

Second-Party Opinion

Yapı Kredi Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Yapı Kredi Sustainability Bond Framework aligns with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Energy Efficiency, (v) Access to Essential Services, (vi) Employment Generation – are aligned with those recognized by the GBP and SBP. Sustainalytics considers that the eligible categories will facilitate the transition towards a low-carbon economy and advance the national socio-economic development in Turkey, while contributing to the UN Sustainable Development Goals (SDGs), specifically SDG 3, 4, 5, 7, 8, 9, 10 and 11.



PROJECT EVALUATION / SELECTION Yapı Kredi's Sustainability Bonds Working Group ("Group"), comprised of members from Treasury Department, Corporate Communications Department - Sustainability Division, Corporate and Commercial Banking Department, Investor Relations Department, Retail Banking Department and Credits Department, will be responsible for the review and approval of the eligible assets in accordance with the eligibility criteria and the Bank's internal policies. Sustainalytics considers this process in line with market practice.



MANAGEMENT OF PROCEEDS The net use of proceeds will be managed by Treasury and Sales Departments using a portfolio approach. The net proceeds will be tracked by Yapı Kredi's credit monitoring system. Allocation of proceeds will be monitored bi-annually. When necessary, existing assets will be substituted with new eligible assets in the portfolio. Pending allocation, the unallocated proceeds will be temporarily held in cash and/or cash equivalents, and/or other liquid marketable instruments. This process is in line with market practice.



REPORTING Until full allocation, Yapı Kredi intends to annually report on the allocation and impact of proceeds on its website. Allocation reporting will include (i) total amount and the number of loans allocated to eligible assets, (ii) the amount of proceeds allocated to each eligible category, (iii) the share of financing or refinancing, (iv) the total amount of unallocated proceeds, and (v) the total allocated assets portfolio at country level. In addition, Yapı Kredi commits to reporting on relevant impact metrics. Moreover, Yapı Kredi may engage with an external party to conduct a limited assurance review for its allocation reporting. The process of allocation and impact reporting is aligned with market practice.

Evaluation date June 15, 2020

Issuer Location İstanbul, Turkey

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For inquiries, contact the Sustainable Finance Solutions project team:

Begum Gursoy (Amsterdam)

Project Manager
begum.gursoy@sustainalytics.com
(+31) 20 205 0082

Mina Jang (Amsterdam)

Project Support
mina.jang@sustainalytics.com
(+31) 20 205 0209

Jean-Claude Berthelot (Amsterdam)

Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Headquartered in İstanbul and established in 1944, Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”, the “Bank” or the “Issuer”) is a private bank operating in Turkey and abroad. The Bank’s operations focus on mainly two segments: (i) Retail Banking, comprising of individual banking, Small and Medium Size Enterprises (SME) banking, card payment systems, private banking, and wealth management, and (ii) Commercial and Corporate Banking. As of December 2019, Yapı Kredi had 846 branches and 17,466 employees.

Yapı Kredi has developed the Yapı Kredi Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and/or sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future portfolio of eligible assets that will facilitate the transition a low-carbon economy and advance the national socio-economic development in Turkey. The Framework defines eligibility criteria in four green and two social categories:

Green Eligible Categories:

1. Renewable Energy
2. Green Buildings
3. Clean Transportation
4. Energy Efficiency

Social Eligible Categories:

1. Access to Essential Services
2. Employment Generation and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crisis, Including Through the Potential Effect of SME Financing

Yapı Kredi engaged Sustainalytics to review the Yapı Kredi Sustainability Bond Framework, dated May 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (GBP),¹ Social Bond Principles 2020 (SBP)² and Sustainability Bond Guidelines 2018 (SBG).³ This Framework has been published in a separate document.⁴ The Bank first issued a bond under the Framework in January 2020.

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the ICMA Green Bond Principles 2018, ICMA Social Bond Principles 2020, and ICMA Sustainability Bond Guidelines 2018;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Yapı Kredi’s management team to understand the sustainability impact of their business processes and planned use of

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Yapı Kredi Sustainability Bond Framework is available on Yapı Kredi’s website at: https://www.yapikrediinvestorrelations.com/en/images/pdf/sustainablebonds/yap%C4%B1_kredi_sustainability_bond_framework.pdf

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

proceeds, as well as management of proceeds and reporting aspects of the Framework. Yapı Kredi representatives have confirmed (1) they understand it is the sole responsibility of Yapı Kredi to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Yapı Kredi.

