



Sustainable Finance Framework

August 2023

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1. Introduction to VakıfBank

VakıfBank (thereafter “the Bank”) was incorporated under a special charter act (Law No. 6219) dated 11th January 1954 and commenced its operations on the 13th of April 1954 with a capital of TL 50 million. In line with its founding mission to utilize foundations’ revenues in the most efficient manner, the Bank has contributed significantly to the growth and sustainable development of Türkiye’s economy with its modern banking approach since its inception. As of December 11, 2019, 43.00% shares and 15.51% shares of General Directorate of Foundations representing Group (A) and Group (B) respectively (58.51% in total) have been transferred to the Ministry of Treasury and Finance as per the Presidential Decree dated December 3, 2019. On 11 May 2020, the Bank’s Board decided to increase capital through a private placement of new shares to Türkiye’s sovereign wealth fund (the “Turkey Wealth Fund”), which sale was completed on 20 May 2020. The shares with a nominal value of TL 1,405,622,490, issued by the Bank, were sold to the Türkiye Wealth Fund through a wholesale transaction on the stock market on May 20, 2020, with the total sales revenue of TL 7,000,000,000, at a price of 4.98 TL for the share with a nominal value of 1 TL the capital increase transactions. With the decision of the Bank’s Board of Directors dated February 9, 2022, it was decided to increase the paid-in capital of TL 3.905.622.490 provided that it remains within the registered capital ceiling, by completely restricting the pre-emptive rights of the current shareholders and by making a cash capital increase, which will generate a total sales revenue of TL 13.400.000.000 in total. The shares with a nominal value of TL 3.205.741.627, issued by the Bank, were sold to the Türkiye Wealth Fund through a wholesale transaction and by dedicated sales method on the stock market on March 9, 2022, with a total sales revenue of TL 13.400.000.000, for 4.18 TL for the share with a nominal value of 1 TL and the capital increase transactions have been completed. As of April 19, 2023, the capital increase process of VakıfBank was completed with the sale of newly issued shares to Türkiye Wealth Fund through private placement and without being offered to the public with a total sales proceeds amounting TL 32,000,000,000. The share capital of VakıfBank was TL 9,915,921,523 consisting of an equivalent number of shares, each share having a nominal value of TL 1.00. The Turkey Wealth Fund acquired Class D shares for TL 7.0 billion. As a result of such transaction, the Bank’s paid-in capital increased by TL 1.4 billion and the remainder of the purchase price was added to the “share premium” line item, both of which resulted in an increase to the Bank’s Tier 1 common equity. As a result, the Turkey Wealth Fund has 35.99% and the Ministry of Treasury and Finance has 37.45% while VakıfBank Pension Fund has 10.31% and free float shares have 16.15% in the Bank’s current ownership structure. Since 2023, the Turkey Wealth Fund continues to increase its shareholding and as of 19 April 2023, the Turkey Wealth Fund has 74.79% share and the Ministry of Treasury and Finance has 14.75% while VakıfBank Pension Fund has 4.06% and free float shares have 6.36%.

Today, modern banking products and services offered by VakıfBank cover retail and private banking as well as corporate, commercial, agricultural, local governments and SME banking. Engaged in investment banking and capital market activities in addition to basic banking products and services, VakıfBank also provides its customers with a wide range of financial services such as insurance, leasing and factoring services through its financial subsidiaries with modern and state-of-the-art technologies.

As of 31 March 2023, VakıfBank is the second largest bank in Türkiye in terms of asset size. The Bank undertakes a leading role in facilitating access to finance through its 949 branches and 4,112 ATMs. VakıfBank has four international branches located in New York, Bahrain, Arbil and Qatar as well as its subsidiary in Austria, VakıfBank International AG, which has branches in Vienna and Cologne.

To achieve its strategic goals and sustain its competitive edge, as of 31 March, 2023, VakıfBank conducts its activities with 17,038 employees. With the aim of maintaining a work environment where business peace prevails throughout the organization, VakıfBank has achieved equality and equilibrium in the distribution of gender among its employees of which 51% are women while roughly 23% of the Bank’s managerial positions are women.

With the strength of its foundation culture, VakıfBank continues to make important contributions to the growth and development of the country’s economy with the mission of continuously increasing the value created for its all stakeholders by managing the assets and values entrusted with in an effective and efficient manner.

2. VakifBank's Approach to Sustainability

2.1. Value Creation Model

VakifBank integrates sustainability in its strategic business model by understanding how the Bank can create value for the economy, society and the environment against external risks and opportunities. The Bank has identified the following themes at the center of its business strategy which is in continuous development: Widespread Access to Finance, Sustainable Development, Innovative Approach and Capacity Building.

Our Value Creation Model

Propelled by the vision of a Sustainable Economy, Sustainable Environment, and Sustainable Societies, we continue to create value.

	Inputs	Outputs																
 Financial Capital	Strong Capital Structure Sustainable Growth Efficient Resource Management	<table border="1"> <thead> <tr> <th></th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Change in Total Assets</td> <td>66.90%</td> </tr> <tr> <td>Total Amount of Cash & Non-Cash Loans</td> <td>TL 1,208 Billion</td> </tr> <tr> <td>Total Deposits</td> <td>TL 1,128 Billion</td> </tr> <tr> <td>Long-Term Borrowings (Funds Borrowed-Subordinated Debts)</td> <td>TL 154.8 Billion</td> </tr> <tr> <td>Total Change in Shareholders' Equity</td> <td>105.93%</td> </tr> <tr> <td>Capital Adequacy Ratio (%)</td> <td>15.19%</td> </tr> </tbody> </table>		2022	Change in Total Assets	66.90%	Total Amount of Cash & Non-Cash Loans	TL 1,208 Billion	Total Deposits	TL 1,128 Billion	Long-Term Borrowings (Funds Borrowed-Subordinated Debts)	TL 154.8 Billion	Total Change in Shareholders' Equity	105.93%	Capital Adequacy Ratio (%)	15.19%		
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 Manufactured Capital	Advanced Branch and ATM Network Widespread Access to Finance Strong Technological Infrastructure	<table border="1"> <thead> <tr> <th></th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Number of Branches</td> <td>949</td> </tr> <tr> <td>Number of ATMs</td> <td>4,148</td> </tr> <tr> <td>Number of Recycle ATMs</td> <td>1,246</td> </tr> <tr> <td>ATMs for Barrier-Free Life</td> <td>4,124</td> </tr> <tr> <td>Robotic Process Automation Application (Quantity)</td> <td>47</td> </tr> <tr> <td>Share of Transactions from ADCs</td> <td>97.20%</td> </tr> </tbody> </table>		2022	Number of Branches	949	Number of ATMs	4,148	Number of Recycle ATMs	1,246	ATMs for Barrier-Free Life	4,124	Robotic Process Automation Application (Quantity)	47	Share of Transactions from ADCs	97.20%		
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 Human Capital	Investment in Human Resources Equal Opportunity Healthy Work and Life Balance Safe Working Environment	<table border="1"> <thead> <tr> <th></th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Total Number of Employees</td> <td>16,961</td> </tr> <tr> <td>Rate of Female Employees</td> <td>50.51%</td> </tr> <tr> <td>Rate of Continuing Work after Maternity Leave (Female)</td> <td>99.58%</td> </tr> <tr> <td>OHS Training Total Hours</td> <td>220,527</td> </tr> <tr> <td>Employee Turnover Rate</td> <td>2.89</td> </tr> <tr> <td>Average Training Time Per Employee (Hours)</td> <td>46.54</td> </tr> <tr> <td>The Ratio of Online Training in Total Training</td> <td>74.20%</td> </tr> </tbody> </table>		2022	Total Number of Employees	16,961	Rate of Female Employees	50.51%	Rate of Continuing Work after Maternity Leave (Female)	99.58%	OHS Training Total Hours	220,527	Employee Turnover Rate	2.89	Average Training Time Per Employee (Hours)	46.54	The Ratio of Online Training in Total Training	74.20%
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 Social and Relational Capital	Improving Customer Experience Support for Turkish Sports Education and Culture	<table border="1"> <thead> <tr> <th></th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>New Customers Gained</td> <td>1,448,324</td> </tr> <tr> <td>Total Amount of Mechatronics and Mind Games Workshops</td> <td>54</td> </tr> <tr> <td>Number of Published Books</td> <td>70</td> </tr> <tr> <td>Awards Received</td> <td>50</td> </tr> <tr> <td>Awards Received in the Sports Field</td> <td>5</td> </tr> </tbody> </table>		2022	New Customers Gained	1,448,324	Total Amount of Mechatronics and Mind Games Workshops	54	Number of Published Books	70	Awards Received	50	Awards Received in the Sports Field	5				
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 Natural Capital	Measuring Environmental Impact of Our Bank Financing Renewable Energy Projects Responsible and Green Loan Digitalization in Operations	<table border="1"> <thead> <tr> <th></th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Total Number of ISO 14001 Certified Locations</td> <td>All Bank Locations</td> </tr> <tr> <td>Energy Consumption per Employee (MWh/Person)</td> <td>3.87</td> </tr> <tr> <td>Water Consumption per Employee (cubic meter)</td> <td>12.80</td> </tr> <tr> <td>Amount of Financing for Renewable Energy Projects</td> <td>TL 3.6 Billion</td> </tr> </tbody> </table>		2022	Total Number of ISO 14001 Certified Locations	All Bank Locations	Energy Consumption per Employee (MWh/Person)	3.87	Water Consumption per Employee (cubic meter)	12.80	Amount of Financing for Renewable Energy Projects	TL 3.6 Billion						
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2.2. Sustainability Strategy

