



VakıfBank ESG Approach November 2023

Sustainable banking approach

Indices



Initiatives



United Nations
Global Compact

In support of



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

**WOMEN'S
EMPOWERMENT
PRINCIPLES**

Established by UN Women and the
UN Global Compact Office

Sustainability Rating



Moody's | ESG Solutions



S&P Global

Score: 48 in 2022

Score and Risk Category

18.4 Low Risk



ESG OVERALL SCORE



CCC B BB BBB A AA AAA

RATING ACTION DATE: February 24, 2023
LAST REPORT UPDATE: November 21, 2023

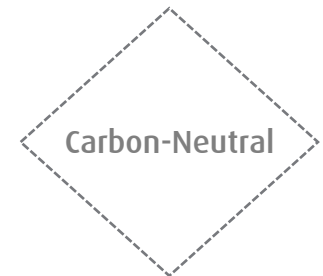
Climate

- B Score in 2022
- 1st assessment in 2015

Water

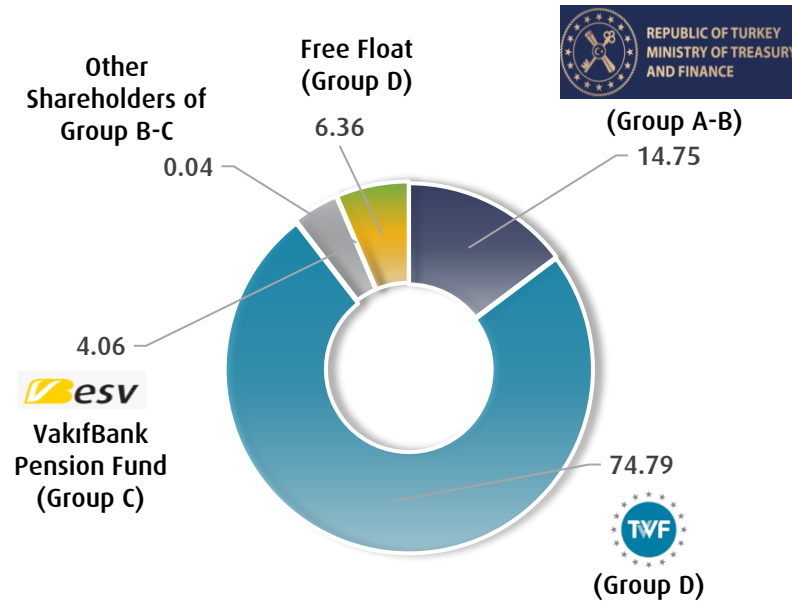
- B- Score in 2022
- 1st assessment in 2022

Sustainability Reporting



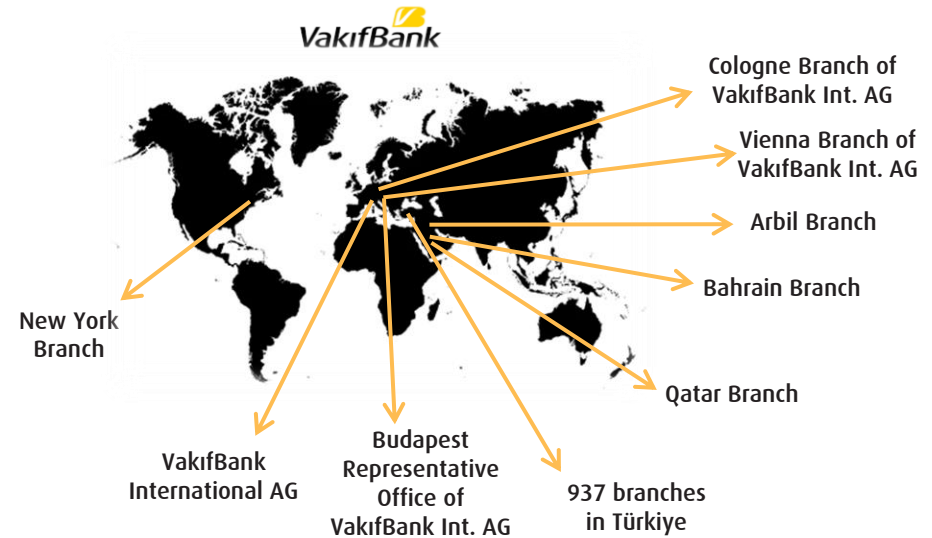
Ownership structure & overseas activities

Ownership Structure as of 9M23 (%)



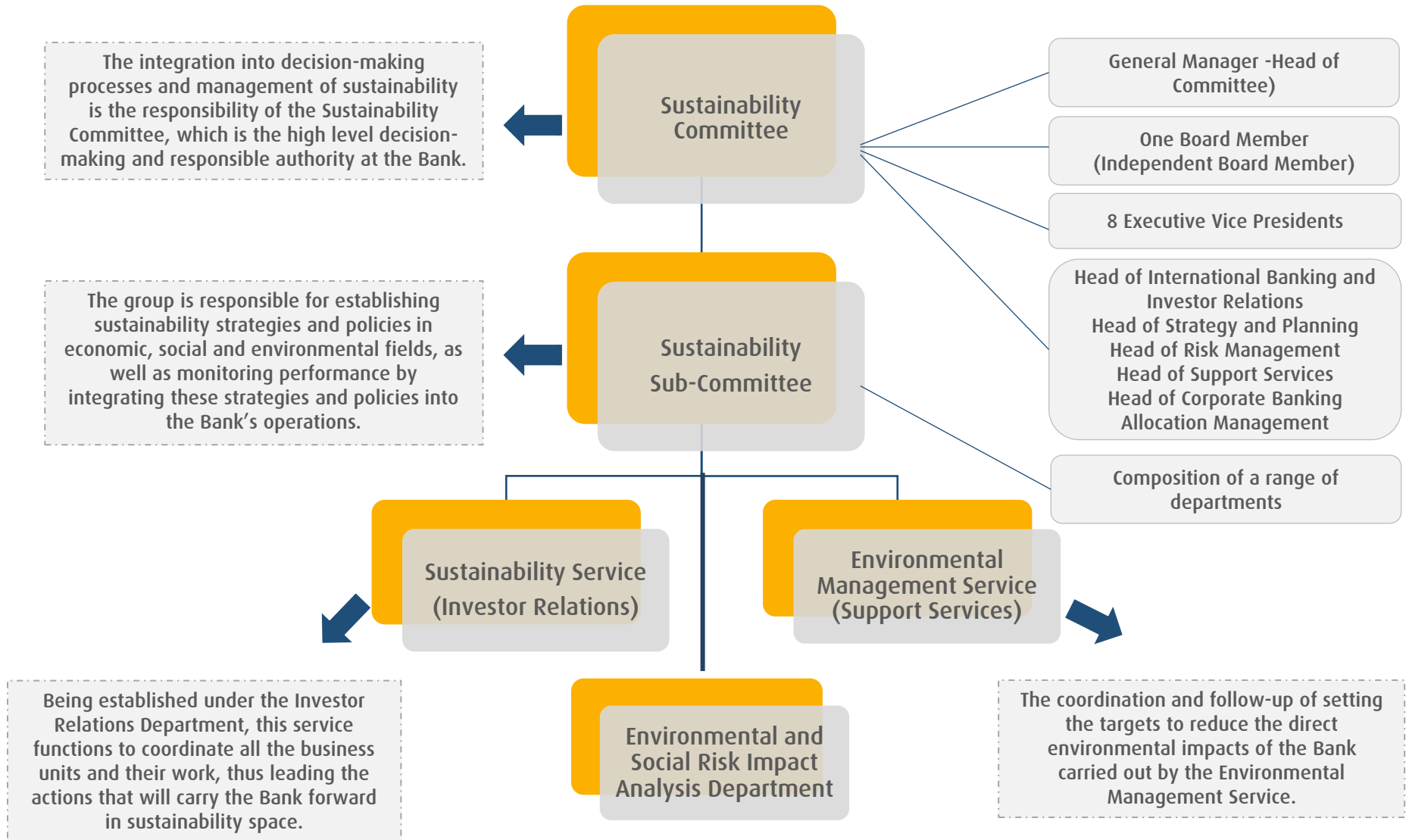
The **biggest listed** bank of Türkiye in terms of asset size