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

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Yapı Kredi Sustainability Bond Framework

Sustainalytics is of the opinion that the Yapı Kredi Sustainability Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP) and Sustainability Bond Guidelines 2018 (SBG). Sustainalytics highlights the following elements of Yapı Kredi's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Energy Efficiency, (v) Access to Essential Services, and (vi) Employment Generation– are aligned with those recognized by the GBP 2018 and SBP 2020. Sustainalytics believes that Yapı Kredi's investments will help to facilitate the transition towards a low-carbon economy and advance the national socio-economic development in Turkey.
 - While Yapı Kredi does not indicate a look-back period for its refinancing activities, the Bank intends to report on the share of financing vs. refinancing in its allocation reporting.
 - The Renewable Energy category includes investments to solar, onshore, and offshore wind, geothermal, waste biomass to energy, small-scale (<25MW) hydropower and run-of-river projects.
 - Regarding geothermal, Sustainalytics views positively that Yapı Kredi limits projects selected to those with direct emissions of less than 100 gCO₂/kWh, which is in line with market practice.
 - Regarding waste biomass to energy, Yapı Kredi confirmed that projects are limited to those that use forestry and agricultural residues as feedstock. Sustainalytics encourages the Bank to favour projects which are sourced by well-managed forests and agricultural production.
 - The Clean Transportation category includes investments to low-carbon vehicles and relevant infrastructure, including electric, hybrid and biofuel vehicles, electric powered rail transport, and design and manufacturing of components that are dedicated to green transportation applications. Sustainalytics notes that Yapı Kredi has established a quantitative threshold of 75

- gCO₂/p-km for low-carbon vehicles and considers the inclusion of this emissions intensity threshold to be aligned with market practice.
- The Energy Efficiency category includes investments to projects that reduce the energy consumption of underlying assets by at least 15% respectively and/or lead to a decrease in greenhouse gas emissions intensity of at least 15%. Intended projects include LED and smart lighting solutions, infrastructural improvements in industrial facilities to improve lighting and heat isolations, and the replacement of fossil fuel-based equipment with non-carbon equipment. Sustainalytics views positively that Yapı Kredi established a threshold that ensures meaningful energy efficiency improvements and that it excludes any energy efficiency investment that contributes to a fossil fuel lock-in across all sectors, and encourages the Bank provide further disclosure on the financed projects.
 - Yapı Kredi intends to finance new and/or existing commercial and/or residential buildings with third-party certification standards and labels, particularly LEED Gold or above, BREEAM Very Good or above, BEP-TR B or above, and ÇEDBİK Green Building certification. Sustainalytics highlights that Yapı Kredi set a minimum threshold of 30% for energy efficiency improvements for its refurbishment activities in commercial and residential buildings.
 - Regarding LEED and BREEAM, Sustainalytics has conducted an evaluation of the standards and considers the intended ratings specified as indicative of strong performance.
 - Regarding BEP-TR, Sustainalytics highlights that the programme is aligned with the EU's Energy Performance of Buildings Directive.⁶ As of 2020, buildings rated B or above account for the top 34% of those evaluated under the scheme. While Sustainalytics acknowledges that market practice is financing buildings that fall within the top 15% of buildings, it is noted that only approximately 10-15% of Turkey's building stock has been evaluated using this methodology, and that the buildings evaluated are generally newer. In this respect, Sustainalytics is of the opinion that buildings with BEP-TR B or above can be assumed to have substantially higher performance than the overall stock, and encourages Yapı Kredi to favor buildings that fall under the top 15% of buildings to align with market practice.
 - Regarding ÇEDBİK Green Building Certification, while Sustainalytics positively views the inclusion of the programme, Sustainalytics notes the lack of data concerning the certification's coverage and achievements.
 - Sustainalytics highlights Yapı Kredi's targeted approach under the following social categories: (Please see Section 3: Impact of Use of Proceeds for additional details)
 - *[Employment Generation]* Provision of business loans to small and medium-sized enterprises (SMEs),⁷ by following one of the three eligibility criteria: (i) SMEs where at least 51% shares belong to women or where the company and has at least 20% female ownership and women occupy at least one managerial role or where the overall operational management responsibility is held by women, (ii) SMEs located in cities that have lower income than the country GDP average, (iii) SMEs owned by migrants and/or displaced persons, and (iv) SMEs affected by natural disasters or health disasters including but not limited to coronavirus disease 2019 (COVID-19).
 - *[Access to Essential Services]* Provision of loans to education and healthcare institutions that are accessible to general public.
 - *[Access to Essential Services]* Provision of loans for the production of medical supplies and equipment needed for the prevention and/or treatment of health disasters including but not limited to coronavirus disease 2019 (COVID-19).
 - Project Evaluation and Selection:
 - Sustainability Bonds Working Group ("Group"), comprised of cross-departmental members from Treasury Department, Corporate Communications Department-Sustainability Division, Corporate and Commercial Banking Department, Investor Relations Department, Retail Banking Department and Credits Department, will be in charge of reviewing, selecting and approving the eligible assets according to the eligibility criteria of the Framework. Eligible assets will be