Defining its material ESG issues is the starting point of VakifBank's sustainability approach, and the Bank first shaped its material topics in 2019 by conducting stakeholder dialogue studies. Based on the studies, VakifBank reassessed its materiality within the framework of the Bank's strategy, global and sectoral trends, risks and opportunities and managers' views. A list of key material issues was identified and mapped to the UN Sustainable Development Goals (SDGs) while medium and long-term (3 to 5 years) goals have been set for each area. In 2022, we renewed our Bank's material topics related to sustainability with stakeholders' participation. Considering sustainability standards and global trends, we scanned the literature and made a list of topics. We identified the topics that had an impact on our Bank, on societies, and the environment. Since many of the topics we determined in the previous year are still a hot topic on the agenda, as understood from the Prioritization Survey, the 2019 list of topics remained reserved. In addition to the list of 2019, we re-evaluated our priorities in light of the Bank's strategy, global and industry trends, risks and opportunities, and

executives' views. Besides, we have taken into account the internationally guiding principles and outputs in the field of sustainable development, such as the interviews we had with our managers in different units, trends that drive the industry, Global Reporting Initiative (GRI), the United Nations SDGs, the United Nations Global Compact, CDP, Task Force on Climate-related Financial Disclosures (TCFD) and added new items. This way, the number of material topics rose from 16 to 21. We analyzed the outputs together with VakıfBank's material topics and divided the prioritization matrix into two classes: "topics for which we believe we will create the utmost value and which are essential for our strategy" and "topics that create fundamental value for the implementation of our strategy". In light of these efforts, we also reviewed our material SDGs and concluded them to be SDG 4, SDG8, SDG9, SDG10, and SDG12.

To enhance transparency in its sustainability disclosures, VakıfBank has been publishing Sustainability reports on an annual basis from 2015 to 2019. Since 2020, the Bank's Sustainability report is integrated in its Integrated Annual Report which also includes the United Nations Global Compact (UNGC) Communication on Progress and the UN Women's Empowerment Principles (UN WEPs) Progress Report of which VakıfBank is signatories. The Sustainability report is prepared in accordance with the GRI Standards, SASB Provisional Standards and recommendations of the TCFD. In the future, VakıfBank is committed to align with the ISSB Sustainability Standards which will be incorporated into the Turkish legislation.

Our Medium- and Long-Term (3 to 5 Years) Goals

We set medium- and long-term goals by conducting comprehensive efforts in line with the material topics we identify at VakıfBank.

OUR MEDIUM- AND LONG-TERM (3 TO 5 YEARS) GOALS	Material Topics	Related UN Sustainable Development Goal	Related Capital Item
We will continue to effectively fund the financial needs of the real sector and households.	Responsible Finance and Sustainable Development	SDG 2, SDG 5, SDG 6, SDG 7, SDG 8, SDG 9, SDG 10, SDG 11, SDG 12, SDG 13, SDG 17	
We will continue to work to raise employee awareness by maintaining the integrated Management Systems continuity (ISO 9001-ISO 14001-ISO 45001).	Climate Change and Environmental Performance of the Bank	SDG 6, SDG 13, SDG 15	
We will continue to expand our investor base by effectively sustaining our communication with equity and fixed income investors.	Stakeholder Engagement and Transparency	SDG 8, SDG 10, SDG 16	
To increase awareness about sustainability, we will increase the types and numbers of training.	Capacity Building and Talent Management	SDG 4, SDG 5, SDG 8, SDG 10	
We will continue our efforts to make our value-creation activities for a sustainable economy, society, and environment more visible on national and international platforms.	Responsible Finance and Sustainable Development	SDG 2, SDG 5, SDG 6, SDG 7, SDG 8, SDG 9, SDG 10, SDG 11, SDG 12, SDG 13, SDG 17	
We aim to sign the Principles of Responsible Banking for the United Nations Environmental Program Financial Initiative (UNEP FI).	Climate Change and Environmental Performance of the Bank	SDG 5, SDG 8, SDG 9, SDG 11, SDG 12, SDG 13	
To contribute to the Bank's environmental performance, we will strive to increase our performance score from "B" to "A" within the scope of the CDP Climate Change Program.	Climate Change and Environmental Performance of the Bank	SDG 7, SDG 11, SDG 12, SDG 13	
We will strive to raise our performance score of "B" to "A" under the CDP Water Program.	Climate Change and Environmental Performance of the Bank	SDG 6, SDG 11, SDG 12, SDG 13	
We will carry out our activities to play an active role in the market in responsible and green financing areas to create investment opportunities in our bank that can provide permanent value for investors.	Responsible Finance and Sustainable Development	SDG 2, SDG 5, SDG 6, SDG 7, SDG 8, SDG 9, SDG 10, SDG 11, SDG 12, SDG 13, SDG 17	
We will continue our efforts to improve our score on local international sustainability indices.	Corporate Governance	SDG 8, SDG 16	
We will steer our efforts to ensure our continuity in the sustainability indices in which we are currently listed (BIST Sustainability Index, FTSE4Good Emerging Markets Index and Bloomberg Gender Equality Index) and to take part in other accepted sustainability indices.	Equal Opportunity and Diversity	SDG 5, SDG 8, SDG 10	

OUR MEDIUM- AND LONG-TERM (3 TO 5 YEARS) GOALS	Material Topics	Related UN Sustainable Development Goal	Related Capital Item
We aim to increase the share of transactions made through non-branch channels and the share of digital channels in total transactions.	Digital Transformation	SDG 8, SDG 9, SDG 12, SDG 13, SDG 17	
Being the first Turkish public bank to announce that it will commit to reducing carbon emissions within the scope of the Science Based Targets initiative, which is carried out under the leadership of many international pioneer organizations to contribute to the fight against climate change which is one of the most important global environmental problems of today, we will continue to provide international standards for our operators and strengthen our reputation with global investors.	Climate Change and Environmental Performance of the Bank	SDG 6, SDG 13, SDG 15	
We will continue to improve our practices in the field of Open Banking.	Digital Transformation	SDG 8, SDG 9, SDG 12, SDG 13, SDG 17	
We will continue to make cultural transformation programs that support digital transformation.	Capacity Building and Talent Management	SDG 4, SDG 5, SDG 8, SDG 10	
We will continue to improve our practices in the field of Open Innovation.	Digital Transformation	SDG 8, SDG 9, SDG 12, SDG 13, SDG 17	
We aim to examine in detail the end-to-end experience of "Being a member of VakıfBank" and to improve customers' experiences at interaction points with our journey map designs.	Customer Experience and Satisfaction	SDG 8, SDG 9, SDG 10	
Within the scope of the paperless banking project, we will continue to move all our processes to digital by avoiding paper consumption.	Digital Transformation	SDG 8, SDG 9, SDG 12, SDG 13, SDG 17	
We plan to increase the share of "personalized and adaptive learning" applications in our learning ecosystem through digital platforms, which will support the training programs that we offer with the mixed learning model and facilitate the development of our employees.	Capacity Building and Talent Management	SDG 4, SDG 5, SDG 8, SDG 10	
We aim to integrate the mobile banking application into the digital shopping ecosystem.	Digital Transformation	SDG 8, SDG 9, SDG 12, SDG 13, SDG 17	
We will continue our efforts to increase customer satisfaction.	Customer Experience and Satisfaction	SDG 8, SDG 9, SDG 10	

2.3. Climate Change

VakıfBank is the first Turkish public bank to announce a commitment to reduce Greenhouse Gas (GHG) emissions in 2019 by joining the Science Based Targets initiative (SBTi) and in October 2022, the Bank established science-based targets which were validated by SBTi in June 2023. As a result, VakıfBank became the first Turkish Bank to achieve SBTi validation. VakıfBank applies the Partnership for Carbon Accounting Financials (PCAF) methodology to assess the carbon emissions of its loan portfolio.

