations [UN] Sustainable Development Goals [SDGs] adopted in 2015 by all United Nations Member States, Yapı Kredi seeks to provide innovative financial services and products to solve global challenges. To that end, Yapı Kredi’s Sustainability Committee chaired by a Board Member, oversees Yapı Kredi’s overall sustainability strategy.

	Material Issue	SDGs
Financial Capital	Business ethics Financial performance Management of legal and regulatory environment Risk management ESG integration into financials and sustainable product portfolios	    
Intellectual Capital	Digitalization Data security	
Human Capital	Training and development Employee health and safety Employee engagement	  
Relationship and Social Capital	Customer experience Customer privacy Responsible product offering	   
Natural Capital	Environmental footprint	  

2. Yapı Kredi's Inaugural Green Bond

Sustainable finance is an important component of Yapı Kredi's business as it allows the financial sector to make a positive impact for people, planet and profit. In that vision, Yapı Kredi issued its inaugural Green Bond in line with International Capital Market Association (ICMA) Green Bond Principles (2018) and market practice in 2020. Yapı Kredi updated its Sustainability Bond Framework in December 2021 as a Sustainable Finance Framework to incorporate most recent market and regulatory developments and to widen the instrument scope. Yapı Kredi's Sustainable Finance Framework outlines Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting process of Yapı Kredi's 2020 Green Bond issuance and any future Green, Social or Sustainability Finance issuance[s]. For further guidance, Yapı Kredi's 2021 Sustainable Finance Framework and its Second Party Opinion can be found here.

Details of Yapı Kredi's inaugural Green Bond as of 31 December 2021

Issuer	Yapı ve Kredi Bankası A.Ş.
ISIN	XS2104914069
Listing	Euronext Dublin
Type	Green Bond
Issue Date	21.01.2020
Maturity Date	10.12.2024
Amount	USD 50.000.000
Refinancing Ratio	%79
Allocation as of 31.12.2021	%100

3. Allocation and Impact of Proceeds

Projects [1]	Project Category	Project Description	Project Region	Outstanding Amounts [2], [3]	Yapı Kredi Share in Project Cost	First Disbursement Date	Disbursement Category	Project Capacity (MW)	Annual Energy Generation (GWh)	GHG Avoided (tCO _{2e}) [4]
Project 1	Renewable	Solar Power Plant	Aegean, Central Anatolia and Mediterranean	6.115.160	%10,1	29.05.2017	Refinance	40,3	64,0	3.015,5
Project 2	Renewable	Solar Power Plant	SE Anatolia	7.650.212	%43,7	17.08.2017	Refinance	14,5	12,2	2.487,1
Project 3	Renewable	Solar Power Plant	SE Anatolia	7.372.756	%41,2	24.08.2017	Refinance	15,4	25,3	4.856,3
Project 4	Renewable	Solar Power Plant	Aegean	2.039.514	%47,5	29.05.2020	New Project	6,6	12,4	2.747,7
Project 5	Renewable	Wind Power Plant	Aegean	6.468.106	%15,9	8.05.2018	Refinance	30,0	131,0	9.691,5
Project 6	Renewable	Solar Power Plant	Aegean	16.693.449	%24,5	27.12.2016	Refinance	38,3	62,7	7.149,6
Project 7	Renewable	Wind Power Plant	Central Anatolia and Mediterranean	11.259.378	%14,2	30.06.2021	New Project	52,0	6,4	424,6
Project 8	Renewable	Wind Power Plant	Central Anatolia	7.164.829	%7,5	11.07.2019	Refinance	79,2	243,6	8.516,6
TOTAL				64.763.403					557,70	38.889,0

[1] All projects are located in Turkey.

[2] All amounts are in USD currency.

[3] Yapı Kredi outstanding amounts as of 31 December 2021.

[4] The carbon emission factor calculated for Turkish Electricity Grid by International Energy Agency (IEA) Statistics Data Service Emissions Factors (2020 edition (released 11 September 2020) is [0,4661] kg CO_{2eq}/KWh. Yapı Kredi prefers to use this emission factor as it is the determined factor to be used in carbon calculations in Koç Holding and its subsidiaries.

Green Bond proceeds are allocated in line with the Yapı Kredi Sustainable Finance Framework. “A 31.6MW Solar Power project from YapıKredi’s Green Bond Allocation and Impact Report 2020 has been replaced with two new eligible green projects in the table above – Project #7 and Project #8”. As of 2021 yearend, allocation is made to five solar power plants and three wind power plants.

Increase Global Percentage of Renewable Energy

Yapı Kredi aims to increase global percentage of renewable energy by further supporting the development renewable energy sector in Turkey. Renewable energy projects financed by Yapı Kredi’s inaugural Green Bond avoided a total of 38.889 tons of CO₂ emissions

4. Calculation Methodology

Emissions avoided from operational renewable energy projects financed with Yapı Kredi’s Green Bond is calculated by multiplying annual electricity generation of operational renewable energy projects, Turkish electricity grid emission factor and Yapı Kredi loan in project cost.

Annual carbon emissions avoided from operational renewable energy projects under loan [tCO_{2eq}] = [Annual electricity generation of operational renewable energy projects under loan [kWh] x Turkish electricity grid emission factor⁴ [0.4661 kg CO_{2eq}/KWh] x Yapı Kredi loan in project cost [%]] / 1,000 [t/kg]

5. External Review

Yapı ve Kredi Bankası A.Ş.