⁶ European Union's Energy Performance of Buildings Directive, at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁷ SMEs are defined following the Union of Chamber and Commodity Exchanges of Turkey as companies with fewer than 250 employees and turnover or total assets below TL125 million. Details for each categorization (micro/small/medium-sized enterprises) can be found at: <https://www.tobb.org.tr/KobiArastirma/Sayfalar/Eng/SMEsinTurkey.php>

- screened against minimum environmental and social requirements based on Yapı Kredi's internal policy framework as well as the Exclusion List (see Section 2 for a detailed list) to minimize the potential environmental and social risks associated with the eligible assets.
- Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Yapı Kredi's Treasury and Sales Departments will manage the net proceeds through a dedicated portfolio ("Eligible Sustainability Assets Portfolio"). Eligible assets will be tracked using Yapı Kredi's credit monitoring system and monitored bi-annually. In case of any material changes, eligible assets will be adjusted based on the eligibility criteria. Pending full allocation, the unallocated proceeds will be temporarily held in cash and/or cash equivalents and/or other liquid marketable instruments.
 - Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Until full allocation, Yapı Kredi intends to provide allocation and impact reports in its website. Allocation reporting will provide information on total amount and number of loans allocated to eligible assets, the amount of proceeds allocated to each eligible category, the share of financing or refinancing, and the total amount of unallocated proceeds.
 - Where feasible, impact reporting will disclose quantitative metrics including, among others, installed renewable energy capacity in MW, expected annual renewable energy generation in MWh, estimated annual GHG emission avoided or reduced in tCO₂e, green building certification obtained, annual energy savings in MWh, number of electric/low carbon vehicles, number of people reached with improved healthcare, number of people receiving educational services, and number of eligible SMEs financed.
 - Yapı Kredi may engage with an external auditor to conduct a limited assurance review for allocation of the proceeds until full allocation.
 - Sustainalytics considers this reporting process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Yapı Kredi Sustainability Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Yapı Kredi

Contribution of Framework to Yapı Kredi's sustainability strategy

Yapı Kredi has integrated sustainability practices into its business operations and has implemented a sustainability governance structure. To ensure its activities are in conformity with environmental and social considerations, Yapı Kredi established the Sustainability Management System which consists of three core mechanisms: (i) Sustainability Principles, (ii) Sustainability Policies, and (iii) Sustainability Procedures.⁸ As part of the system, Yapı Kredi commits to creating sustainable value⁸ while facilitating its investments in the areas of renewable energy, resource efficiency, recycling, and waste reduction.⁹ Furthermore, to carry its sustainability efforts into a broader scope, Yapı Kredi is a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI),¹⁰ United Nations Principles of Responsible Banking and Global Compact Turkey's Declaration of Sustainable Finance,¹¹ demonstrating the Bank's commitment to facilitate responsible lending and sustainable finance activities.

To further identify and prioritize material sustainability issues, Yapı Kredi conducted stakeholder analyses and external trend analysis in 2017. Following the results of the analysis, the Bank expanded its sustainable product portfolio with a particular focus on renewable energy projects.¹² Additionally, as part of the portfolio, the Bank secured funding (TL 83 mn) from the Turkish Residential Energy Efficiency Financing Facility

⁸ Yapı Kredi, "Sustainability Management System", at: <https://www.yapikredi.com.tr/en/sustainability/sustainability-management-system>

⁹ Yapı Kredi, "YAPI ve KREDİ BANKASI A.Ş. Environmental and Social Policy", at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/investor-relations/governance/corporate-governance/environmental_and_social_policy.pdf?v1

¹⁰ UNEP Finance Initiative, "About United Nations environment Programme Finance Initiative", at: <https://www.unepfi.org/about/>

¹¹ United Nations Global Compact, "Global Compact Network Turkey publishes the "Declaration on Sustainable Finance", at: <https://www.unglobalcompact.org/news/4281-10-23-2017>