VakıfBank's SBTi-validated Targets:

- VakıfBank commits to reduce absolute scope 1 and 2 GHG emissions by 51% by 2032 from a 2021 base year

- VakifBank commits to reduce its real estate portfolio GHG emissions by 60% per square meter within its commercial real estate by 2032 from a 2021 base year
- VakifBank commits to reduce its electricity generation project finance portfolio GHG emissions by 53% per kWh by 2032 from a 2021 base year
- VakifBank commits to reduce GHG emissions from the electricity generation within its corporate loan portfolio by 42% per MWh by 2032 year from a 2021 base year
- VakifBank commits that 32% of its other long-term debt portfolio by invested value within the all sectors will have set science-based targets by 2027

VakifBank has established a Climate Transition Plan to support the Bank in achieving the SBTi targets and is committed to achieve net zero carbon emissions by 2050. VakifBank plans to increase its engagement activities with customers, support low-carbon financing, develop loan policies to reduce financed emissions, integrate ESG and climate-related criteria into loan policies, and continuously provide support and resources to customers for reporting and reducing GHG emissions.

At the same time, VakifBank aims to achieve its targets for various environmental targets which were set at the Board of Directors level in 2019 and reflect VakifBank's commitment to reducing its environmental impact and promoting sustainable practices:

1. 2% reduction in annual electricity consumption per square meter
2. 2% reduction in annual natural gas consumption per square meter
3. 2% reduction in annual water consumption per capita
4. 2% annual saving in paper use per capita
5. 2% mitigation in Bank's total Scope 1 and 2 GHG emissions

In 2020, VakifBank received the ISO 14001:2015 Environmental Management System certification for all its locations. Furthermore, as the first bank to establish an Integrated Management System (ISO 9001-ISO 14001-ISO 45001) starting from 2021, the bank aims to ensure the continuity of this system.

VakifBank's Headquarters building in Istanbul Finance Center has received the LEED Gold Certification. The project prioritizes efficiency in energy-consumption systems such as lighting and climate control, aiming for high performance in the building envelope. It achieves a 28% energy efficiency improvement according to the American Energy Efficiency Standard. The project incorporates both rainwater harvesting and gray water treatment systems. With the support of reclaimed gray water, the building achieves over 45% water savings in comparison to the use of potable water. During the construction of the building, a significant portion of the generated waste was sent for recycling and/or reuse, resulting in a substantial reduction in the amount of waste sent to landfills. VakifBank aims to minimize plastic usage across all its locations by implementing water purification systems in all branches, excluding affiliated branches, by 2023.

VakifBank has been participating in the Carbon Disclosure Project (CDP) since 2015 and have consistently disclosed its climate change strategy, governance, risk management, carbon emissions and targets with international investors and the public. VakifBank has also preserved our performance score of B at CDP Climate Change Program in 2022. In addition, by supporting CDP's Water Security Program, VakifBank released its first report in 2022, and achieved a score of B-. This was yet another step to manage water-related risks and raise awareness.

To minimize its carbon footprint, VakifBank monitors its environmental performance through an electronic database system and monthly data entries for the energy and water consumption as well as waste data for its all locations. VakifBank finalized the Zero Waste certification activities as part of the synonymous project being conducted by the Ministry of Environment, Urbanization, and Climate Change.

In 2020, VakifBank took new steps in line with our environment friendly banking goals. VakifBank became a carbon neutral organization by offsetting the excess of our greenhouse gas emissions in 2020 and 2021. In 2022, VakifBank again became a carbon-neutral bank by balancing the surplus Scope 1 and 2 GHG

emissions as verified with an ISO 14064 certification. In addition, VakıfBank joined I-REC, an international certification system demonstrating power generation based on renewables in 2022 and over this period, its electricity consumption was based fully on renewables (except electricity consumed in foreign operations).

To raise the awareness of its employees on energy efficiency and climate change both within and outside the Bank, it provides trainings on these issues. In 2021, VakıfBank provided its employees with 400 hours of in-class training, 3307 hours of online training on sustainability and 8144 hours of online training on the environment. The Bank delivered 36,029 hours of online sustainability courses and 8,261 hours of online environmental courses to employees in 2022. In addition, the Bank certified 1,450 employees as of the end of 2022 as part of our training courses under the ISO 9001 Quality Management System and ISO 14001 Environmental Management System. VakıfBank currently have at least one certified staff member at 920 branches. In 2022, The Bank assigned an E-ISO 14001 Environmental Management System course that 4,915 employees took. The Bank finalized the Zero Waste certification activities as part of the synonymous project being conducted by the Ministry of Environment, Urbanization, and Climate Change. 10,472 employees took the E-Zero Waste Training under the Zero Waste project.

2.4. Social

Human Capital

VakıfBank is invested in strengthening its human resources to develop new competencies in the financial sector, adapt to technological developments and respond to the changing expectations of customers. For example, the Bank respect equal opportunity and diversity in the workplace and is the first public institution in Türkiye to become a signatory to the United Nations Women Empowerment Principles (WEPs) which aims to achieve gender equality and empowerment of women. VakıfBank is also a signatory to the Declaration of Equality at Work, led by the Ministry of Family and Social Policies and prepared in cooperation with the World Economic Forum. VakıfBank has been included in Bloomberg Gender Equality Index since 2020.

In 2021, VakıfBank conducted a gender equality survey to hear the opinions and expectations of all employees, including top management, regarding gender equality, which is among the UN SDGs and holds significant importance on the global agenda. Based on the results of this survey, the bank launched its Gender Equality Program, engaging in various initiatives with relevant departments to enhance gender equality practices within the organization and raise awareness at all organizational levels. As a result of implementing the identified best practices, VakıfBank obtained the Escarus Advanced Level Gender Equality Program Certificate in 2022, scoring 87 out of 100. In this context, the Bank established its Gender Equality policy. To monitor equality, diversity, and inclusion issues and keep track of global and local best practices in this field, a "Gender Equality Working Group" was established under the Sustainability Committee. The Sustainability Committee has set a target for new hires, aiming for the proportion of female employees to be over 51%. The Bank provided training to all employees on gender equality and gender-based biases. It developed the "Management Skills Development Program" specifically for female/male employees who received promotions. The Bank has been researching and implementing breastfeeding facilities in branches and has already established breastfeeding rooms in seven branches that meet minimum standards. These efforts will continue in the future period. Under the Gender Equality Certification Program, the Bank created the Workplace Gender-Based Harassment and Violence Procedure and made it available to all employees through its intranet system. In case of any violations of the bank's procedure, necessary reports are made to the Ethics Hotline. The evaluation of these reports is conducted by the Ethics Committee. VakıfBank, being aware of the influence of language on thoughts and behaviors, has informed all employees about the VakıfBank Gender Dictionary, which aims to prevent discriminatory language in communication processes, through its intranet system, with a perspective of gender equality.

Our Employee Engagement Survey helps us measure employee engagement, satisfaction with their job, ways of doing business, and work-life balance, in addition to their perception of the Bank's brand, performance, remuneration, career, reward, and recognition systems.

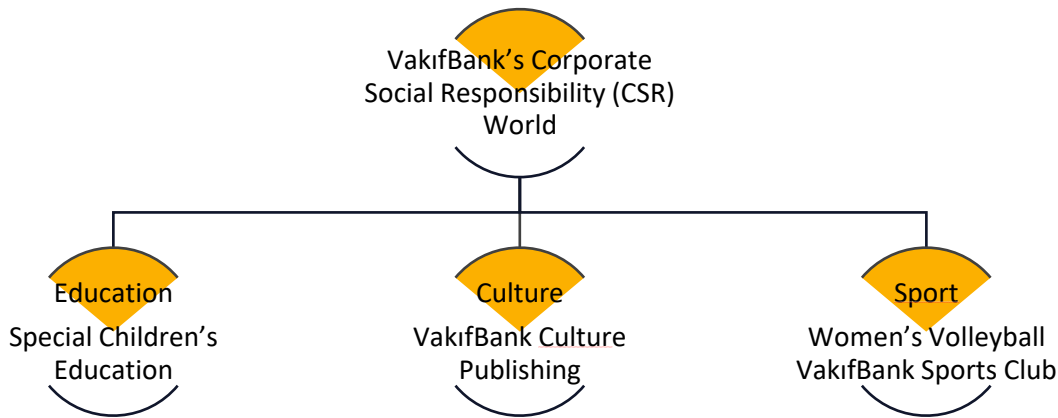
Customer Satisfaction

In order to respond to the changing needs of its customers, to increase transaction speeds and to ensure information security, VakıfBank sees the digital transformation and innovation issue as its strategic priority and integrates it into all its processes. In line with its strategy “widespread access to finance”, the Bank use technological power to enable disabled citizens to easily benefit from financial products and services with arrangements not only in branches or ATMs but also in digital channels. The Bank also provides its customers with a variety of communication platforms to resolve any suggestions, complaints and requests as soon as possible. Moreover, to raise awareness on social and environmental topics among its customers, the Bank donated 10,000 saplings for the "VakıfBank Private Banking Memorial Forest" through the cooperation with the TEMA Foundation.