Type of Engagement: Annual Review

Date: January 24, 2022

Engagement Team:

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Introduction

In January 2020, Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi") issued a green bond aimed at financing and/or refinancing renewable energy projects. In 2022, Yapı Kredi engaged Sustainalytics to review the projects funded through the issued green bond and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Yapı Kredi Sustainable Finance Framework (the Framework).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2021 based on whether the projects financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework ; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	<p>Financing or refinancing the acquisition, procurement, development, construction, operation, transmission and maintenance of new and/or existing renewable energy power plants and transmission of energy from such renewable sources:</p> <ul style="list-style-type: none">• Solar Power: Solar photovoltaic (PV), Concentrated solar power (CSP) and solar thermal power plants;• Wind Power: On and off-shore power plants;• Hydro Power: Hydropower plants;²• Geothermal Power: Geothermal Power Plants;³• Bio Power: Biofuel and/or biomass power plants.⁴• Transmission systems: Development of new, or improvement of existing, transmissions systems (or other infrastructure) to facilitate the integration of electricity from renewable energy sources to the grid.	<ul style="list-style-type: none">• Installed renewable energy capacity (MW)• Expected annual renewable energy generation (MWh)• Estimated annual GHG emission avoided or reduced (tCO₂e)

¹ Yapı Kredi, "Sustainable Bonds", at: <https://www.yapikrediinvestorrelations.com/en/debt-capital-markets/list-document/Sustainable-Bonds/571/0/0>

² Eligible hydropower projects are limited to those that are small-scale dam type (maximum generation capacity of 25MW or under) or run-of-river type power plants.

³ With life cycle emissions of less than 100g/CO₂e/kWh.

⁴ With feedstock obtained from sustainable sources for any kind of bio power project (excluding using energy crop or non-waste feedstocks).

	<ul style="list-style-type: none"> ○ Construction, renovation and refurbishment of electricity grids that transmit electricity generated by renewable power plants to the national grid ○ Investments enhancing energy efficiency with respect to the distribution and transmission of electricity ○ Smart grids, storage facilities, metering systems and other intelligent electricity systems that serve to increase the share of renewable energy in total energy consumption 	
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Issuing Entity's Responsibility

Yapı Kredi is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Yapı Kredi's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Yapı Kredi employees and review of documentation to confirm the conformance with the Yapı Kredi Sustainable Finance Framework.

Sustainalytics has relied on the information and the facts presented by Yapı Kredi with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Yapı Kredi.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Yapı Kredi's green bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Yapı Kredi Sustainable Finance Framework. Sustainalytics has reviewed Yapı Kredi's methodology used to calculate the estimated GHG emissions avoided and found it to be in conformance with market practice based on accepted third party GHG emissions calculation tools. Yapı Kredi has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of December 31st, 2021.

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the eight projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Yapı Kredi Sustainable Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the eight projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Yapı Kredi Sustainable Finance Framework and above in Table 1. For a list of KPIs reported please refer to Appendix.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendix

Allocation and Impact by Eligibility Criteria

Yapı Kredi has disclosed to Sustainalytics the amount allocated to each eligible project from the Eligible Sustainability Asset Portfolio. 79% of proceeds from the green bond have been used for refinancing while the remainder has been used for new financing. Yapı Kredi has reported on the green bond share of financing per project to calculate the impact related to the green bond issuance. A summary of these allocations is provided below.

Use of Proceeds Category	Project Number	Type of Project	Project Region ⁶	Yapı Kredi Share of Project Cost	Green Bond Outstanding Amounts in USD (As of 31/12/2021)	Project Capacity (MW) ⁷	Annual Energy Generation (GWh) ⁸	Annual GHG Emissions Avoided (tCO ₂ e) ⁹
Renewable Energy	Project 1	Solar Power Plant	Aegean, Central Anatolia and Mediterranean	10,1%	6.115.160	40,3	64	3.015,5
	Project 2	Solar Power Plant	SE Anatolia	43,7%	7.650.212	14,5	12,2	2.487,1
	Project 3	Solar Power Plant	SE Anatolia	41,2%	7.372.756	15,4	25,3	4.856,3
	Project 4	Solar Power Plant	Aegean	47,5%	2.039.514	6,6	12,4	2.747,7
	Project 5	Wind Power Plant	Aegean	15,9%	6.468.106	30	131	9.691,5
	Project 6	Solar Power Plant	Aegean	24,5%	16.693.449	38,3	62,7	7.149,6
	Project 7	Wind Power Plant	Central Anatolia and Mediterranean	14,2%	11.259.378	52	6,4	424,6
	Project 8	Wind Power Plant	Central Anatolia	7,5%	7.164.829	79,2	243,6	8.516,6
	Total:					64.763.403	276,3	557,70

⁶ All projects are located in Turkey.

⁷ Total project capacity.

⁸ Total annual energy generation.

⁹ GHG emissions avoided from operational renewable energy projects under green loans are calculated as follows:

Annual electricity generation of operational renewable energy projects under loan (kWh) x Carbon Emission Factor (kg CO₂e/kWh) x Percentage of Yapı Kredi's share in the project cost / 1,000 (t/kg). Where electricity generation data covers the year 2021, and real-time electricity generation was obtained from Energy Exchange Istanbul (EXIST). For unlicensed Solar Power Projects (SPP), electricity generation data is based on customer statements. The Carbon Emission Factor is calculated for Turkish Electricity Grid by the International Energy Agency (2020) as 0,4661 kg CO₂e/kWh. Yapı Kredi share in Project Cost is considered as a multiplier in the calculation.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



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