Strong local franchise & international presence in 7 countries



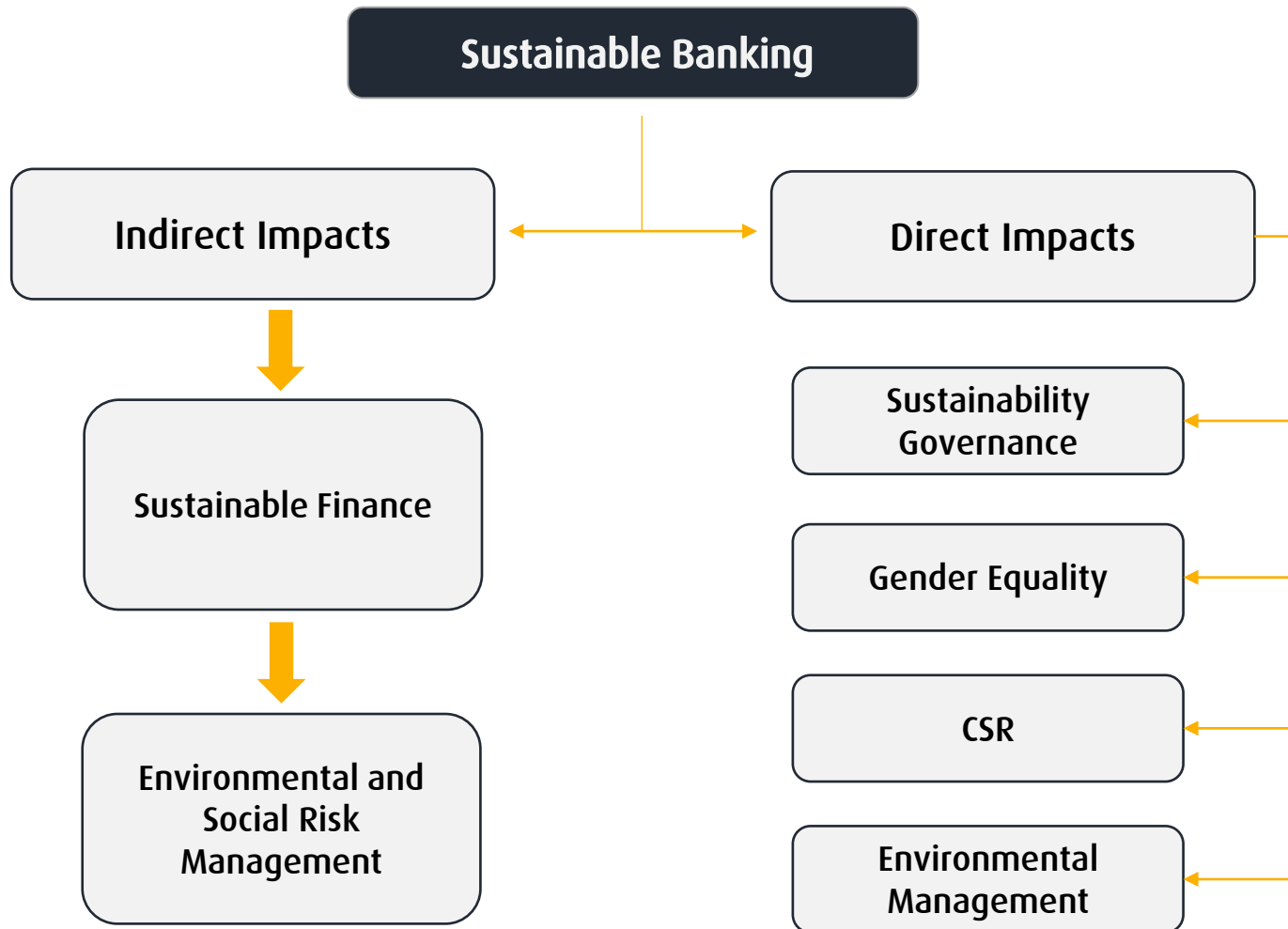
- VakıfBank has **4** international branches located in New York, Bahrain, Arbil and Qatar.
- VakıfBank operates in Austria via its subsidiary, **VakıfBank International AG**, which has branches in Vienna, Cologne and representative office in Budapest.

