

Second-Party Opinion

Yapı Kredi Sustainable Finance Framework



Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Clean Transportation, Energy Efficiency, Access to Essential Services, and Employment Generation – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that the provision of financing in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 8, 9 and 11.



PROJECT EVALUATION / SELECTION Yapı Kredi's Sustainable Finance Working Group (the "Group"), comprised of cross-departmental members, 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. Yapı Kredi has an Environmental and Social Risk Assessment System applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk management system to be adequate, and the project and evaluation process to be in line with market practice.



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



REPORTING 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 of sustainable finance instruments outstanding, (ii) amount of proceeds allocated to eligible loans, (iii) balance of unallocated proceeds, (iv) share of financing or refinancing, and (v) geographical distribution of the projects. In addition, Yapı Kredi commits to reporting on relevant impact metrics. The process of allocation and impact reporting is aligned with market practice.

Evaluation Date	December 3, 2021 ¹
Issuer Location	Istanbul, Turkey

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¹ This Second-Party Opinion is an updated version of the previous Yapı Kredi Sustainability Bond Framework Second-Party Opinion dated June 2020. Yapı Kredi updated its Sustainability Bond Framework in order to align with the updated GBP, SBP, GLP and SLP, and it renamed its Framework to Yapı Kredi Sustainable Finance Framework. The scope of Sustainalytics' Second-Party Opinion update consists solely of confirming that the changes remain compliant with the intentions of the original Framework and sustainable finance market practices.

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-sized enterprise (SME) banking, card payment systems, private banking, and wealth management, and (ii) commercial and corporate banking. As of September 30 2021, Yapı Kredi had 826 branches and 15,795 employees.

Yapı Kredi has developed the Yapı Kredi Sustainable Finance Framework (the “Framework”) under which it intends to issue green, social or sustainable bonds, loans, commercial paper, and promissory notes (the “Sustainable Finance Instruments”) 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 to a low-carbon economy and advance the national socio-economic development in Turkey.

The Framework defines eligible green categories in the following four areas:

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

The Framework defines eligible social categories in the following two areas:

5. Access to Essential Services
6. Employment Generation and Programs for the Alleviation of Unemployment Impacts

Yapı Kredi engaged Sustainalytics to review the Framework, dated November 2021, and provide a Second-Party Opinion² on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)³, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)⁴. This Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

² In June 2020, Sustainalytics provided a Second-Party Opinion of Yapı Kredi’s Sustainable Finance Framework, available at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/yap-kredi/yap-kredi-sustainability-bond-framework-second-party-opinion/yap-kredi-sustainability-bond-framework-second-party-opinion-pdf>

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

⁴ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁵ The Sustainable Finance Framework is available on Yapı Kredi’s website at: <https://www.yapikrediinvestorrelations.com/en/debt-capital-markets/list-document/Sustainable-Bonds/571/0/0>

⁶ 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.

As part of this engagement, Sustainalytics held conversations with various members of Yapı Kredi's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Yapı Kredi representatives have confirmed (1) they understand it is the sole responsibility of Yapı Kredi to ensure that the information provided is complete, accurate 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 and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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

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

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Yapı Kredi Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of Yapı Kredi's 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, SBP, GLP and SLP. Sustainalytics believes that Yapı Kredi's eligible loans 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.
 - Under the Renewable Energy category, the Framework includes investments for photovoltaic and concentrated solar power (CSP), onshore and offshore wind, geothermal, waste-to-energy, hydropower and transmission systems to facilitate the integration of renewable energy into the Turkish energy grid. Sustainalytics notes the following criteria:
 - For CSP, Yapı Kredi had confirmed that eligible projects will be limited to those that derive over 85% of electricity from solar energy sources. This is in line with market practice.
 - Regarding geothermal, Yapı Kredi will limit projects to those with direct emissions of less than 100 gCO₂/kWh, which is in line with market practice.