Measuring customer satisfaction today is the driving force for preserving loyalty and the right decision-making in banking. The Bank analyze customer feedback through a survey system whereby the Customer Promoter Score is measured. In addition to the promoter score, the Bank aim to boost satisfaction and raise the number of contact points where an impeccable experience is offered by measuring the ease of transaction. Measuring their experience in real-time immediately after customers performed their transactions, the VakıfBank identify the pain points throughout their journeys and run projects that improve the process. This way, the Bank introduced 45 improvements in light of over 180,000 pieces of feedback received. The Bank continue to measure the differing experiences of customers from all cultures addressing thanks to surveys conducted both in English and Turkish.

Corporate Social Responsibility

Since its foundation, VakıfBank has played an important role in the socio-economic development in Türkiye with investments in the area of social responsibility, focusing on 3 main areas: Education, Culture and Sports.



1. **Education:** The Bank focuses on the development and education of special children, one of the most important tools of social development. In this context, it has undertaken the construction of a total of 54 mechatronics and mind games workshops within the Science and Art Education Centers (BİLSEM) and supported training of roughly 35,000 special-talented children in those workshops since 2017. The Bank undertake the construction of over 170 IT laboratories. Thanks to the new MoU we signed with the Ministry of National Education at the end of 2022, the Bank will keep providing future generations with innovative technologies at 15 new workshops. VakıfBank plan to reach 69 workshops while celebrating our 69th year in 2023.
2. **Culture:** In line with its goal of enriching and expanding the culture and art life at the national and then the universal level, the Bank has published over 190 books since 2018 to support the Türkiye's cultural heritage and offer qualified, valuable works of art to readers.
3. **Sports:** VakıfBank Sports Club, the longest-running social benefit project conducted by VakıfBank, is the most successful club in Türkiye that shows what a Turkish woman can achieve internationally today

and makes a significant contribution to the development of Turkish sport. VakıfBank Sports Club, with its volleyball schools and youth development investments, introduces young girls to sports and makes the club's success “sustainable” for 36 years. Over the past six years, the Bank have been there for more than three thousand girls through our sports schools. Owing to VakıfBank Volleyball School the Bank opened in Bosnia Herzegovina's Sarajevo in December 2018, the Bank have become the first club to have opened a volleyball school in Europe. The Bank have raised over 100 players for Turkish sports to date. VakıfBank will continue attaining many other accomplishments thanks to the players and sportspeople we have raised from our volleyball schools and youth development teams.

2.5. Environmental and Social Risk Management

Given VakıfBank's most significant sustainability impact is in terms of its lending activities, the Bank considers its responsibility to evaluate the Environmental and Social impacts of the projects which they finance and only finance projects that have a positive impact on the environment and society.

VakıfBank has created an Environmental and Social Risk Management Policy¹ which guides the Bank in carrying out its banking activities in accordance with the international sustainability standards. Implementation of the policy in lending processes is carried out by the relevant Head Office Units under the supervision of the Sustainability Committee. Pursuant to the Board of Directors decision taken by our Bank in 2022, the activity to be financed should not be included in the VakıfBank Unfinanced Activities List, should be within the scope of project loans, and if the loan amount is 20 million USD or above in accordance with IFC standards, an environmental and social risk assessment for the customer and the project should be done. As part of the policy, the Environmental and Social Impact Analysis Department was formed by VakıfBank in 2021 to evaluate the projects which the Bank finance through the Environmental and Social Risk Management System (ESMS).

The ESMS was established in December 2022 to assess the Environmental and Social (E&S) impacts of the Bank's project finance loans. Initially, VakıfBank aims to evaluate non-financial risks such as environmental, social, governance, and occupational health and safety for project financing loans of USD20 million and above, and the potential effects of these risks. In the future, the goal is to include the entire loan portfolio, excluding retail loans, in this risk analysis process, in addition to project finance loans. Further details of the ESMS tool are included in Section 3.2.1.

Physical risks related to temperature, irregular precipitation effects and exposure to water stress have been studied within the scope of optimistic (RCP 4.5) and pessimistic (RCP 8.5) scenarios through the data of the “Turkey Climate Risk Study” obtained from the General Directorate of Meteorology. WRI Aqueduct Water Risk Atlas was also used to support the studies. Monthly average precipitation change forecasts for the 2021-2030 and 2031-2040 periods; Based on the month with the highest precipitation irregularity, it was annualized on the basis of provinces and the risk level classification was carried out primarily on the basis of provinces and then Vakıfbank's service points.

Although it is seen that there are significant differences between the optimistic-pessimistic scenarios and the projected periods; It is seen that the scenario results for precipitation irregularities do not differ much on the basis of both periods and scenarios. This situation reveals that there is no increasing effect on precipitation amounts under adverse scenario conditions where temperature increases; on the contrary, the drought effect brought about by the temperature increase negatively affects the changes in precipitation amount. The outputs of the precipitation projections for the 2021-2030 and 2031-2040 periods show that 7 provinces across Turkey are exposed to irregular precipitation at high (200-300 kg/m²) or extremely high (>300 kg/m²) regardless of the temperature change scenarios. It is likely that Vakıfbank's operations carried out in 7 provinces will be affected by the outcome of this scenario.











In addition to the Environmental and Social Risk Management Policy, as of 2022, VakıfBank became the first Turkish Bank to apply a sustainability approach to expected credit loss provisions policies under TFRS 9

¹ [VakıfBank Environmental and Social Risk Policy](#)

(Turkish Financial Reporting Standards). Taking into account the transition risks of manufacturers who export to the EU countries in the cement, electricity, fertilizer, iron and steel, and aluminum sectors and are not able to switch to low-carbon production methods and technologies, the Bank has increased the expected credit loss provisions for these customers within the framework of TFRS 9 regulations, taking into consideration carbon taxes. Additionally, for customers covered by the Renewable Energy Support Mechanism (YEKDEM), which aims to support renewable energy production, the Bank has lowered the expected credit loss provisions within the framework of TFRS 9 regulations. This allows for the positive differentiation of customers supporting renewable energy production, considering the positive impact they have on the environment, and the Bank plans to continue ensuring their positive differentiation in all processes.

2.6. Sustainable Finance

VakıfBank supports the environmental and socioeconomic development for its customers in Türkiye and offers various types of sustainable loans aimed at achieving the UN SDGs:

Renewable Energy Loan	Wind, Solar, Geothermal, Biogas, Hydropower	
Low-carbon Auto Loan	Hybrid and electrical vehicles with less carbon emissions for retail customers	
Green Mortgage Loan	Aim to support the reduction of residential energy consumption and GHG emissions from the residential construction industry focusing on energy efficient houses with A and B Energy Performance Certificate, LEED Gold or above, BREEAM Very Good or above, ÇEDBİK Green Building certification and EDGE (Certified, Advanced and Zero Carbon)	 
Affordable Housing Loan	“My First Home” campaign under which low-cost, long maturity loans are provided to customers who are buying their first home. This campaign is designed for families who do not have a home with interest rate way below standard mortgage loans and maturity of up to 15 years instead of 10 years in standard mortgage loans	 
Women Business Loan	For a business that is managed or owned by women (having less than 250 employees) and completed the year with a profit	
MSME Loan	Loans provided to MSMEs with less than ten employees in all regions and SME loans in underdeveloped regions	
Disaster Relief Loans (e.g. Earthquake)	Loans allocated to retail and commercial customers whose businesses are disrupted due to natural disasters	 

Clean Transportation Project finance loans allocated to electrified train and metro construction



VakıfBank is taking strategic steps in the field of sustainable banking, which is one of the priority areas for enhancing Türkiye's access to international finance for green transformation. These steps aim to diversify its funding structure through sustainable finance transactions.

In December 2020, VakıfBank issued the first Sustainable Eurobond for USD 750 million, and in September 2021, the Bank issued the second sustainable Eurobond amounting USD 500 million. In April 2021, the Bank's first Sustainable syndicated loan, amounting USD 1.1 billion was signed. In November 2021, the Bank renewed its second syndicated loan based on sustainable performance criteria amounting USD 650 million. Thus, VakıfBank converted all of our syndicated loans into "Sustainable Syndicated" loans.