Sustainability Governance



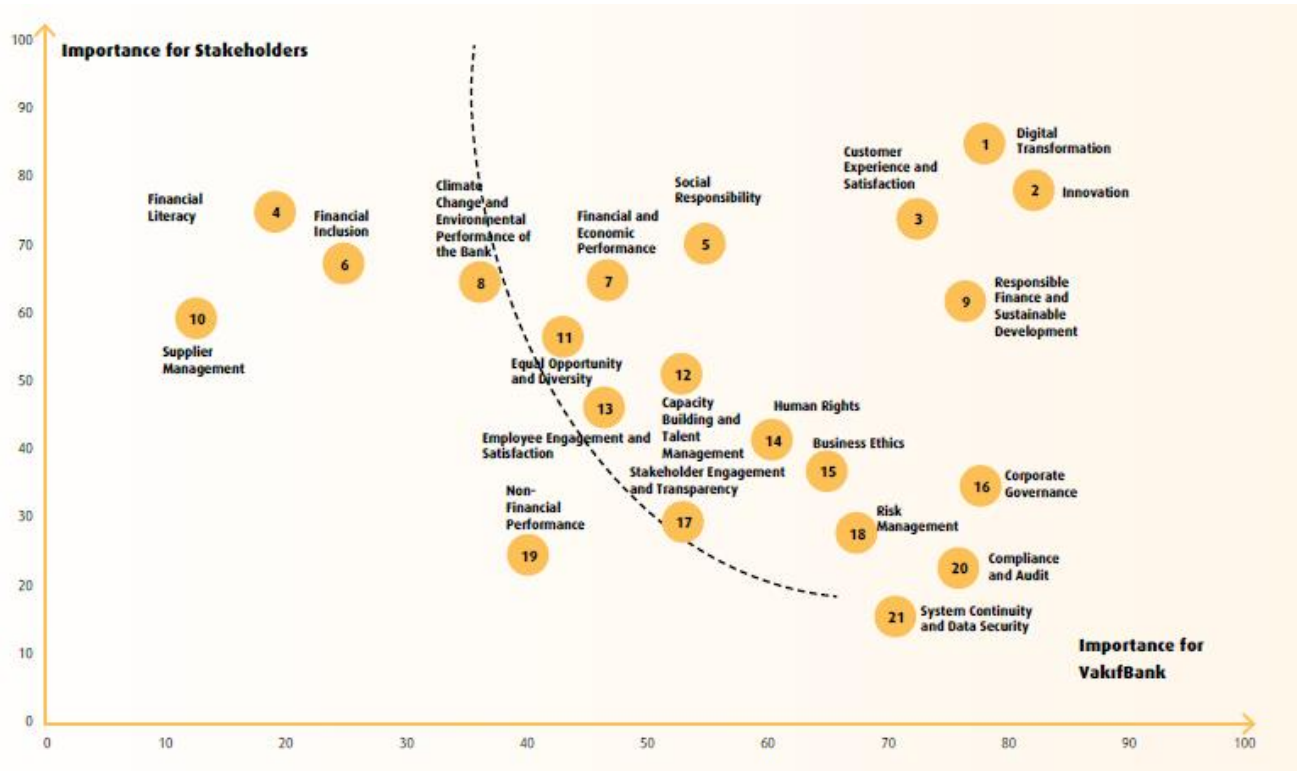
Sustainable banking in VakıfBank

Sustainability for the banking sector primarily refers to managing ESG risks through lending activities.



Our Sustainability Material Topics

Stakeholder Dialogue



Topics for which we believe we will create the utmost value and which are Essential for our strategy

- 2 Innovation
- 1 Digital Transformation
- 3 Customer Experience and satisfaction
- 9 Responsible Finance and Sustainable Development
- 16 Corporate Governance
- 20 Compliance and Audit
- 18 Risk Management
- 21 System Continuity and Data Security

Topics that create fundamental value for the implementation of our strategy

- | | |
|--|---|
| 4 Financial Literacy | 12 Capacity Building and Talent Management |
| 5 Social Responsibility | 13 Employee Engagement and Satisfaction |
| 6 Financial Inclusion | 14 Human Rights |
| 7 Financial and Economic Performance | 15 Business Ethics |
| 8 Climate Change and Environmental Performance of the Bank | 17 Stakeholder Communication and Transparency |
| 10 Supplier Management | 19 Non-Financial Performance |
| 11 Equal Opportunity and Diversity | |


Environmental & Social Loans

Loan type	Segment	Eligibility Criteria
Women in Business Loans	SMEs	SMEs (i) owned by women (i.e., with at least one female shareholder with a properly documented representative and managing powers); or (ii) managed by women (i.e., with at least one female C-level manager or with at least 25 percent female representation in mid-level management); or (iii) employing a ratio of women that is higher than the average ratio observed in the respective sector; or (iv) has increased the share of women employment by at least 5 percent in the previous year.
Loans to Young Enterprises	SMEs	SMEs with less than five (5) years of operation.
Loans to Enterprises in Less Developed Regions	SMEs	SMEs located outside the boundaries of metropolitan cities. Metropolitan cities are: Adana, Ankara, Antalya, Aydin, Balıkesir, Bursa, Denizli, Diyarbakır, Erzurum, Eskişehir, Gaziantep, Hatay, Mersin, Istanbul, Izmir, Kayseri, Kocaeli, Konya, Malatya, Manisa, Kahramanmaraş, Mardin, Muğla, Ordu, Sakarya, Samsun, Tekirdağ, Trabzon, Şanlıurfa and Van.
Other Sustainability Themed Loans	SMEs	Expenditures and investments related to digitalization, increased automation, sustainability (carbon emission reduction, electricity consumption reduction, water consumption reduction, recycling, food efficiency, etc.), climate change, and energy efficiency.
Green Mortgage Loans	Retail	Residential buildings with EPC ratings of A and B. EPC stands for Energy Performance Certificates, which is a rating scheme to summarize the energy efficiency of buildings.
Environmental Friendly Auto Loans	Retail	Purchase of hybrid and electrical vehicles.
Renewable Energy	Corporate and Commercial	Solar Energy, Hydropower, Wind, Geothermal, Biomass
Energy Efficiency Loans	Retail	Natural Gas Conversion Loans, Heat Insulation Loans
Earthquake Support Loan	Retail, SMEs, Commercial, Corporate	Earthquake support loans for retail customers in most effected areas at lower interest rates and no fee payments in order to assist in post earthquake recovery. Targeting to meet the working capital needs of companies.

VakifBank's Sustainable Finance Initiatives

VakifBank supports the socio-economic development of various strata of society including women entrepreneurs, developing regions initiatives and agricultural sector employees with sustainable products such as financing renewable energy investments and maintaining social standards.


Recent Examples



100 projects amounting TL 1.150 billion as of October 2023 the Women Entrepreneur package financed by World Bank under Emergency Firm Support Project



More than 3,000 projects amounting TL 2 billion as of October 2023 under Green Mortgage Project financed by AFD





~ 100 projects amounting TL 1.036 billion as of October 2023 developing regions initiatives financed by World Bank under Emergency Firm Support Project