- Regarding waste-to-energy, Yapı Kredi has confirmed to Sustainalytics that feedstocks may include municipal waste, animal waste,⁷ forest and agricultural residues. Sustainalytics recognizes that municipal waste could take out of circulation potentially recyclable materials and undermine the objectives of the zero-waste circular economy. Sustainalytics notes that Yapı Kredi has confirmed that recyclables will be segregated and sent to recycling facilities.⁸ Sustainalytics encourages the Bank to monitor the thermal efficiency of the financed facilities and to favour projects which source waste biomass from well-managed forests and agricultural production.
 - Eligible hydropower projects are those with a maximum generation capacity of <25MW or run-of-river projects. Yapı Kredi had confirmed to Sustainalytics that new hydroelectric projects will undergo an environmental and social risk assessment.
 - Yapı Kredi intends to finance new and/or existing commercial and/or residential buildings with third-party certification standards and labels under the Green Buildings category. Eligible certifications include LEED (Gold or above), BREEAM (Very Good or above), Energy Performance Certificate (BEP-TR) (B or above), B.E.S.T by ÇEDBİK Green Building Council (Very Good or above), and Yes-TR ("Çok İyi" or above). Sustainalytics highlights that Yapı Kredi set a minimum threshold of 30% for energy efficiency improvements for its refurbishment activities in commercial and residential buildings which is aligned with market best practice.
 - Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages the Issuer to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfill the requirements for BREEAM Excellent in that category.
 - Regarding BEP-TR, Sustainalytics highlights that the programme is aligned with the EU's Energy Performance of Buildings Directive.⁹ At this point in time, 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.
 - For additional information on the referenced green building certification, please refer to Appendix 1.
 - The Clean Transportation category includes investments to personal, public and freight transportation, including:
 - Zero-emissions vehicles and relevant infrastructure such as electric vehicle charging infrastructure.
 - Rail transportation with zero direct (tailpipe) CO₂ emissions (passenger and freight).
 - Road transportation with an emission threshold of 50gCO₂/km or otherwise with zero direct (tailpipe) CO₂ emissions level for passenger and commercial vehicles. Sustainalytics notes these thresholds to be aligned with market best practice.
 - Development, operation and upgrade of electric-powered rail transport for both passengers and goods.
 - Construction of bicycle paths.
 - Design and manufacturing of clean transport components.
 - Sustainalytics notes this category 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.

⁷ Yapı Kredi has confirmed that the majority of waste feedstock from animal waste is limited to manure. However, there might be some animal fats or other processed animal waste. While the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, large- and mid-scale livestock farming has a significant carbon and water footprint which is not addressed by the use of livestock byproducts in energy generation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation as providing positive impacts in the short term.

⁸ Yapı Kredi has communicated to Sustainalytics that biopower plants have been regulated by local legislation in harmony with EU laws.

⁹ 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

- Sustainalytics views positively that Yapı Kredi established a threshold that ensures energy efficiency and encourages the Bank to provide further disclosure on the financed projects.
- Under the Access to Essential Services category, Yapı Kredi intends to finance the construction, development, operation, renovation or maintenance of subsidized and non-profit healthcare and public and government-subsidized education. Yapı Kredi has identified as target populations individuals with specific physical or mental conditions, the elderly, youth, low-income families and people from disadvantaged backgrounds. Sustainalytics views this targeting as aligned with market practice.
 - The Bank has confirmed Sustainalytics that it will provide loans to healthcare and educational institutions that are accessible to the target populations and general public regardless of ability to pay.
 - Under the Employment Generation category, Yapı Kredi intends to finance small and medium-sized enterprises (SMEs).¹⁰ The Bank has identified SMEs in socioeconomically disadvantaged areas and SMEs with woman representation as the target groups for this category. Eligible SMEs should meet at least one of following four criteria: (i) SMEs where at least 51% shares belong to women or where the company has at least 20% female ownership where 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.
 - Project Evaluation and Selection:
 - The Sustainable Finance Working Group (the “Group”), comprised of cross-departmental members from the Treasury Department, Corporate Communications Department-Sustainability Division, Corporate Banking, Commercial and SME Banking Management, 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 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.
 - In addition, Yapı Kredi has an Environmental and Social Risk Assessment System applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk management system to be adequate.
 - Based on the establishment of a formal group to evaluate and select projects, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Yapı Kredi’s Treasury and Sales Departments will manage the net proceeds through a dedicated portfolio (the “Eligible Loan Portfolio”). Eligible assets will be tracked using Yapı Kredi’s credit monitoring system and monitored semi-annually. When necessary, existing assets will be substituted with new eligible assets in the portfolio.
 - The Bank intends to achieve a level of allocation for the Eligible Loan Portfolio that will match or exceed the balance of the net proceeds from the Sustainable Finance Instruments. Yapı Kredi has communicated to Sustainalytics that it expects to be able to allocate net bond proceeds within 36 months and will report on its progress in doing so.
 - 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 reporting on its website. Allocation reporting will provide information on the total amount of Sustainable Finance Instruments outstanding, the amount of proceeds allocated to eligible loans, the balance of unallocated proceeds, the share of financing or refinancing, and geographical distribution of the projects.