In 2021, VakıfBank cemented its pioneering and innovative role in this field by securing a new sustainability-themed resource amounting to EUR 200 million with a maturity of 4 years in December. The Bank have committed to reducing carbon emissions, maintaining a high rate of female employees, and participating in the CDP Water Program with this transaction under the theme of sustainability.

As the bank with the most sustainability-themed sources in its funding structure, in November 2022, VakıfBank renewed its syndication loan worth USD 560.3 million with the highest ratio among commercial banks. An overview of 2022 shows that VakıfBank renewed all its syndication loans, worth USD 1.5 billion in total, with the highest ratio of 97%. The key performance criteria for the Bank's second sustainable syndication loan of the year aim to minimize the use of plastics at all bank locations through the implementation of water purification systems in all branches of the Bank. The other performance criteria under the loan is a 2% annual reduction in total Scope 1 and 2 GHG emissions.

In December 2022, VakıfBank completed a new secured funding transaction from abroad based on sustainability criteria, amounting EUR 400 million. The transaction with 2-year maturity is prominent as being the largest amount of secured funding agreement among Turkish banks.

2.7. Sustainability Governance

VakıfBank established a Sustainability Committee in 2021 which is the key decision maker on the Bank's sustainability strategy and policies and responsible for integrating sustainability into the decision-making processes and management of sustainability at VakıfBank. The Committee is supported by a Sub-committee which is responsible for establishing sustainability strategies and policies in economic, social and environmental areas as well as monitoring performance by integrating the strategies and policies into the Bank's operations. The Sustainability Sub-committee is supported by 3 functions: Sustainability Service (Investor Relations), Environmental and Social Risk Impact Analysis and Environmental Management Service (Support Services). The Sustainability Committee meets at least twice a year and has following key activities:

- Determine the Bank's sustainability strategy and policies
- Determine the Bank's sustainability goals and developing action plans in line with these goals and coordinating the sustainability activities in the Bank
- Monitoring the works in the field of sustainability and strengthening the sustainability performance of the Bank
- Integrating sustainability into all business processes of the Bank
- Resolving the important issues discussed and conveyed by the Sustainability Sub-committee

- Making suggestions to perform the necessary organizational changes in order to carry out the Bank's sustainability activities effectively and efficiently
- Reviewing and preparing sustainability reports of the Bank and submitting them to the Board of Directors for approval
- Ensuring that climate change-related risks and opportunities are identified, prioritized and managed
- Following the national and international regulations on both environmental and social risks, which are important in the lending process of the Bank
- Make recommendations on the initiatives that the Bank could join and support in the field of sustainability

Sustainability Committee
General Manager (Head of Committee)
1 Independent Board Member
8 Executive Vice President
Head of International Banking and Investor Relations
Head of Strategy and Planning
Head of Risk Management
Head of Support Services
Head of Featured Loans Management
Sustainability Sub-committee
Head of International Banking and Investor Relations
Head of Corporate Communications
Head of Corporate Development, Performance Management and Academy
Head of Featured Loans Management
Head of Commercial Banking Marketing
Head of SME Banking Marketing
Head of Retail Banking Marketing
Head of Individual Banking Marketing
Head of General Accounting and Financial Operations
Head of Support Services
Head of Strategy and Planning
Head of Risk Management
Head of Human Resources

Sustainability Service (Investor Relations)	Environmental Management Service (Support Services)	Environmental and Social Impact Analysis Department
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2.8. Corporate Governance

To create sustainable value and act in the interests of stakeholders, the Bank conducts its activities in compliance with the Corporate Governance Principles in order to protect all stakeholders by the principles of equality, transparency, accountability and responsibility. Along with the financial risks that affect or may affect the Bank; non-financial risks, such as reputational and environmental risks are also monitored and managed through internal control systems in line with national legislation and international regulations. In addition to being against all kinds of bribery and corruption and laundering of criminal proceeds and terrorism financing, the Bank complies with the relevant laws, regulations as well as ethical principles. Concerning

corporate governance, all the Bank's policies and documents are disclosed under the Investor Relations division of the corporate website.

VakıfBank's Board of Directors consists of 9 members in total, including the Chairman, Deputy Chairman, General Manager and 6 members, and 3 of them are independent members in accordance with the Corporate Governance Principles. The Board of Directors consists of non-executive members, except the General Manager, and the duties of the General Manager and the Chairman are carried out by different people. The following management committees have been formed:

- Board of Directors
- Credit Committee
- Audit Committee
- Corporate Governance Committee
- Remuneration Committee
- Asset and Liability Management Committee
- Ethical Principles and Ethics Commission

2.9. Sustainability Milestones

The Bank was included in the BIST Sustainability Index as the only public bank among 15 companies. Since then, the Bank has been taking important steps to strengthen its sustainable banking identity.

- Since 2014, the Bank has maintained its strong position on the BIST Sustainability Index
- Since 2015, the Bank has been reporting its climate change strategy, risks and performance to the Carbon Disclosure Project (CDP). In 2019, the Bank kept its performance score at the "B" level in CDP and became one of the participant banks from Türkiye who obtained the highest grade
- In 2015, the Bank published its first sustainability report and continued to publish this report annually until 2019
- In 2016, the Bank received the Türkiye Sustainable Energy Financing Program (TurSEFF) Leading Bank in Energy Financing award
- Since 2017, the Bank has been listed on the FTSE4GOOD Emerging Index, thus moving its sustainable banking identity to international platforms
- In 2017, within the scope of its customer and quality-oriented growth strategy, the Bank completed the installation of an ISO 9001:2015 Quality Management System
- Initiated in 2017, an ISO 14001 Environmental Management System has been gradually installed in the Bank's locations. Currently, the number of locations who are certified stands at 522+1 (Head Office)
- In 2017, the Bank extended the first Energy Service Company (ESCO) fund under the World Bank SME Energy Efficiency Loan Program
- In 2017, the Bank added categories of "Environmental and Social Impact Assessment" and "Sustainability" to the Bank's lending policy
- In 2018, the Bank was the first bank in Türkiye to obtain the OHSAS 18001 Occupational Health and Safety Management System Certificate, the standards for which provide employees with a safe and healthy work environment with international standards beyond the legal requirements
- In 2019, the Bank became the first state-owned bank in Türkiye to commit to reduce carbon emissions by participating in the Science Based Targets Initiative
- In 2019, to align our strategy with the UN Sustainable Development Goals, the Bank became a signatory to the United Nations Global Compact (UNGC)

- In 2019, the Bank became the first public institution in Türkiye to sign the UN Women's Empowerment Principles (UN WEPs)
- In 2019, to further strengthen our sustainable banking identity on global platforms, the Bank voluntarily participated in the Dow Jones Sustainability Index survey
- In 2019, the Bank launched its R&D Center to integrate digital transformation into all our processes in order to respond to the changing needs of our customers, to increase transaction speeds and to ensure information security
- In 2019, the Bank established “VakıfBank Farmers Academy” to increase the technical knowledge of farmers, reduce costs in agricultural production, increase productivity and contribute to sustainability in agriculture
- In 2019, as a first step of digital transformation, the Bank started to implement a new concept in its pilot branch to simplify in-branch transaction processes
- In 2019, reflecting the Bank’s aim to maximize the service quality and customer experience through its Call Center, the Bank received ISO 18295-1 Customer Contact Centers Standard Certificate
- In 2019, the Bank completed systematic records of all its branches within the scope of zero waste
- In 2019, the Bank provided financial support of over TL 1.3 billion to 37 renewable energy projects
- In 2019, the Bank obtained a Silver Award in the Galaxy Awards by Mercomm for the Bank’s 2018 Sustainability Report
- In 2019, the Bank started to work on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the funds we provide from the French Development Agency (AFD)
- In 2019, the Bank established the Ethics Commission in order to increase ethical awareness
- In 2020, to demonstrate our approach to gender equality, the Bank responded to the Bloomberg GEI (Bloomberg Gender Equality Index). In just the first year of its reporting, the Bank was one of only two banks in Türkiye selected for the 2020 Bloomberg Gender-Equality Index
- In 2020, the Bank published its first integrated annual report in line with the International Integrated Reporting Framework (<IR>) guidelines. With this report, the Bank has taken its place in the world among a few state-owned banks as well as being one of the few banks in Türkiye.
- In 2020, the Bank purchased 55,000 Verified Carbon Units generated from clean energy sources and became a carbon neutral company by offsetting more than all of our greenhouse gas emissions calculated for 2019, thus taking a pioneering step in this regard.
- In 2020, the Bank received the ISO 45001 certificate and succeeded in becoming the first bank to establish the Integrated Management System (ISO 9001-ISO 14001-ISO 45001) in Türkiye.
- In 2020, the Bank broke one more ground by triumphantly completing the first ‘Sustainable Eurobond’ issued by deposit banks.
- In 2021, the Bank joined among the supporters of Task Force on Climate-related Financial Disclosures (TCFD).
- In 2021, the Bank obtained the first sustainable syndicated loan transaction in the Bank’s history.
- In 2022, the Bank launched its Environmental and Social Risk Management System tool to evaluate project finance loans.
- In 2022, the Bank became the first bank to adopt a sustainability approach for expected credit loss provisions under TFRS9. Bank increased the expected credit loss provisions for customers operating in the cement, electricity, fertilizer, steel & iron, and aluminium sectors under TFRS9. The Bank also lowered the expected credit losses reserved for customers falling into the scope of YEKDEM (Renewable Energy Resources Support Mechanism) established to promote the generation of renewables.