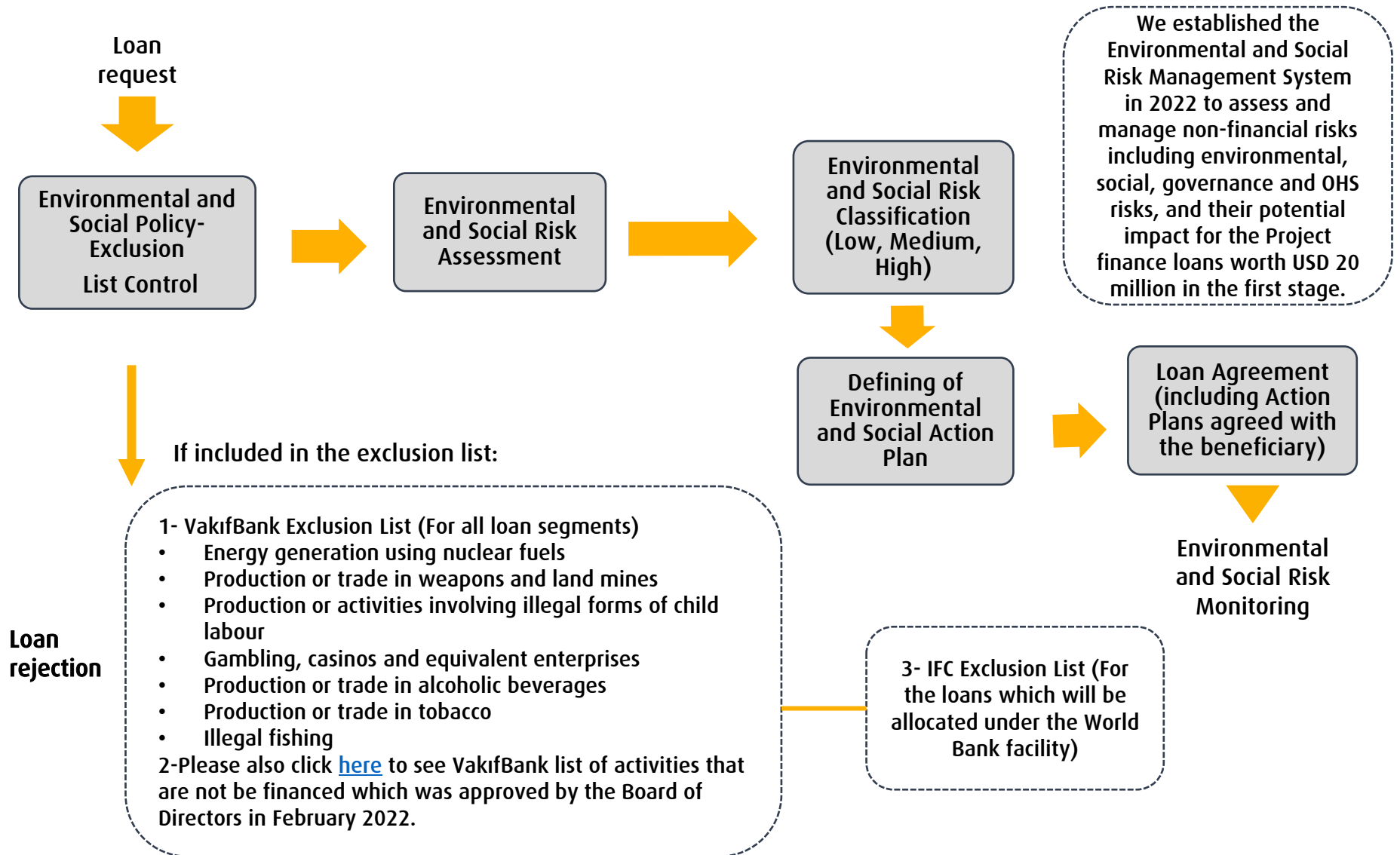


~ 170 projects amounting TL 1.283 billion as of October 2023 the earthquake affected areas financed by World Bank under Emergency Firm Support Project

Environmental and Social Risk Assessment in Loans

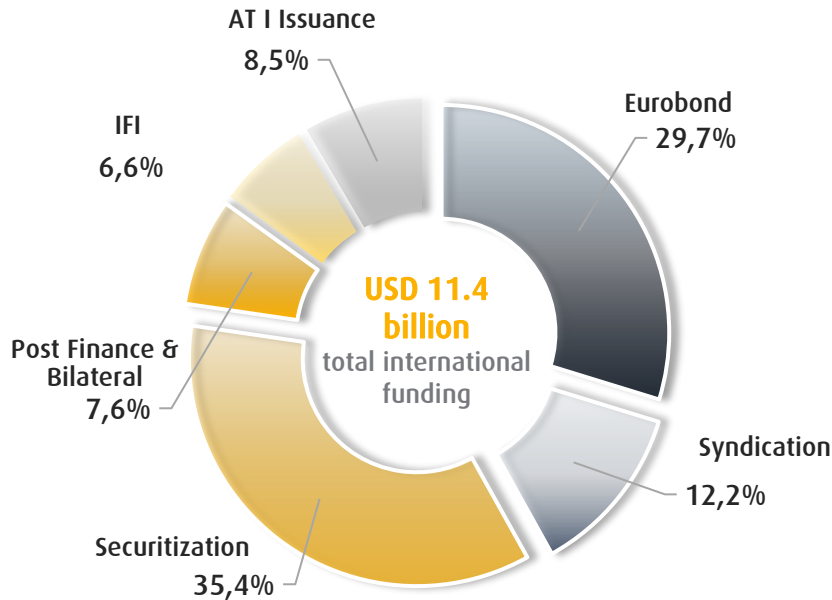
Related Facility	Works in 2023
 <p>(Emergency Firm Support Project, 2020)</p>	<ul style="list-style-type: none"> - In order to rapidly secure funding for regions affected by earthquakes, these areas have been included in the project scope. Under this efforts, an ESDD form has been established within VakifBank. As a result, the process of accessing financing for businesses located in these regions has been expedited and simplified, and an in-house evaluation process has been initiated without the need for external consultants. - Credit allocation according to the exclusion list of the International Finance Corporation (IFC) - In the scope of the effective communication with stakeholders Stakeholder Engagement Plan (SEP) meetings held on May and September 2023.
 <p>(Green Mortgage Project, 2020)</p>	<ul style="list-style-type: none"> - The credit approval for the second tranche of the Green Mortgage Project was signed on September 5, 2023 amounting 100 million EUR. - According to VakifBank's Environmental and Social Impacts Management Policy in Lending Processes project loan requests of 20 million USD or more are subject to environmental and social risk categorization. - Under this policy, 16 files have been conducted in collaboration with external consultant Escarus as of October 2023. It is worth noting that two additional projects have been evaluated internally without any external assistance within the year. - Efforts are being made to extend the application of our environmental and social risk management system to segments other than project loans within our bank.

Environmental and Social Risk Management

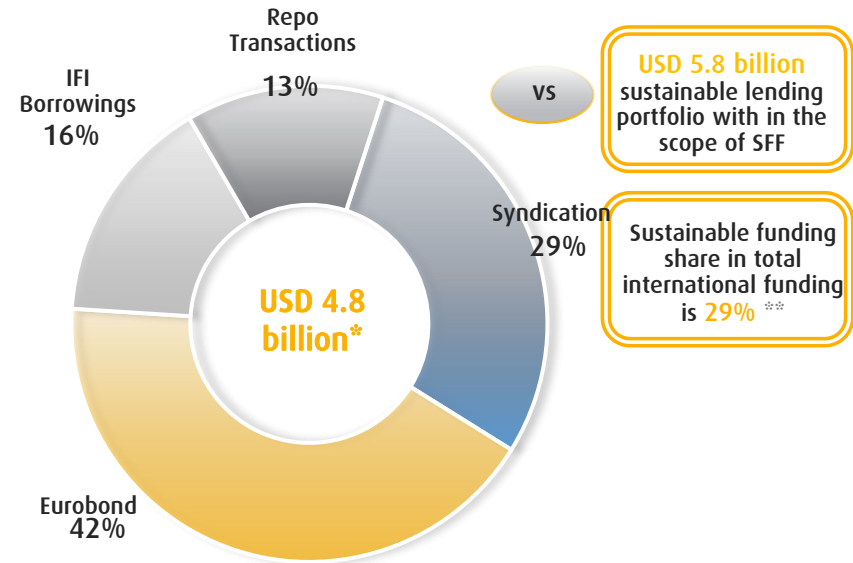


Re-opened market with timely executed new sustainable eurobond issuance of USD 750 million