¹⁰ SMEs are defined following the Ministry of Industry and Technology 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://en.kosgeb.gov.tr/site/tr/genel/detay/5667/definitions-and-regulations>

- Yapı Kredi intends to report on key performance indicators, depending on the availability of the suitable data, to include quantitative metrics such as installed renewable energy capacity in MW, expected annual renewable energy generation in MWh, estimated annual GHG emission avoided or reduced in tCO₂e, green building certification obtained, 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 2021

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

Sustainalytics is of the opinion that Yapı Kredi demonstrates a commitment to sustainability through the establishment of the Sustainability Management System ("SMS"), which consists of three core mechanisms: (i) Sustainability Principles, (ii) Sustainability Policies, and (iii) Sustainability Procedures.¹¹ These mechanisms are used to guide the Issuer's sustainability strategy, corporate governance structure and overall business activities. The Bank has formed a Sustainability Committee ("the Committee") to support the Bank's commitment to providing positive environmental and social impacts through its operations.¹² The 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.¹³

As part of SMS, Yapı Kredi commits to creating sustainable value¹⁴ while facilitating its investments in the areas of renewable energy, resource efficiency, recycling, and waste reduction.¹⁵ 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.¹⁶ Additionally, as part of the portfolio, the Bank secured funding (TRY 83 million) from the Turkish Residential Energy Efficiency Financing Facility (TuREEFF) program in 2019 to support enterprises providing energy-efficient products.¹⁷ As of 2020, the Bank has increased funding by up to TRY 3.19 million to environmental projects.¹⁸ Regarding social investments, Yapı Kredi provided TRY 41.6 billion financing to SMEs and TRY 65 million to female entrepreneurs in 2018.¹⁹

To manage and minimize the Bank's environmental footprint, Yapı Kredi regularly measures the GHG emission of its operations and sets environmental targets such as reducing GHG emissions by 27.5% by 2030 compared to 2019 baseline.²⁰ Moreover, Yapı Kredi reports on its progress on environmental indicators such as reducing

¹¹ Yapı Kredi, "Sustainability Management System", at: <https://www.yapikredi.com.tr/en/sustainability/sustainability-management-system>

¹² Yapı Kredi, "Sustainability Governance at Yapı Kredi", at: <https://www.yapikredi.com.tr/en/sustainability/sustainability-governance-at-yapi-kredi>

¹³ Yapı Kredi, "Sustainability Governance at Yapı Kredi", at: <https://www.yapikredi.com.tr/en/sustainability/sustainability-governance-at-yapi-kredi>

¹⁴ Yapı Kredi, "Sustainability Governance at Yapı Kredi", at: <https://www.yapikredi.com.tr/en/sustainability/sustainability-governance-at-yapi-kredi>

¹⁵ 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

¹⁶ Yapı Kredi, "Yapı Kredi's Material Sustainability Issues", at: <https://www.yapikredi.com.tr/en/sustainability/yapi-kredis-material-sustainability-issues/>

¹⁷ 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

¹⁸ Yapı Kredi, "Integrated Report", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

¹⁹ Yapı Kredi, "Integrated Report", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

²⁰ Yapı Kredi, "Integrated Report", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

GHG (scope 1, 2, and 3) emissions from its operations by 12.9% in 2018 compared to 2017,²¹ and approximately 3% in 2019 compared to 2018.²²

In addition to the bank-wide initiatives, Yapı Kredi is a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI),²³ UN Global Compact, and Turkey's Declaration of Sustainable Finance,²⁴ demonstrating the Bank's commitment to facilitate responsible lending and sustainable finance activities.