¹² Yapı Kredi, "Yapı Kredi's Material Sustainability Issues", at: <https://www.yapikredi.com.tr/en/sustainability/yapi-kredis-material-sustainability-issues/>

(TuREEFF) program in 2019 to support enterprises providing energy-efficient products. Moreover, the Bank provided USD 250 mn loans to renewable energy projects with a total capacity of 470 MW in 2018. Regarding social investments, Yapı Kredi provided TL 41.6 bn financing to SMEs and TL 65 mn to female entrepreneurs in 2018.¹³

To manage and minimize the Bank's environmental footprint, Yapı Kredi regularly measures the greenhouse gas emissions (GHG) of its operations and sets environmental targets such as reducing energy consumption-related emissions of the Bank by 5% by 2020 compared to 2015 baseline.¹⁴ Moreover, Yapı Kredi reports on its progress on environmental indicators such as reducing GHG (scope 1, 2, and 3) emissions from its operations by 12.9% in 2018 compared to 2017,¹⁵ and approximately 3% in 2019 compared to 2018.¹⁶

Yapı Kredi has implemented a sustainability governance structure, supporting the Bank's commitment to providing positive environmental and social impacts through its operations. Under the structure, the Sustainability Committee integrates sustainability considerations into the Bank's business model and monitors the overall sustainability performance. The Corporate Social Responsibility and Sustainability Unit oversees the activities of the Sustainability Working Group and ensures the adequate implementation of the Bank's sustainability targets.¹⁷

Based on above, Sustainalytics is of the opinion that the Yapı Kredi is well-positioned to issue green, social, and sustainability bonds and the projects financed under the Framework will further advance the Company's sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While eligible projects under the Framework are recognized as impactful by the GBP and SBP, Sustainalytics acknowledges that eligible projects can lead to adverse environmental and social impacts. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, community relations, land-use change and biodiversity loss. Furthermore, banks are exposed to risks of financing environmentally and socially harmful activities while offering lending services. Sustainalytics highlights the following measures that Yapı Kredi has taken to mitigate related risks.

To identify, prevent, and minimize environmental and social risks associated with its lending activities, Yapı Kredi has adopted the Environmental and Social Risk Assessment (ESRA) System in 2017. Under the ESRA, which was designed based on the International Finance Corporation's (IFC) Environmental and Social Performance Standards,¹⁸ each loan application is required to comply with the Environmental and Social Policy¹⁹ and Yapı Kredi's Environmental and Social Exclusion List. In case of any new investment and project financing loan requests, and project finance advisory services with an investment amount USD 10 million and above, Yapı Kredi conducts the "Assessment of Environmental and Social Risks in Lending Activities", which determines the risks category (Category A to C) of the respective investment.²⁰ Regarding the investments categorized as Category A and B (high- and moderate-risk), Yapı Kredi implements further due diligence such as (i) the Environmental Impact Assessment (EIA) documentation,²¹ (ii) annual monitoring of the projects by an external environmental and social expert, and (iii) an Environmental and Social Status Assessment/Action Plan and Monitoring Plan that complies with the International Finance Corporation (IFC) Environmental and Social Sustainability Performance Standards.²⁰ In 2019, 19 project were assessed against Yapı Kredi's ESRA System and the Bank considered 17 projects as eligible for the provision of loans.

Under the Yapı Kredi's Environmental and Social Exclusion List, the Bank excludes direct financing of any projects or activities associated with (i) forced labor/child labor, (ii) hazardous chemicals, (iii) internationally

¹³ Yapı Kredi, "Sustainability Report", (2018), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/surdurulebilirlik_raporu_eng_web_10102019_1.pdf?v5

¹⁴ Yapı Kredi, "YAPI VE KREDİ BANKASI A.Ş. - Climate Change 2018", (2018), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-Climate-Change-Programme-Response-2018.pdf?v1

¹⁵ Yapı Kredi, "Sustainability Report", (2018), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/surdurulebilirlik_raporu_eng_web_10102019_1.pdf?v5

¹⁶ GHG emission data for 2019, provided by Yapı Kredi.