- In 2022, the Bank reported to CDP Water Security program for the first time and its performance score is at “B-“ level.
- In 2023, VakıfBank became the first bank to receive the LEED Gold certification in the Istanbul Financial Center (IFC) with its new building. In 2023, VakıfBank became the first Turkish Bank to establish SBTi validated targets and launch a Climate Transition Plan.

3. VakıfBank's Sustainable Finance Framework

In order to meet the commitments described above and finance projects that will deliver positive environmental and social benefits to support VakıfBank's business strategy and vision, VakıfBank created its debut Sustainable Finance Framework ("Framework") in 2020 which has been updated in 2023.

VakıfBank has established this Framework under which the Bank can issue Green, Social and Sustainability Bonds and Loans (collectively "Sustainable Financing Instruments").

The Framework is aligned with the following principles:

- International Capital Market Association ("ICMA") Green Bond Principles ("GBP") 2021 (with June 2022 Appendix)²
- International Capital Market Association ("ICMA") Social Bond Principles ("SBP") 2023³
- International Capital Market Association ("ICMA") Sustainability Bond Guidelines ("SBG") 2021⁴
- Loan Market Association ("LMA") Green Loan Principles ("GLP") 2023⁵
- Loan Market Association ("LMA") Social Loan Principles ("SLP") 2023⁶

The Framework is structured according to the following 4 components of the above principles as well as the recommendation regarding External Review.

- a) Use of Proceeds
- b) Process for Project Evaluation and Selection
- c) Management of Proceeds
- d) Reporting

² [ICMA GBP 2021](#)

³ [ICMA SBP 2023](#)

⁴ [ICMA SBG 2021](#)

⁵ [LMA GLP 2023](#)

⁶ [LMA SLP 2023](#)

3.1. Use of Proceeds

VakifBank will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework towards financing and/or refinancing, in whole or in part, new and/or existing eligible green and/or social loans (collectively “Eligible loans”) which meet the respective green and social eligibility criteria as described below.


Eligible loans may be financed directly by VakifBank or indirectly via its 100% wholly owned subsidiaries which are fully consolidated in VakifBank’s financial statements.

Eligible loans can include general purpose financing for a pure play company which derives 90% or more revenue from assets aligned with the eligibility criteria below.

Eligible loans will exclude refinancing of any loans previously financed by other stakeholders such as Multilateral Development Banks to avoid double counting of environmental or social impact.

Eligible loans are limited to those that are financed up to 36 months prior to the issuance of Sustainable Financing instruments.

3.1.1. Eligible Green Use of Proceeds Categories

Category (GBP)	Eligibility Criteria and Projects	UN SDG
Environmental Objective: Climate Change Mitigation		
Renewable Energy	<p>Financing and/or refinancing of the development, construction and maintenance of renewable energy plants as well as the manufacturing of related components and infrastructure:</p> <ul style="list-style-type: none"> • Onshore and offshore wind • Solar Energy (Photovoltaic, Concentrated Solar Power with a minimum of 85% power generation derived from Solar sources) • Geothermal with direct GHG emissions below 100gCO₂e/kWh • Biomass and Biogas with 80% GHG emissions reduction compared to fossil fuels, and derived from sustainable feedstock (e.g. agricultural residues or forestry residues) or waste sources that do not compete with food sources or deplete existing terrestrial carbon pools • Hydropower⁷ which meets any of the criteria below: <ul style="list-style-type: none"> – Lifecycle GHG emissions below 100gCO₂e/kWh for hydropower plants in operation before 31 December 2019 and below 50gCO₂e/kWh for hydropower plants in operation after 31 December 2019 – Power density greater than 5W/m² for hydropower plants in operation before 31 December 2019 and 10W/m² for hydropower plants in operation after 31 December 2019 – Electricity generation facility is a run of river plant and does not have an artificial reservoir 	

⁷ Hydropower plants larger than 25MW are excluded.

- Green hydrogen or green ammonia limited to the production of hydrogen using electrolysis limited to:
 - Lifecycle GHG emissions intensity at or below 3tCO₂e/tH₂; or
 - Powered entirely with 100% renewable energy

Green Buildings

Financing and/or refinancing of the construction or acquisition of new or existing commercial or residential buildings which are compliant with at least 1 of the following green building standards:



- LEED Gold or above
- BREEAM Excellent or above
- BEP-TR “B” or above energy label provided by the energy performance certificate issued in accordance with the related Turkish regulation
- ÇEDBİK Green Building certification
- EDGE (Certified, Advanced and Zero Carbon)

Renovation of existing commercial or residential buildings which lead to an improvement in energy efficiency by at least 30% or enable the building to achieve at least 1 of the above standards

Clean Transportation

Financing and/or refinancing of the production, purchase, R&D activities, development or maintenance of low-carbon vehicles and related infrastructure:



- Passenger, light commercial⁸ and freight vehicles⁹ with zero tailpipe emissions
- Public transportation with zero tailpipe emissions such as electric trains and metro, including expansion of train/metro networks
- Transportation infrastructure for vehicles with zero tailpipe emissions or non-motorsied forms of transport such as charging stations for electric vehicles and construction of bicycle paths

Energy Efficiency

Financing and/or refinancing of facilities to improve energy efficiency:



- Installation of specific energy efficient equipment or appliances rated in the highest two classes of the national energy efficiency label in Türkiye¹⁰ or to increase operational energy efficiency by at least 30% (excludes the financing or

⁸ Passenger vehicles and light commercial vehicles with direct emissions below 50gCO₂e/p-km until 31 December 2025 and 0gCO₂e/p-km after.

⁹ Freight vehicles with direct emissions below 25gCO₂e/t-km until 31 December 2025 and 0gCO₂e/p-km after.

¹⁰ Within the scope of the [Turkish National Energy Labelling Framework regulation \(Annex 1\)](#), the top two energy labels are A and B. Any changes in the Turkish National Energy Labelling Framework will be reflected accordingly.

refinancing of projects or technologies that are carbon intensive, or primarily driven by fossil fuels)

Environmental Objective: Pollution Prevention and Control

Pollution Prevention and Control

Financing and/or refinancing of facilities to reduce pollution:

- Waste prevention, waste reduction and waste recycling facilities (exclude landfill, incineration and hazardous waste)
- Measures and technologies to reduce air pollution
- Construction, operation, maintenance of Waste-to-Energy facilities for the generation of electricity and/or heat subject to:
 - Lifecycle GHG emissions of the energy produced is below 100gCO₂e/kWh
 - In accordance with the national waste management hierarchy



Environmental Objective: Sustainable Use and Protection of Water and Marine Resources


Sustainable Water and Wastewater Management

Financing and/or refinancing of projects to improve water usage efficiency, promote water recycling and reuse:

- Wastewater treatment infrastructure
- Rainwater harvesting systems
- Energy efficient water irrigation systems



3.1.2. Eligible Social Use of Proceeds Categories

Category (SBP)	Eligibility Criteria and Projects	UN SDG
Social Objective: Access to Adequate Living Standards		
Affordable Housing	Financing and/or refinancing of the development, construction, refurbishment, operation and maintenance of affordable or social housing: <ul style="list-style-type: none"> • Shelters, halfway homes (e.g. dormitories), community housing (e.g. dormitories, shelters for natural disaster¹¹ victims) or social housing projects • Affordable housing programmes targeting low and middle-income individuals to own their first home, such as the Yeni Evim (My First Home) housing loan¹² 	

Affordable Housing

Financing and/or refinancing of the development, construction, refurbishment, operation and maintenance of affordable or social housing:

- Shelters, halfway homes (e.g. dormitories), community housing (e.g. dormitories, shelters for natural disaster¹¹ victims) or social housing projects
- Affordable housing programmes targeting low and middle-income individuals to own their first home, such as the Yeni Evim (My First Home) housing loan¹²



¹¹ These include areas declared as Disaster Areas affecting General Life or Most Affected Provinces in Disaster by the Disaster and Emergency Management Authority (AFAD) as well as Disaster Housing designated under [TOKİ](#).