Given its internal operation and system, lending activities, and participation in sustainability-focused initiatives, Sustainalytics is of the opinion that Yapı Kredi is well-positioned to issue Sustainable Finance Instruments and that the projects financed under the Framework will further the Bank's sustainability strategy.

Approach to managing environmental and social risks associated with the projects

While the proceeds from Yapı Kredi's Framework are expected to deliver overall positive environmental and social outcomes, Sustainalytics recognizes that such eligible projects may be associated with negative environmental and social risks. Some key risks associated with the eligible projects may include occupational health and safety, community relations, and land-use change and biodiversity loss. As a financial institution, Yapı Kredi's has limited involvement in the development of specific projects which are financed, however Sustainalytics considers the following mechanisms and procedures that the Bank has devised and placed to be effective in mitigating the abovementioned risks.

In order to minimize environmental and social risks associated with its lending activities, Yapı Kredi has applied the Environmental and Social Risk Assessment (ESRA) System in 2017. Designed in accordance with local legislation and the International Finance Corporation's (IFC) Environmental and Social Performance Standards,²⁵ the ESRA system requires each loan application to comply with Yapı Kredi's Environmental and Social Policy and Exclusion List in addition to the Bank's Credit Policies. In case of any new investment, including project financing loan requests and financial advisory services with an investment amount USD 10 million and above, Yapı Kredi follows an additional procedure, the "Assessment of Environmental and Social Risks in Lending Activities", which determines the risks category (Category A to C) of the respective investment.²⁶ If the investments are categorized as Category A and B (high- and moderate-risk), Yapı Kredi implements further due diligence in the context of such as (i) the Environmental Impact Assessment (EIA) documentation,²⁷ (ii) annual monitoring and reporting of the projects by external and independent third parties, and (iii) an Environmental and Social Status Assessment/Action Plan and Monitoring Plan in compliance with the IFC's Environmental and Social Sustainability Performance Standards.²⁸ In 2019, 17 out of 19 projects were assessed against Yapı Kredi's ESRA System and eventually financed by Yapı Kredi, implying that most projects with high environmental and social risks are managed via financing by the Bank.²⁹

In the Exclusion List, Yapı Kredi excludes direct financing of any projects or activities associated with forced/child labor, hazardous chemicals, internationally forbidden pesticides, insect repellants or ozone-depleting substances, and inadequate protection of cultural heritage, biodiversity and ecology, including drift net fishing. To ensure the protection of human rights, the Bank assesses the involvement of any form of modern slavery (e.g., child/forced labor, human trafficking and overtime working) in its products and services.³⁰ Additionally, any products, projects or assets relevant to nuclear power plants and fossil fuel are excluded.

Based on Yapı Kredi's risk mitigation mechanisms and procedures mentioned above, Sustainalytics is of the opinion that Yapı Kredi is well-prepared to manage potential environmental and social risks associated with the use of proceeds.

²¹ Yapı Kredi, "Integrated Report", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

²² Yapı Kredi, "Integrated Report", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/EFR_YKB_ENG_2020.pdf?v2

²³ UNEP Finance Initiative, "About United Nations environment Programme Finance Initiative", at: <https://www.unepfi.org/about/>

²⁴ United Nations Global Compact, "Global Compact Network Turkey publishes the "Declaration on Sustainable Finance", at: <https://www.unglobalcompact.org/news/4281-10-23-2017>

²⁵ 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

²⁶ 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>

²⁷ Ministry of Environment and Urbanization, "Environmental impact Assessment", (2013), at: <http://extwprlegs1.fao.org/docs/pdf/tur150282.pdf>

²⁸ Ministry of Environment and Urbanization, "Environmental impact Assessment", (2013), at: <http://extwprlegs1.fao.org/docs/pdf/tur150282.pdf>