¹⁷ Yapı Kredi, "Sustainability Governance at Yapı Kredi", at: <https://www.yapikredi.com.tr/en/sustainability/sustainability-governance-at-yapi-kredi>

¹⁸ IFC, "IFC Performance Standards on Environmental and Social Sustainability", (2012), at: https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk

¹⁹ Yapı Kredi, "Environmental and Social Policy", at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/investor-relations/governance/corporate-governance/environmental_and_social_policy.pdf?v1

²⁰ Yapı Kredi, "Environmental and Social Risk Management in Lending Activities", at: <https://www.yapikredi.com.tr/en/sustainability/environmental-and-social-risk-management-in-lending-activities>

²¹ Ministry of Environment and Urbanization, "Environmental impact Assessment", (2013), at: <http://extwprlegs1.fao.org/docs/pdf/tur150282.pdf>

forbidden pesticides, insect repellants or ozone-depleting substances, and (iv) inadequate protection of biodiversity and cultural heritage. To ensure the protection of human rights, the Bank assesses the involvement of any form of modern slavery (e.g. child labor, forced labor, human trafficking and overtime working) in its products and services.¹³ Additionally, under the Framework, any products, projects or assets relevant to nuclear power plants and fossil fuel are excluded.

Based on Yapı Kredi's risk mitigation mechanisms mentioned above, Sustainalytics is of the opinion that Yapı Kredi has implemented sufficient measures and is well-positioned to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has demonstrated the impact of below use of proceeds where the impact is specifically relevant in the local context

Importance of financing renewable energy, energy efficiency and green buildings in Turkey

Owing to the high population growth in Turkey, the Country's energy supply increased by 58% between 2005-2018.²² In 2018, 88% of the Country's total primary energy supply was comprised of fossil-fuel resources (coal, oil and gas).²² To address this challenge, the Government of Turkey aims to increase the share of local renewable energy sources by 30% by 2023,²³ while advancing energy efficiency in Turkey aimed at reducing Country's primary energy consumption by 14% by 2023 compared to the 2017 level.²⁴ To achieve this goal through energy efficiency measures, the Government of Turkey has financed around USD 11 bn in energy efficiency measures.²⁵

Regarding the building sector, there has been a 66% increase in the end-use energy consumption in Turkey's buildings throughout 2000-2015.²⁴ It is reported that the Turkish building sector can significantly save energy by improving energy efficiency of the existing buildings through facilitating the use of renewable energy sources while constructing new buildings more energy-efficient.²⁴ As part of the *National Energy Efficiency Action Plan (NEEAP)* of Turkey, the Government of Turkey intends to facilitate Turkish building sectors' transitions towards more environmentally friendly building stock.²⁴ Specifically, the Government has set a target of at least 25% of the building stock from 2010 to become green by 2023.²⁴

Considering the above, Sustainalytics is of the opinion that Yapı Kredi's investments in renewable energy, green buildings and energy efficiency will contribute to the national climate change mitigation goals by increasing domestic renewable energy generation, improving energy efficiency and increasing the growth of green building stock in Turkey.

The role of SMEs in Turkey's socioeconomic development

In 2017, small and medium-sized enterprises (SMEs) accounted for 99.8% of total Turkish enterprises and 73.9% of total employment in Turkey.²⁶ Due to the importance of SMEs in the local context, the Government of Turkey has been implementing financial initiatives to increase access to finance, including through increasing the budget for the *Credit Guarantee Fund (CGF)*²⁷ and adopting support packages.²⁸ Despite the government's efforts, Turkish SMEs are still challenged by a lack of access to finance, which was demonstrated by the increase in share of rejected loan applications, increasing from 4.3% to 18.9% between 2017-2018.²⁹

Yapı Kredi intends to provide loans to SMEs which are located in cities with lower income than the country GDP average. According to the OECD, as of 2018, Turkey has the highest regional inequality among other

²² IEA, Key Energy Statistics, (2018), at: <https://www.iea.org/countries/turkey>

²³ Republic of Turkey – Ministry of Foreign Affairs, "Turkey's Energy Profile and Strategy", at: <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

²⁴ Republic of Turkey – Ministry of Energy and Natural Resources, "National Energy Efficiency Action Plan (NEEAP) 2017-2023", at: http://www.yegm.gov.tr/document/20180102M1_2018_eng.pdf

²⁵ EBRD, "EBRD welcomes Turkey's National Energy Efficiency Action Plan", (2018), at: <https://www.ebrd.com/news/2018/ebrd-welcomes-turkeys-national-energy-efficiency-action-plan.html>

²⁶ European Commission, "2019 SBA Fact Sheet: Turkey", (2019), at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_turkey.pdf

²⁷ CGF is a Turkish Treasury-backed credit system providing loans dedicated to SMEs, at: <http://www.kgf.com.tr/index.php/en/about-us/mission-vision>