Breakdown of International Funding

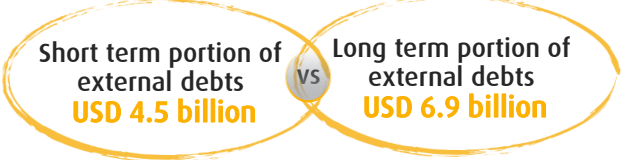


Sustainable Funding



USD 5.8 billion sustainable lending portfolio with in the scope of SFF

Sustainable funding share in total international funding is **29%** **



- +** Sustainable eurobond issuance amounting to **USD 750 million** with a maturity of 5 years in September/23
- +** Second tranche of 'Green Mortgage Project' with AFD amounting to **EUR 100 million** with a final maturity of 10 years in September/23
- +** Collateralized fresh funding amounting to **USD 500 million** with a maturity of 5 years in August/23
- +** Collateralized fresh funding amounting to **USD 100 million** with a maturity of 6 months in July/23

- +** Syndication facility renewal amounting to **USD 825 million** with participation of **5 new banks** in May/23
- +** The largest DPR transaction funding among Turkish banking sector amounting to **USD 2 billion** in Feb/23
- +** **USD 650 million** eurobond redemption in January/23

Sustainable Finance Issuance in International Debt Capital Markets

- Use of proceeds has been created for the issuance of sustainable bonds.

-The Sustainable Bond Framework has been formed and published on the Bank's website*.

- The Bank's GMTN program has been aligned with green / social / sustainable bond issuances.

-The exclusion list for all loan segments of the Bank has been updated.

-Second Party Opinion (SPO) has been obtained from Sustainalytics firm regarding whether the pool created meets the criteria for sustainable bonds**.

-ESG risk rating score has been upgraded to 19.1(low risk) from 19.8 (low risk) and ranked 199 out of 1004 among diversified banks subindustry.


VakıfBank completed the first "Sustainable Eurobond" issuance by deposit banks in Turkey in December 2020. VakıfBank was awarded "Financial Institutions Deal of the Year" at Bonds & Loans Turkey, having more than 100 applications were made for 13 categories this year. -VakıfBank issued the second sustainable Eurobond in September 2021 with an amount of USD 500 million. -VakıfBank issued the third sustainable Eurobond in September 2023 with an amount of USD 750 million.

-Reporting annually the alignment of the allocation of such proceeds with the Sustainable Finance Framework's criteria.

-Impact reporting of the portfolio by category from a social environmental perspective.



Sustainable Bond Framework



Second Party Opinion (SPO) (Sustainalytics)



ESG Risk Rating (Sustainalytics)

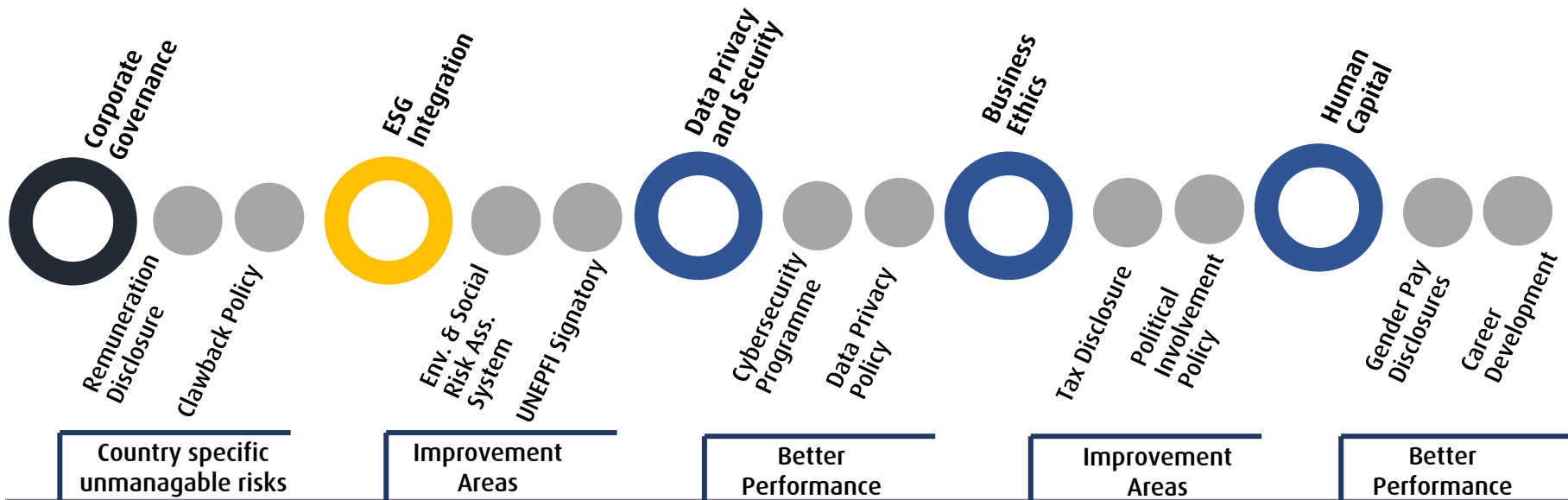
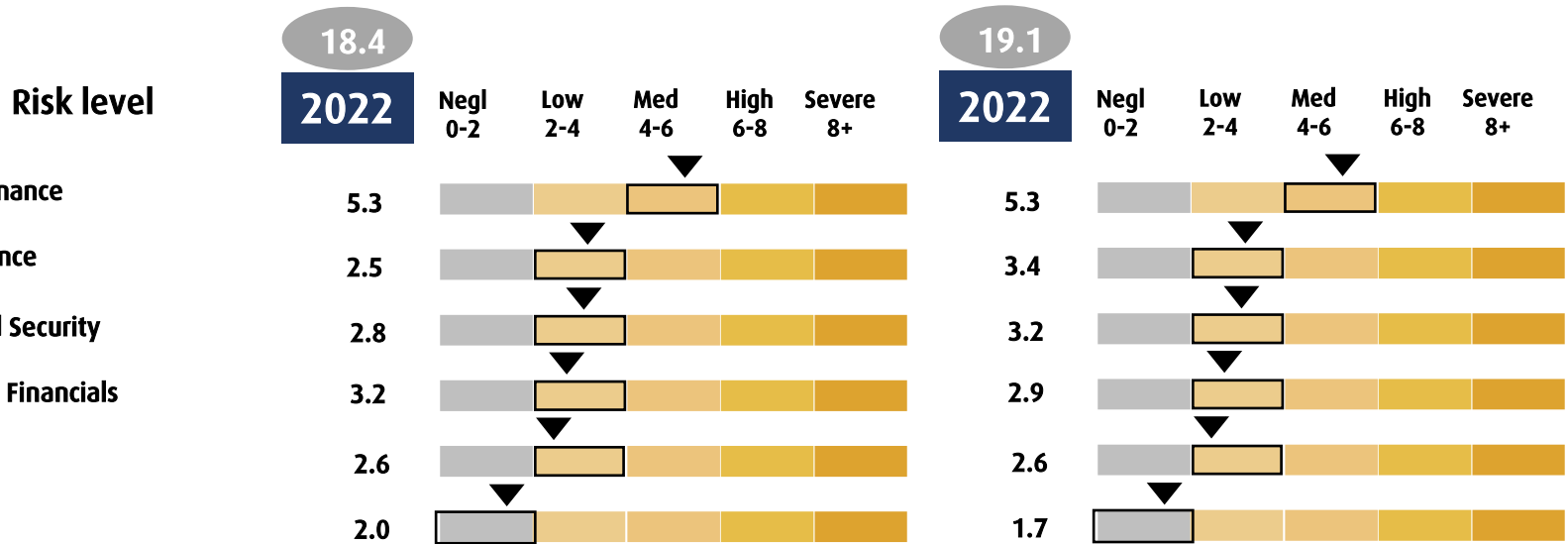