²⁹ Yapı Kredi, "CDP Climate Change Programme Response 2020", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP_Climate_Change_Programme_Response_2020.pdf?v1

³⁰ Yapı Kredi, "CDP Climate Change Programme Response 2020", (2020), at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP_Climate_Change_Programme_Response_2020.pdf?v1

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. 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 clean transport in Turkey

Due to Turkey's high population growth and economic development, the country's total GHG emissions have grown 184% between 1990 and 2019.³¹ As of 2019, the power generation sector accounted for 33% of total emissions, followed by industrial activity (24%), transport (22%), and buildings (12%).³² In 2019, 83% of the country's total primary energy supply was comprised of fossil-fuel resources (coal, oil and gas).³³ To address this challenge, the Government of Turkey ("the Government") has increased the share of renewable energy sources by 44% in 2019 and aimed to generate 10 gigawatts (GW) for each solar and wind capacity in the period 2017-27.³⁴ Furthermore, the Government plan to reduce the country's primary energy consumption by 14% by 2023 by advancing energy efficiency.³⁵ To achieve this goal through energy efficiency measures, the Government of Turkey has financed around USD 11 billion in energy efficiency measures.³⁶

Regarding the building sector, there has been a 66% increase in the end-use energy consumption in Turkey's buildings throughout 2000-2015. It is reported that the Turkish building sector can significantly save energy by improving the energy efficiency of the existing buildings by facilitating the use of renewable energy sources while making new buildings more energy-efficient. As part of Turkey's National Energy Efficiency Action Plan (NEEAP), the Government intends to facilitate Turkish building sectors' transitions towards more environmentally friendly building stock. Specifically, the Government has set a target of at least 25% of the building stock from 2010 to become green by 2023.³⁷

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

The role of SMEs in Turkey's socio-economic development

In 2019, small and medium-sized enterprises (SMEs) accounted for 99.8% of companies and 73.8% of total employment in Turkey.³⁸ Due to the importance of SMEs in the local context, the Government of Turkey has been implementing financial initiatives to increase access to finance, such as through increasing the budget for the Credit Guarantee Fund along with other supporting packages and programmes.³⁹ However, despite the efforts made, the share of SME loans in total business loans decreased from 40% in 2007 to 32% in 2018, showing that Turkish SMEs still struggle with access to finance.⁴⁰

Yapı Kredi intends to provide loans to SMEs which are located in cities with lower incomes than the country's GDP average. According to the OECD, as of 2020, Turkey has the highest regional inequality among other OECD countries in terms of GDP per capita.⁴¹ Despite the Government's initiatives under the New Investments Program, the regional disparity remains a significant structural challenge for Turkey's socio-economic development.⁴² Based on this, the continuation of initiatives to increase access to finance for businesses and create employment is critical to reducing regional disparities in Turkey.

³¹ IEA, Key Energy Statistics, (2019), at: <https://www.iea.org/countries/turkey>

³² IEA, "Turkey 2021 Energy Policy Review", (2021), at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf

³³ IEA, "Turkey 2021 Energy Policy Review", (2021), at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf

³⁴ REN21, "Renewables Global Status Report", (2021), at: https://www.ren21.net/wp-content/uploads/2019/05/GSR2021_Full_Report.pdf

³⁵ 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

³⁶ EBRD, "EBRD welcomes Turkey's National Energy Efficiency Action Plan", (2018), at: <https://www.ebrd.com/news/2018/ebrd-welcomes-turkeysnational-energy-efficiency-action-plan.html>

³⁷ Republic of Turkey – Ministry of Energy and Natural Resources, "National Energy Efficiency Action Plan (NEEAP) 2017-2023", at: [National Energy Efficiency Action Plan \(NEEAP\) 2017-2023 \(EN\).pdf \(asiapacificenergy.org\)](https://www.yegm.gov.tr/document/20180102M1_2018_eng.pdf)

³⁸ The Union of Chambers and Commodity Exchanges of Turkey, "SMEs of Turkey 2020 Report", at: <https://www.tobb.org.tr/KobiArastirma/Documents/SMEs%20of%20Turkey%20Report%202020.pdf>