¹² [Yeni Evim housing loan](#)

Target Population: Beneficiaries eligible for social housing and affordable housing programmes as defined by the Turkish national legislation

Social Objective: Decent Work and Economic Growth

Employment Generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance

Financing and/or refinancing of Micro, Small and Medium Enterprises (MSMEs) defined by KOSGEB¹³ to generate employment and/or alleviate unemployment:



- MSMEs in the natural disaster¹⁴ area (such as earthquake, floods, etc. areas confirmed by the government) to alleviate unemployment caused by the natural disaster
- MSMEs which need to reconstruct or refurbish their office buildings or support employment due to the natural disaster¹⁴ (such as earthquake, floods etc.) or health pandemic (such as but not limited to COVID-19)
- MSMEs based in the economically disadvantaged areas of Türkiye (stages 3, 4, 5 and 6 as defined by the Türkiye Socio-Economic Development Ranking Survey¹⁵ published by the Ministry of Industry and Technology)
- MSMEs owned by women (at least 51%)
- MSMEs owned by youths (up to 29 years old as defined by the Turkish national legislation)

Target Population: MSMEs, women, youths

Social Objective: Food Security and Sustainable Food Systems

Food Security and Sustainable Food Systems

Financing and/or refinancing of projects to enhance access to safe, nutritious, sufficient food and ensure sustainable food production systems:



- Development of rural area for agriculture production by smallholder farmers or MSMEs defined by KOSGEB in the agriculture sector
- Farming equipment for smallholder farmers

Exclude any farming activities related to livestock production or cattle breeding.

Target Population: Smallholder farmers¹⁶, MSMEs

¹³ [KOSGEB definition for Micro and SME in Türkiye](#)

¹⁴ These include areas declared as Disaster Areas affecting General Life or Most Affected Provinces in Disaster by the Disaster and Emergency Management Authority (AFAD) as well as Disaster Housing designated under [TOKİ](#).

¹⁵ [Socio-Economic Development Ranking Surveys \(SEGE\)](#)

¹⁶ Smallholder farmers are defined as farmers who manage areas of up to 10 hectares or have an Agricultural Gross Income of below USD30,000 in accordance with VakıfBank's internal management system.

Social Objective: Access to Essential Services

Access to essential services (healthcare, education, disaster relief)

Financing and/or refinancing of projects to expand access to public, free, subsidized or non-profit healthcare and education services as well as the related infrastructure:



- Construction, maintenance or refurbishment of hospitals, clinics, healthcare centers, childcare facilities, elderly care centers, residential care centers or other social service centers for vulnerable groups (e.g. nursing homes, rehabilitation centers)
- Construction, maintenance or refurbishment of laboratories or research facilities focusing on medicines or vaccines which are accessible for all regardless of ability to pay
- Construction, maintenance or refurbishment of schools, universities, kindergartens or vocational training facilities and development of related education services and programs

Financing and/or refinancing of loans to expand access to basic needs, services and infrastructure in the impacted cities or provinces during a disaster¹⁷ relief:

- Financial support for the reconstruction of basic infrastructure (e.g. housing, electricity transmission network, water distribution network, buildings) in areas destroyed by natural disasters
- Financial support for retail and commercial activities disrupted by health pandemics or natural disasters

Target Population: General Public

3.1.3. Exclusion List:

- VakıfBank's Unfinanced Activities List¹⁸
- Payday loans
- Adult entertainment
- Manufacture and production of alcoholic beverages
- Any activity or technology associated with the extraction, production, refining, transmission and distribution of fossil fuels
- Lethal defense goods
- Gambling
- Military contracting

¹⁷ These include areas declared as Disaster Areas affecting General Life or Most Affected Provinces in Disaster by the Disaster and Emergency Management Authority (AFAD) as well as Disaster Housing designated under [TOKİ](#).

¹⁸ [VakıfBank Unfinanced Activities List](#)

- Nuclear power generation
- Manufacture and production of tobacco products
- Child labour or forced labour

3.2. Process for Project Evaluation and Selection

VakifBank's **Sustainability Committee** is responsible for establishing sustainability strategies and policies in economic, social and environmental fields.

The integration into decision-making processes and management of sustainability is the responsibility of the **Sustainability Committee**, which is the highest-level decision-making and responsible authority at the Bank.

The **Sustainability Sub-Committee** is responsible for establishing sustainability strategies and policies in economic, social and environmental fields, as well as monitoring performance by integrating these strategies and policies into the Bank's operations. Sustainability Service within the body of Investor Relations Department, Environmental Management Service within the body of Support Services Department and Environmental and Social Impact Analysis Department are other structures that support sustainability efforts.

The **Sustainability Sub-Committee** will:

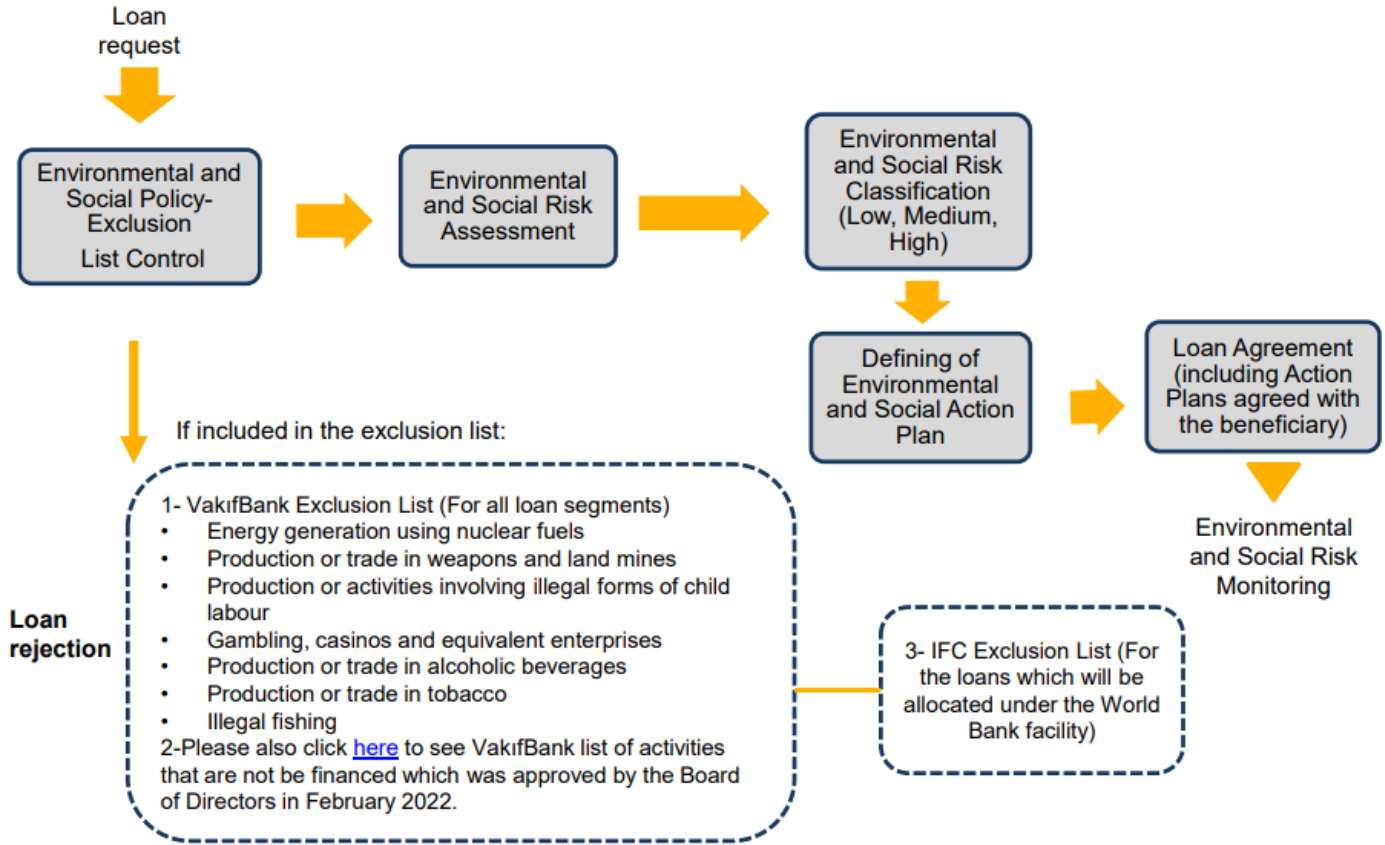
- Meet at least two times each year, endeavored to be distributed evenly throughout the year
- Ratify eligible business and projects, which are initially proposed by local banking teams
- Undertake regular monitoring of the asset pool to ensure the eligibility of businesses and projects, whilst replacing any ineligible businesses and projects with eligible new green and/or social assets
- Verify compliance of the green/social projects with VakifBank's CSR policy and internal environmental and social standards
- Facilitate regular reporting on any Green, Social or Sustainable issuance in alignment with the section 3.4 on 'Reporting'
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Green and Social Projects will follow the Bank's existing credit/loan/investment approval processes