Sustainable Bond Issuance



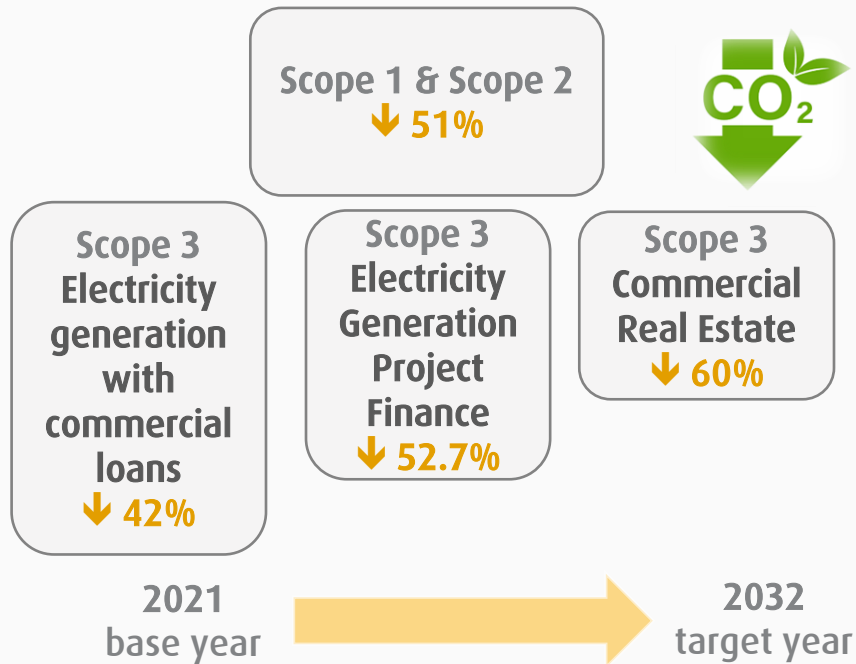
Allocation Reporting

ESG Rating Performance

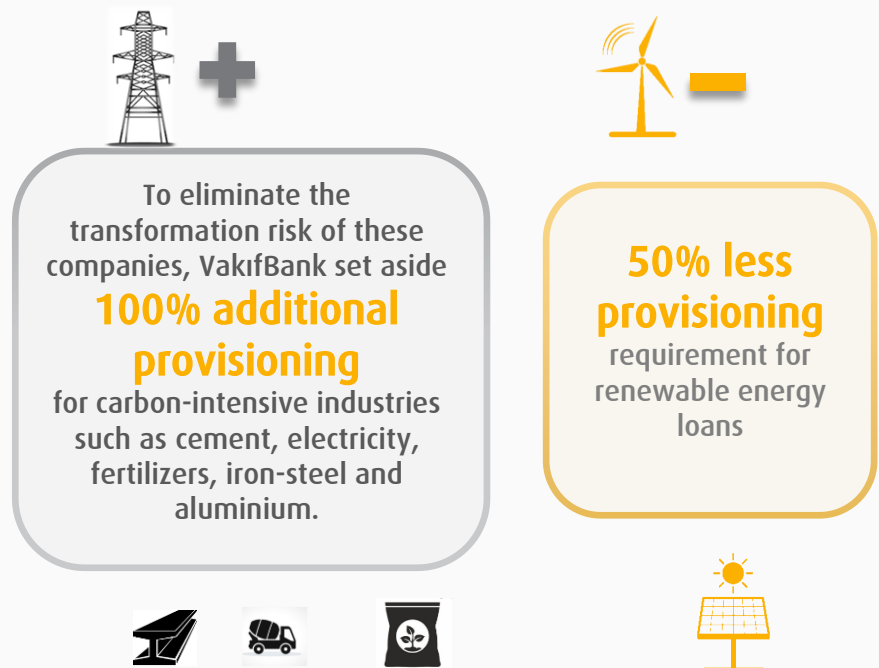


Firsts in sustainable banking

The first Turkish bank to have its targets validated by
Science Based Targets initiative (SBTi)



Proactive provisioning policy in accordance with CBAM (Carbon Border Adjustment Mechanism) and 'Fit for 55' principles



GHG Carbon Emissions

Reduction GHG Emissions (tCO ₂ e)	2021	2022	2022/2021	3Q22	3Q23	3Q23/3Q22
Total Reported Emissions (Scope 1, 2 & 3 emissions excluding financed emissions)	21,662	15,469	-28.6%	5,563.51	5,475.91	-1.57%
Scope 1 Direct GHG emissions and removals;	12,796	12,825	0.2%	2,342.52	2,524.06	7.75%
Scope 2 Indirect GHG emissions from imported energy; purchased Electricity	5,406	112	-97.9%	33.20	45,63	37.44%
Scope 3 Indirect GHG emissions from transportation, products used by organization, associated with the use of products, other sources	3,461	2,532	-26.8%	3,187.79	2,906.22	-8.83%
*Without New Investment Loan Disbursement						