²⁸ OECD, "Turkey: Small Business Act profile", (2019), at: <https://www.oecd-ilibrary.org/docserver/f565e33c-en.pdf?expires=1588758322&id=id&accname=quest&checksum=74B3C85D1B9AED39E47475D4ECF353E2>

²⁹ Ibid

OECD countries in terms of GDP per capita.³⁰ Despite the initiatives the Government has taken under the New Investments Program³¹, regional disparity remains as a significant structural challenge for Turkey's socioeconomic development, especially in the provinces in eastern and southeastern Anatolia, where the contribution to Turkish GDP is lowest among other provinces.³² Given this context, continuation of initiatives aimed at increasing access to finance for businesses and creating employment is crucial to reduce regional disparities in Turkey.

Yapı Kredi intends to provide loans to SMEs where at least 51% shares belong to women or where the company and has at least 20% female ownership, and women occupy at least one managerial role or where the overall operational management responsibility is held by women. Low access to finance for SMEs, particularly women-owned SMEs, is a significant challenge for the growth and continuity of the enterprises.³³ 40% of Turkish SMEs are comprised of women-owned SMEs, of which 85% have limited access to finance.³⁴ International Finance Corporation (IFC) indicates that increasing financial access for Turkish women-owned SMEs is expected to bring positive benefits for other underserved groups through facilitating employment generation.³⁵ Based on this context, Sustainalytics of the opinion that Yapı Kredi's lending to SMEs owned by women, will create employment generation by providing access to finance for SMEs while.

Yapı Kredi intends to provide loans to SMEs affected by natural disasters or health disasters including but not limited to coronavirus disease 2019 (COVID-19). In March 2020, the WHO identified the novel coronavirus (COVID-19) as a pandemic, urging a global response to tackle the global health crisis.³⁶ Due to the COVID-19 pandemic, SMEs are experiencing a drastic drop in demand and revenue.³⁷ To enable SMEs to cope with the emergency situations caused by the pandemic, the Government of Turkey initiated new working capital loan offers to all companies that keep the current employment level.⁴³

Based on the above, Sustainalytics believes that Yapı Kredi's financing of SMEs, which is supported by well-defined target population, will foster employment generation while strengthening the capacity of women-owned enterprises, helping to reduce regional disparities, and ensuring business continuity for SMEs affected by the health disasters, including COVID-19.

Importance of facilitating healthcare investments in Turkey

In the 1990s, health expenditures accounted for 3.8% of Turkey's gross domestic product, which was almost half of the OECD average (7.4%).³⁸ Additionally, the insufficient number of doctors and nurses restrained access to health facilities, particularly in the eastern areas of Turkey.³⁸ To address these challenges and provide public access to quality healthcare services, the Government of Turkey underwent national health reforms as part of the Health Transformation Program (HTP) between 2003-2013.³⁸ Under the program, the Government of Turkey implemented several initiatives aimed at improving the healthcare infrastructure such as broadening the provision of health insurance³⁹ and implementing specific health services such as cost-free cancer treatment for all citizens.⁴⁰ Despite the initiatives in the health sector over the past decade, the share of health expenditures in GDP decreased from 5.1% to 4.2% between 2010-2018.⁴¹

³⁰ OECD, Regions and Cities at a Glance, (2018), at: <https://www.oecd.org/cfe/TURKEY-Regions-and-Cities-2018.pdf>

³¹ New Investment Program, (2012), at: http://www.sbb.gov.tr/wp-content/uploads/2018/11/2012_Yili_Yatirim_Programi.pdf

³² Turkey's GDP share by region, at: <http://www.istanbulplanlama.gov.tr/gayrisafi-yurtici-hasila-il-duzeyinde-hesaplandi>

³³ World Bank, "Gender Bias in SME Lending: Experimental Evidence from Turkey" (2019), at:

<http://documents.worldbank.org/curated/en/244611577766368167/pdf/Gender-Bias-in-SME-Lending-Experimental-Evidence-from-Turkey.pdf>

³⁴ Ibid

³⁵ IFC, "New Financing Tools Empower Turkey's Women Entrepreneurs", News, (2020), at:

https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/turkey-women-entrepreneurs

³⁶ WHO, "Coronavirus disease (COVID-19) pandemic", (2020), at: <http://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-covid-19/novel-coronavirus-2019-ncov>

³⁷ OECD "Coronavirus (COVID-19): SME Policy Responses", (2020), at: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>