³⁹ 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>

⁴⁰ European Commission, "2021 SME Country Fact Sheet - Turkey", (2021) at: https://ec.europa.eu/neighbourhood-enlargement/system/files/2021-09/turkey_-_sme_fact_sheet_2021.pdf

⁴¹ OECD, Regions and Cities at a Glance, (2020), at: <https://www.oecd.org/cfe/Turkey-Regions-and-Cities-2020.pdf>

⁴² TURKSTAT, "Bazında Gayrisafi Yurt İçi Hasıla, 2019", at: <https://data.tuik.gov.tr/Bulten/Index?p=Il-Bazında-Gayrisafi-Yurt-Ici-Hasila-2019-33663>

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 women hold the overall operational management responsibility. Low access to finance for SMEs, particularly women-owned SMEs, is a significant challenge for the growth and continuity of the enterprises.⁴³ 40% of Turkish SMEs are comprised of women-owned SMEs, of which 85% have limited access to finance.⁴⁴ 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.⁴⁵ Based on this context, Sustainalytics is of the opinion that Yapı Kredi's lending to SMEs owned by women will create employment generation.

Yapı Kredi intends to provide loans to SMEs affected by natural disasters or health disasters such as 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.⁴⁶ Due to the COVID-19 pandemic, SMEs are experiencing a drastic drop in demand and revenue.⁴⁷ 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.⁴⁸

Based on the above, Sustainalytics believes that Yapı Kredi's financing of SMEs, which is supported by a 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 only 3.8% of Turkey's gross domestic product, which was below the OECD average of 7.4%.⁴⁹ Additionally, the insufficient number of doctors and nurses restrained access to health facilities, particularly in the eastern areas of Turkey. In 2003, the Government of Turkey introduced the Health Transformation Program (HTP), a ten-year health reform, to address these challenges by providing public access to quality healthcare services, improving the healthcare infrastructure such as broadening the provision of health insurance and implementing specific health services such as cost-free cancer treatment for all citizens.⁵⁰ However, despite the initiatives in the health sector has improved the supply of services over the past decade, the total health expenditure of the Turkey's GDP only increased to 4.7% as of 2019.⁵¹

The WHO notes that insufficient preparedness of health emergencies and disasters can lead to the disruption of healthcare systems and limitation of access to health care, especially during the health disaster period such as SARS, influenza (H1N1 and H5N1), cholera and COVID-19.^{52,53} The Health Transformation Program laid the good foundation for Turkey to respond to the COVID-19 outbreak, however, to slow the spread of the infection and reinforce the overall health system to detect and treat cases, the WHO further indicates that sufficient funding is crucial to combat the COVID-19 in the long term.⁵⁴

⁴³ 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>

⁴⁴ World Bank, "A Helping Hand for Turkey's Women Entrepreneurs", at:

https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/turkeys+women+entrepreneurs

⁴⁵ 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-womenentrepreneurs

⁴⁶ WHO, "Coronavirus disease (COVID-19) pandemic", (2020), at: <https://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-covid-19/novel-coronavirus-2019-ncov>

⁴⁷ OECD "Coronavirus (COVID-19): SME Policy Responses", (2020), at: <https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-smepolicy-responses-04440101/>

⁴⁸ OECD "Coronavirus (COVID-19): SME Policy Responses", (2020), at: <https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-smepolicy-responses-04440101/>

⁴⁹ 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>

⁵⁰ World Bank, "Turkey: Transforming Health Care for All", (2018), at: <https://www.worldbank.org/en/about/partners/brief/turkey-transforming-health-care-for-all>

⁵¹ Anadolu Agency, "Turkey: Health spending reaches over USD 35.4 billion in 2019", (2020), at: <https://www.aa.com.tr/en/economy/turkey-health-spending-reaches-over-354b-in-2019/2049001>

⁵² 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>

⁵³ WHO, "Emergency Risk Management for Health Overview", (2013), at:

https://www.who.int/hac/techguidance/preparedness/risk_management_overview_17may2013.pdf?ua=1

⁵⁴ WHO, "Health systems governance and financing & COVID-19", (2020), at: <https://www.who.int/teams/health-financing/covid-19>

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 for addressing the challenges of health disasters.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	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	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. Sustainable Cities and Communities	11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
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
	3. Good Health and Wellbeing for People	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Employment Generation and Programs for the Alleviation of Unemployment Impacts	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.