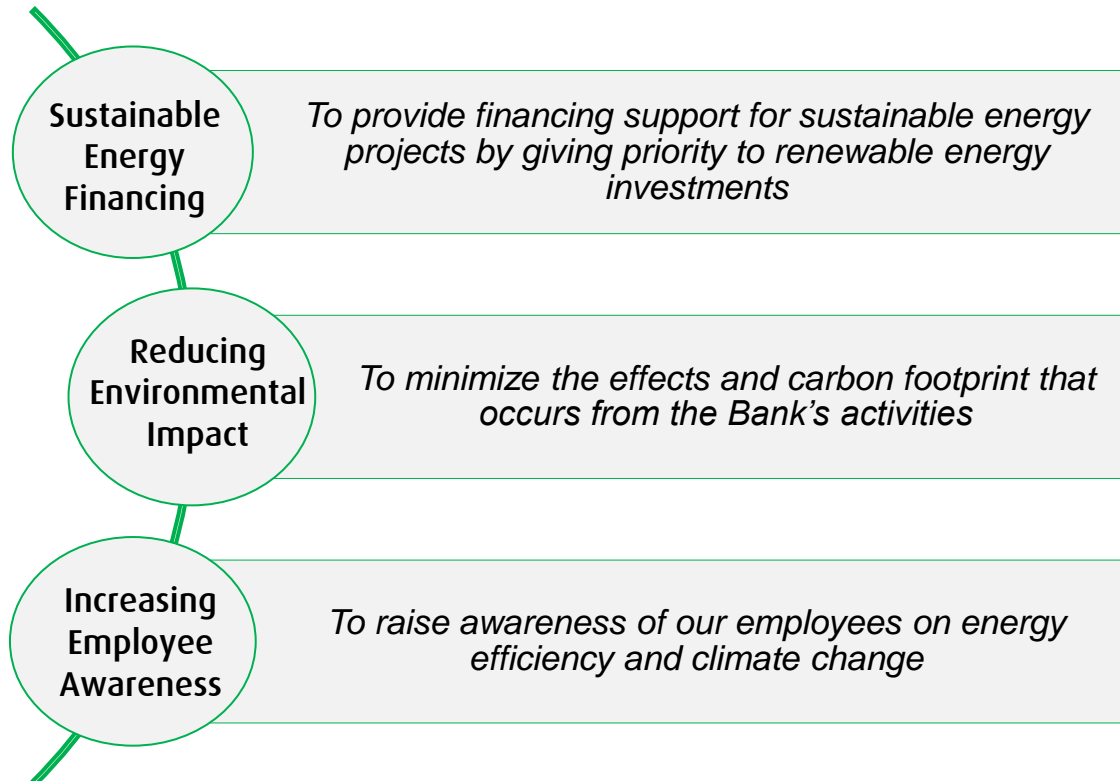
*Carbon emissions for loan portfolio will be analyzed according to the methodology of PCAF (Partnership for Carbon Accounting Financials)

Environmental Management

VakıfBank is committed to reducing the environmental impacts of its operations. Carbon emissions are reported to Carbon Disclosure Project (CDP) Climate Risk Report and Water Report on an annual basis.



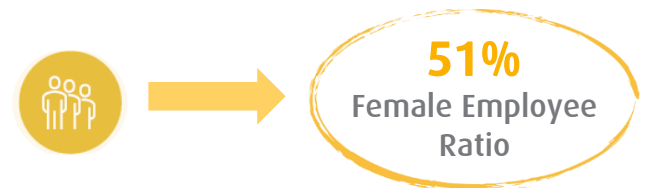
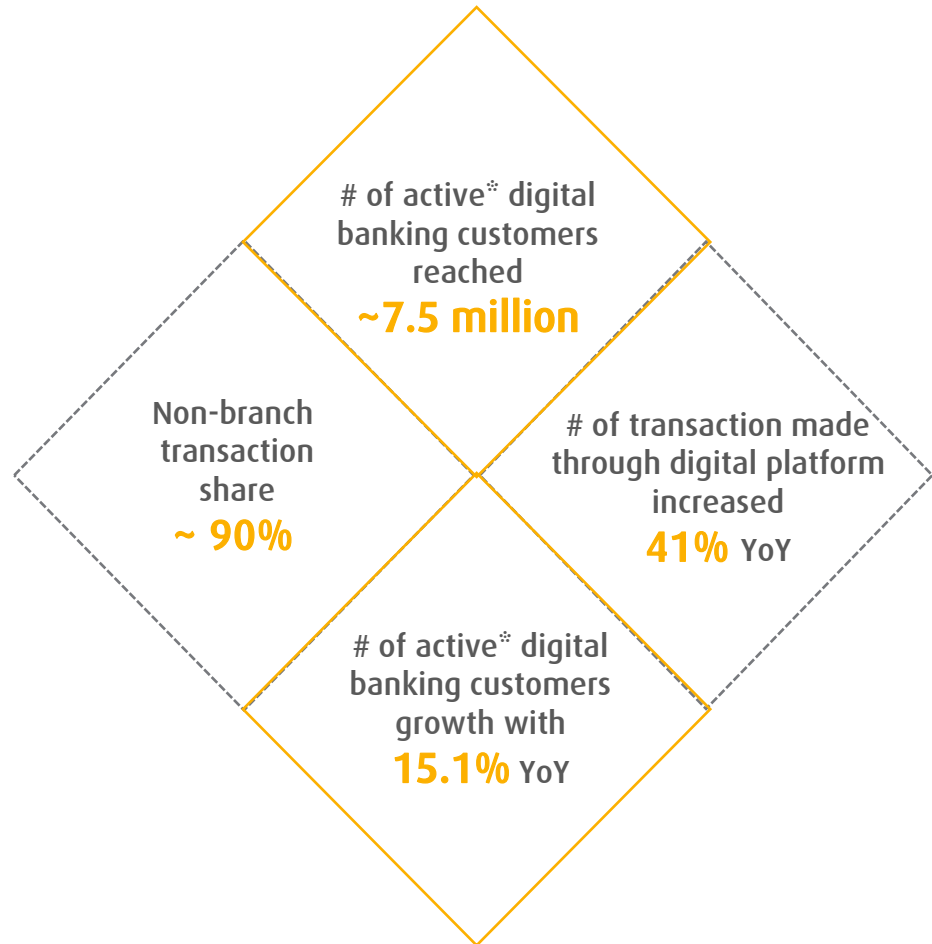
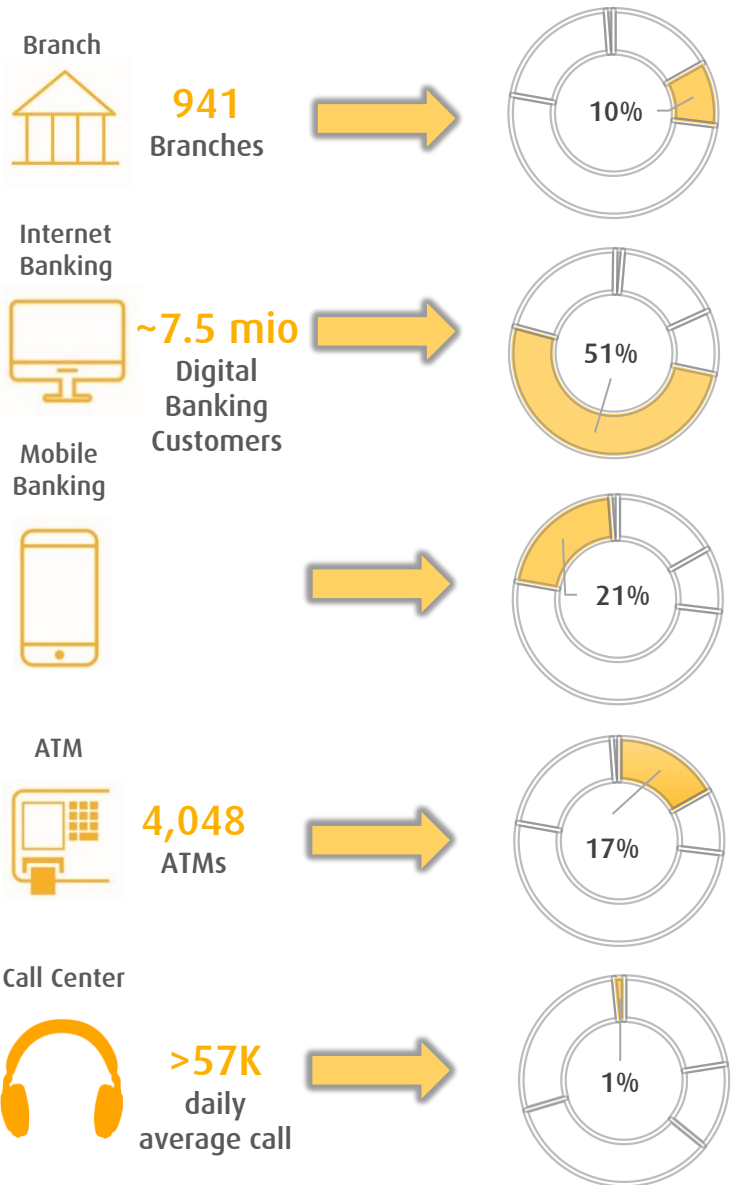
3 main components to fight against climate change