³⁸ World Bank, "Turkish Health Transformation Program and Beyond", (2018), at: <https://www.worldbank.org/en/results/2018/04/02/turkish-health-transformation-program-and-beyond>

³⁹ World Bank, "Turkey: Transforming Health Care for All", (2018), at: <https://www.worldbank.org/en/about/partners/brief/turkey-transforming-health-care-for-all>

⁴⁰ Home Office (Gov,UK), Country Background Note Turkey. (2019), at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831324/Turkey-Background-CPIN-v3.0-September-2019.pdf

⁴¹ OECD.Stat, "Health expenditure and financing", (2020), at: <https://stats.oecd.org/Index.aspx?DataSetCode=SHA#>

The World Health Organization (WHO) notes that health emergencies and disasters can result in the disruption of healthcare systems and limited access to health care during the health disaster period.⁴² Since biological threats jeopardize public health, especially in the case of insufficient preparedness, the importance of preparation and response plans have been acknowledged over the past decade, mainly due to global pandemics such as SARS, influenza (H1N1 and H5N1) and cholera.⁴² As mentioned above, the COVID-19 is identified as a pandemic as of March 2020,⁴³ and the WHO notes that sufficient funding is crucial for the immediate response to the COVID-19.⁴⁴

In this respect, Sustainalytics is of the opinion that Yapı Kredi’s investments in healthcare services will provide a meaningful contribution to Turkey’s healthcare system while increasing access to finance for institutions that offer products and services aimed at addressing the challenges of health disasters.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all 11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Access to Essential Services	4. Quality Education	4.3 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

⁴² WHO, “Emergency Risk Management for Health Overview”, (2013), at: https://www.who.int/hac/techguidance/preparedness/risk_management_overview_17may2013.pdf?ua=1

⁴³ WHO, “Coronavirus disease (COVID-19) pandemic”, (2020), at: <http://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-covid-19/novel-coronavirus-2019-ncov>

⁴⁴ WHO, “Health systems governance and financing & COVID-19”, (2020), at: <https://www.who.int/teams/health-financing/covid-19>

	3. Good Health and Wellbeing for People	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Employment Generation and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crisis, Including Through the Potential Effect of SME Financing	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
	9. Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
	10. Reduced Inequalities	10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
	5. Achieve gender equality and empower all women and girls	5.5. Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

Conclusion

Yapı Kredi has developed the Yapı Kredi Sustainability Bond Framework under which it will issue green, social and/or sustainability bonds and use the proceeds to finance or refinance eligible project categories: (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Energy Efficiency, (v) Access to Essential Services, and (vi) Employment Generation. Sustainalytics considers that the projects funded by the bonds’ proceeds will facilitate the transition towards a low-carbon economy and advance the national socio-economic development in Turkey.

The Yapı Kredi Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Yapı Kredi Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals, particularly SDG 3, 4, 5, 7, 8, 9, 10 and 11. Additionally, Sustainalytics is of the opinion that Yapı Kredi has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is of the opinion that Yapı Kredi is well-positioned to issue sustainability bonds and that the Yapı Kredi Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP) and Sustainability Bond Guidelines 2018 (SBG).

Appendices

Appendix 1: Certification Schemes for Green Buildings

	LEED ⁴⁵	BREEAM ⁴⁶	CEDBIK ⁴⁷	BEP-TR ^{48,49}
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.	CEDBIK (Turkish Green Building Council) is a rating system for residential and commercial buildings that is used in Turkey.	Building Energy Performance of Turkey (BEP-TR) Certification is a building energy performance calculation methodology that focuses on district heating and/or renewable energy for buildings above a certain threshold. BEP-TR was developed in alignment with Turkey's regulations and based on the EU's Energy Performance of Buildings Directive (EPBD).
Certification levels/rating	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Good Very Good Excellent	A B C D
Areas of Assessment: Environmental Performance of the Building	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy Efficiency Water Efficiency Land use Health and Comfort Materials and Resources Life on Property Operation and Maintenance Innovation	Outdoor climatic conditions of a building's location Minimum energy performance (MEPs) of retrofits for existing buildings
Requirements	Prerequisites (independent of level of certification) + Credits with associated points	Prerequisites depending on the levels of certification + Credits with associated points	Prerequisites (independent of level of certification) + additive Credits with associated points	BEP-TR calculates the maximum energy needed for heating, cooling hot water, ventilation and illumination of new existing