Conclusion

Yapı Kredi has developed the Yapı Kredi Sustainable Finance Framework under which it may issue Sustainable Finance Instruments and use the proceeds to finance projects under the following 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 Sustainable Finance Instrument proceeds facilitate the transition towards a low-carbon economy and advance the national socio-economic development in Turkey.

The 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 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, 7, 8, 9 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 confident that Yapı Kredi is well-positioned to issue Sustainable Finance Instruments and that that Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021), and Social Loan Principles (2021).

Appendices

Appendix 1: Certification Schemes for Green Buildings

	LEED ⁵⁵	BREEAM ⁵⁶	CEDBIK ⁵⁷	BEP-TR ^{58,59}	Yes-TR
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).	Yes-TR is a Turkish national green building certificate system administered by the Ministry of Environment and Urbanization, in cooperation with the Istanbul Technical University.
Certification levels/rating	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Good Very Good Excellent	A B C D	Pass Good Very Good National Excellence
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	Integrated Building Design, Construction and Management Indoor Environment Quality Building Material and Life Cycle Energy Use and Efficiency Water and Waste Management Innovation
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	Yes-TR sets criteria for new buildings and existing buildings. Points are awarded for the extent of




⁵⁵ USGBC, LEED: www.usgbc.org/LEED

⁵⁶ BREEAM, Building Research Establishment LTD; <https://breeam.com/>

⁵⁷ Cedbik: <https://cedbik.org/>

⁵⁸ BEP, Energy Performance of Buildings: <http://www.bep.gov.tr/default.aspx>

⁵⁹ 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 item⁶⁰ 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>new existing 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>	<p>improvement compared to a reference building. Under the energy category, the minimum improvement is 21% compared to building with minimum EPC B. For existing buildings, the minimum improvement is 21% compared to EPC B or 0-1% improvement compared to the EPC A, which represents a building with Primary Energy Demand of 0-39 kWh/m2 per year.</p>
Performance display				N/A	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 2016.⁶¹</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>	

⁶⁰ 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

⁶¹ 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 Kredi
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 03, 2021
Publication date of review publication:	Update to Yapı Kredi Sustainability Bond Framework Second-Party Opinion published on June 2020

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 GBP and SBP:

- | | |
|--|--|
| <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 – Renewable Energy, Green Buildings, Clean Transportation, Energy Efficiency, Access to Essential Services, and Employment Generation – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that the provision of financing in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 8, 9 and 11.

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"/> Socio-economic 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 SBP | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Yapı Kredi's Sustainable Finance Working Group (the "Group"), comprised of cross-departmental members, 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. Yapı Kredi has an Environmental and Social Risk Assessment System applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk management system to be adequate, and the project and evaluation process to be in line with market practice.

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 checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" 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*):

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

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 |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> 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 annually report on the allocation and impact of proceeds on its website. Allocation reporting will include, (i) total amount of sustainable finance instruments outstanding, (ii) amount of proceeds allocated to eligible loans, (iii) balance of unallocated proceeds, (iv) share of financing or refinancing, and (v) geographical distribution of the projects. In addition, Yapı Kredi commits to reporting on relevant impact metrics. The process of allocation and impact reporting is aligned 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):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify):
Capacity of renewable energy plants constructed or rehabilitated; Expected annual renewable energy generation; Renewable energy storage capacity; Distance of transmission; Estimated annual GHG emissions reduced/avoided; Level of certification by property; Number of healthcare facilities or programs financed; Number of students enrolled/educated; Number of classrooms/educational support |

facilities constructed or rehabilitated;
Number of SMEs financed within target group, in cities with an income below average GDP, and affected by natural disasters or health disasters.

Frequency:

Annual Semi-annual

Other (please specify):

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Corporate website |
| <input type="checkbox"/> 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:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> 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.

Disclaimer

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