The first Turkish bank to have its targets validated by **Science Based Targets initiative (SBTi)**.

In 2022, VakıfBank became a carbon neutral bank by offsetting 12,937 tCO₂e from Scope 1 and 2 emissions.

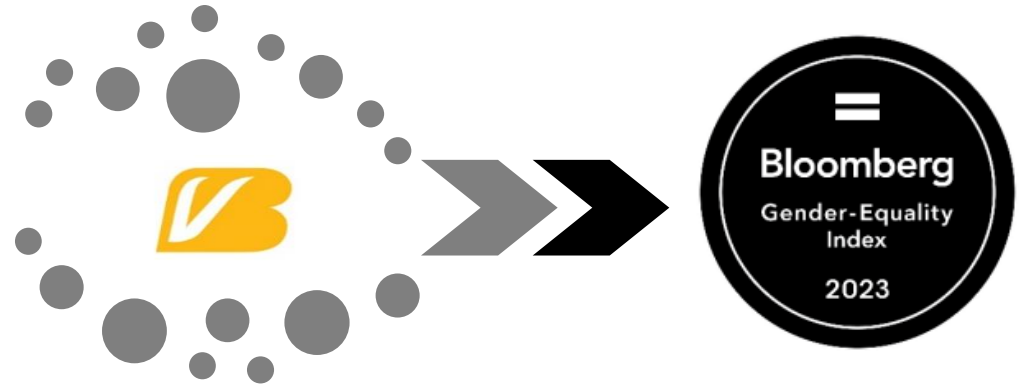
Sustainable customer base thanks to enhanced digital platforms



Gender Equality – Maintaining the position in the Bloomberg Gender Equality Index (GEI)

Since 2020, VakıfBank has been in Bloomberg GEI with an improved score to 72.7% in 2023 from 71.5% in 2022.

VakıfBank continued to be among 484 companies for the Bloomberg Gender-Equality Index which evaluated approximately 11,700 companies across 45 countries in 2022.



VakıfBank has many practices and initiatives for the social and economic empowerment of women

51%

ratio of female employee

> 1600 projects

financing support under the Women Entrepreneur Support Package within the scope of the EBRD's TurWIB program

36 years

non-stop support for VakıfBank Woman Volleyball team which is the one of the most successful sports team in the world

Corporate Social Responsibility Award

VakıfBank won the 'Platinum Award' in the category of Gender Equality at the 12th Corporate Social Responsibility Summit Sustainable Development Goals Institutional Awards with the slogan of "VakıfBank Sports Club - Success Has No Gender"

Recent Developments

In April 2022, VakıfBank published its Gender Equality Policy. In September 2022, the Bank was awarded with Gender Equality Program Certificate as a proof of successful implementation of gender equality practices.

Corporate Social Responsibility

Since its foundation, VakıfBank has played an important role in the socio-economic development in Turkey with the investments in the area of social responsibility. In 2022, all the work related to social responsibility has been in three main areas: Education, Culture and Sports.

VakıfBank's Corporate Social Responsibility (CSR) World



Education Special Children's Education

The total number of mechatronics and mind games workshops within the body of Science and Art Education Centers (BİLSEM), which has reached 54, is planned to reach 69 in 2023 with the new protocol signed with the Ministry of National Education at the end of 2022.



Culture VakıfBank Cultural Publishing

As of year-end 2022, more than 190 books were published. Our aim is to disseminate cultural arts on a national and universal scale in order to protect and transfer its enriched cultural heritage to future generations correctly.



Sport Women's Volleyball VakıfBank Sports Club

Our VakıfBank Women's Volleyball Team has the title of "Turkey's team that has won the most trophies in the international arena", with 4 FIVB Club World Championship Championships, 5 CEV Champions League Championships, 1 Top Teams Cup Championship and 1 Challenge Cup Championship.

International ESG Management Systems Certificates

VakıfBank became the first bank in Turkey to receive ISO Integrated Management System Certificate (ISO 9001-ISO 14001-ISO 45001) in 2020.

We aim to obtain 50001 Energy Management Certificate by the end of 2023.

ISO 9001 QUALITY MANAGEMENT SYSTEM CERTIFICATE

VakıfBank made its operations and processes compatible with the ISO 9001 Quality Management System, including assessment of the Head Office departments and all branches, in order to ensure the customer satisfaction.

ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

VakıfBank have received ISO 14001 Environmental Management System Certification, documenting that the direct impact of its activities on the environment has been minimized according to internationally accepted and reputable standards.

ISO 45001 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE

VakıfBank takes all kinds of measures in accordance with the applicable occupational health and safety legal requirements in order to ensure the health and safety of the employees, customers, suppliers, companies that the Bank cooperates with and visitors.

ISO 27001 INFORMATION SECURITY MANAGEMENT SYSTEM CERTIFICATE

Products and services enriched by digital transformation bring about risks related to data protection and provision of information security. To ensure more effective management of our digital security, VakıfBank has received ISO 27001.





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