⁴⁵ USGBC, LEED: www.usgbc.org/LEED

⁴⁶ BREEAM, Building Research Establishment LTD; <https://breeam.com/>

⁴⁷ Cedbik: <https://cedbik.org/>

⁴⁸ BEP, Energy Performance of Buildings: <http://www.bep.gov.tr/default.aspx>

⁴⁹ International Partnership for Energy Efficiency Cooperation, Building Code Implementation – Country Summary: http://www.gbpn.org/sites/default/files/Turkey_Country%20Summary_0.pdf

	<p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>This number of points is then weighted by item⁵⁰ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>		<p>buildings using an hourly calculation.</p> <p>Building Energy Performance Certificates (EPCs) are granted under the "Regulation on Energy Performance in Buildings". An EPC will not be granted to buildings with less than a C rating.</p>
Performance display				N/A
Accreditation	<p>LEED AP BD+C LEED AP O+M</p>	<p>BREEAM International Assessor BREEAM AP BREEAM In Use Assessor</p>		<p>Aligned with EU EPBD</p>
Qualitative considerations	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (fewer minimum thresholds) than LEED certifications.</p>	<p>There has been one CEDBIK-certified project in Turkey since CEDBIK's launch in 2016.⁵¹</p>	<p>The application of BEP-TR is mandatory for all new buildings in Turkey except for industrial buildings, temporary buildings (used for less than 2 years), buildings with a total useful floor area of less than 50m², greenhouses, workshops, and stand-alone buildings with no heating or cooling requirements.</p>

⁵⁰ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

⁵¹ DergiPark, Credit Success Rates of Certified Green Buildings in Turkey: <https://dergipark.org.tr/en/download/article-file/683057>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Yapı ve Kredi Bankası A.Ş.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Yapı Kredi Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 09, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Energy Efficiency, (v) Access to Essential Services, and (vi) Employment Generation – are aligned with those recognized by the GBP 2018 and SBP 2020. Sustainalytics believes that Yapı Kredi's investments will help to facilitate the transition towards a low-carbon economy and advance the national socio-economic development in Turkey. While Yapı Kredi does not indicate a look-back period for its refinancing activities, the Bank intends to report on the share of financing and refinancing in its allocation reporting.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Sustainability Bonds Working Group (“Group”), comprised of cross-departmental members from Treasury Department, Corporate Communications Department-Sustainability Division, Corporate and Commercial Banking Department, Investor Relations Unit, Retail Banking Department and Credits Department, will be in charge of reviewing, selecting and approving the eligible assets according to the eligibility criteria of the Framework. Eligible assets will be screened against minimum environmental and social requirements based on Yapı Kredi’s internal policy framework as well as the Exclusion List (see Section 2 for a detailed list) to minimize the potential environmental and social risks associated with the eligible assets. Sustainalytics considers this process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Yapı Kredi’s Treasury and Sales Departments will manage the net proceeds through a dedicated portfolio (“Eligible Sustainability Assets Portfolio”). Eligible assets will be tracked using Yapı Kredi’s credit monitoring system and monitored bi-annually. In case of any material changes, eligible assets will be adjusted based on the eligibility criteria. Pending full allocation, the unallocated proceeds will be temporarily held in cash and/or cash equivalents and/or other liquid marketable instruments. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Until full allocation, Yapı Kredi intends to provide allocation and impact reports in its website. Allocation reporting will provide information on total amount and number of loans allocated to eligible assets, the amount of proceeds allocated to each eligible category, the share of financing or refinancing, and the total amount of unallocated proceeds.

Where feasible, impact reporting will disclose quantitative metrics including, among others, installed renewable energy capacity in MW, expected annual renewable energy generation in MWh, estimated annual GHG emission avoided or reduced in tCO₂e, green building certification obtained, annual energy savings in MWh, number of electric/low carbon vehicles, type and the annual amount of recycled waste in ton, number of people reached with improved healthcare, number of people receiving educational services, and number of eligible SMEs financed.

Yapı Kredi may engage with an external auditor to conduct a limited assurance review for allocation of the proceeds until full allocation. Sustainalytics considers this reporting process to be in line with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Number of beneficiaries
- Target populations Other ESG indicators (please specify): Installed renewable

energy capacity in MW; Green Building certification; Number of passenger/public passenger transport; Number of electric/low carbon vehicles; Storage capacity (MW); Distribution capacity (MW); Distance of transmission (km); Type and annual amount of recycled waste (ton)

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): Corporate website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's

overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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