To qualify as Eligible Projects for financing and/or refinancing using the net proceeds of the Sustainable Financing Instruments under this Framework, all financing to eligible activities must:

- a) Be aligned with this Framework;
- b) Be aligned with the Credit Policy Document of the Corporate Loans Department;
- c) Be evaluated by the ESMS tool
- d) Not be a loan refinanced by third parties;
- e) Not be a non-performing loan; and
- f) Not be an uncommitted transaction

3.2.1. Environmental and Social Risk Management

The **Sustainability Committee** will assess any known material risks of negative environmental and social impacts to ensure that while an environmental and/or social objective is achieved, it will not negatively impact other material environmental and/or social objectives. This is carried out through VakifBank's ESMS tool which is guided by VakifBank's Environmental and Social Risk Management Policy. The ESMS was established in December 2022 to assess the Environmental and Social (E&S) impacts of the Bank's project finance loans of USD20 million and above. In the future, the goal is to include the entire loan portfolio, excluding retail loans.



1. Loans above USD20 million are screened against VakifBank's Unfinanced Activities List (UAL) and an additional undertaking is obtained from the customer that he/she does not finance the activities included in the Unfinanced Activities List. If the activity is included in the UAL¹⁹ List, a loan offer cannot be made
2. Loans which are not rejected will be audited through VakifBank Environmental & Social Impact Assessment Tool to determine the category risk of the customer and the project that is planned to be financed
3. As a result of the risk assessment, the projects into the following risk categories A (High), B (Medium High), B- (Medium-Low) or C (Low)
4. For risk category A projects, a detailed Environmental and Social due diligence and/or additional studies may be required for further assessment
5. As a result of the evaluation of the risk category, the Environmental and Social Action Plan is defined and put into practice. Monitoring may continue during the operation period as well as the investment (construction) period if necessary. If non-compliance and/or an additional measure to be taken are detected within the scope of monitoring activities, the customer is requested to fulfill the agreed obligations under the terms of the contract. The items in the Action Plan will be followed up throughout the loan term, and the efforts to eliminate the identified deficiencies will be regularly reported by VakifBank.

¹⁹ [VakifBank's Unfinanced Activities List](#)

Risk Category	Action Plan
A	It is monitored by an independent Environmental and Social Consultant at least once a year in accordance with the Environmental and Social Monitoring program and site visits can be made when deemed necessary.
B	It is monitored by the Process Specialist at least once a year in accordance with the Environmental and Social monitoring program or by an independent Environmental and Social Consultant when deemed necessary and site visits can be made when deemed necessary.
B-	It is monitored by the Process Specialist once a year in accordance with the Environmental and Social Monitoring Program.
C	No Environmental and Social Monitoring required.

3.3. Management of Proceeds

The net proceeds of any VakıfBank bond issuance or loan under this Framework will be managed on a portfolio approach by the Sustainability Committee and would be allocated as follows:

- Green Bonds / Loans to the Eligible Green Portfolio
- Social Bonds / Loans to the Eligible Social Portfolio
- Sustainability Bonds / Loans to the Eligible Green Portfolio and/or Eligible Social Portfolio

VakıfBank will maintain an eligible portfolio that at least matches or exceeds the net proceeds from its outstanding bonds or loans issued under this Framework.

VakıfBank will commit to, on a best-effort basis, allocate the net proceeds from the Sustainable Financing Instruments to eligible loans within 24 months from issuance date of the instruments.

During the life of the Sustainable Financing Instruments issued under this Framework, if a business or project ceases to fulfil the eligibility criteria, VakıfBank will remove the same from the portfolio upon becoming aware of such ineligibility and replace it with another eligible green / social project as soon as reasonably practicable.

The balance of the tracked proceeds should be adjusted on a bi-annual basis in order to match the allocation to Eligible Projects re/financed during this period.

For any net proceeds of Sustainable Financing Instruments issued under this Framework that remain unallocated, VakıfBank will hold the proceeds in cash and/or invest in other short-term liquid instruments.

VakıfBank will establish a Sustainability Financing Register to track the relevant information for each such issuance. The register will be reviewed bi-annually.

3.4. Reporting

VakıfBank intends to issue reports in English on the allocation of the net proceeds of Sustainable Financing Instruments to the Eligible Green and Social Portfolio (each, an “Allocation Report”). Reporting with respect to each Sustainable Financing Instrument will take place: (a) within 12 months following the funding date of such Sustainable Financing Instrument and (b) if the net proceeds thereof have not been allocated by the time of such first report, for each following 12 month period until the full initial allocation of the net proceeds of such bond or loan (with a final such report being published after such initial allocation has been completed). Furthermore, additional reports are intended to be published on a timely basis in case of material developments.

Wherever feasible, VakıfBank may report on the aggregated impact of the Eligible Green and Social Portfolio on a category level. VakıfBank will align, on a best efforts basis, the reporting with the portfolio approach described in ICMA's Harmonized Framework for Impact Reporting (June 2023)²⁰.

The Allocation Reports and other reports described in this section above may be found on our website <https://www.VakifBank.com.tr/sustainable-finance.aspx?pageID=3907>.

3.4.1. Allocation reporting

The Allocation Reports for each Sustainable Financing Instrument will provide information such as:

- The amount or percentage of allocation to the Eligible Green and Social Portfolio from the proceeds of such Sustainable Financing Instrument;
- Examples of projects being financed (subject to confidentiality considerations) from the proceeds of such Sustainable Financing Instrument;
- The amount of the proceeds of such Sustainable Financing Instrument as allocated by Project Category,
- The geographic distribution of businesses and projects being funded from the proceeds of such Sustainable Financing Instrument;
- The portion of the proceeds of such Sustainable Financing Instrument used for new financing vs. refinancing; and
- The balance of the unallocated proceeds of such Sustainable Financing Instrument.

3.4.2. Impact reporting

Within each Allocation Report, VakıfBank intends to include a discussion on the impact of the portfolio funded by the applicable Sustainable Financing Instrument by category from a social and environmental perspective, subject to the availability of information and baseline data and based on methodologies that will be publicly available.

Examples of indicators and Metrics:

Eligible Green/ Social Projects Categories	Examples of impact indicators
Renewable Energy	<ul style="list-style-type: none"> • Expected annual renewable energy generation (MWh/y) • Reduced and/or avoided GHG emissions (in t. CO_{2e} /year)
Green Buildings	<ul style="list-style-type: none"> • Level of certification • Reduced and/or avoided GHG emissions (in t. CO_{2e} /year) • Energy savings (MWh or %)
Clean Transportation	<ul style="list-style-type: none"> • Reduced and/or avoided GHG emissions (in t. CO_{2e} /year) • Quantum of loans
Pollution Prevention and Control	<ul style="list-style-type: none"> • Annual absolute (gross) amount of waste that is separated and/or collected, and treated and recycled

²⁰ [ICMA Harmonized Framework for Impact Reporting](#)

Eligible Green/ Social Projects Categories	Examples of impact indicators
Affordable Housing	<ul style="list-style-type: none"> • Number of people with access to safe, affordable, and sustainable housing
Employment Generation	<ul style="list-style-type: none"> • Quantum of loans • Number of MSMEs • Number of new jobs created • Number of beneficiaries
Food Security	<ul style="list-style-type: none"> • Quantum of loans • Number of smallholder farmers • Number of MSMEs
Access to Essential Services	<ul style="list-style-type: none"> • Quantum of loans • Number of beneficiaries

4. External Review

4.1. Second Party Opinion

The Framework is supported by a Second Party Opinion (SPO) by Sustainalytics. The Second-Party Opinion ensures that this Framework is aligned to the GBP, SBP, SBG, GLP and SLP.

4.2. Annual review

In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, VakifBank intends to engage a third party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework's criteria.

5. Amendments to this Framework

The Sustainability Committee will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of VakifBank and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

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