

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Türkiye Vakıflar Bankası T.A.O. (“VakıfBank” or “the Bank”) in their explanations regarding environmental, social, corporate governance (ESG) activities, adopts the general, environmental, social and corporate principles of the Sustainability Principles Compliance Framework, implemented with the Communiqué Amending the Corporate Governance Communiqué numbered II.17.1 of the Capital Markets Board published in the Official Gazette on October 2, 2020, and pays maximum attention to its implementation. Detailed explanations on the applications of the Sustainability Principles are included in the relevant sections below.

SECTION 1 - GENERAL PRINCIPLES

1.1. Strategy, Policy, and Goals

VakıfBank has formed the necessary policies in line with the Corporate Governance Principles and Sustainability Principles in line with the Bank’s strategy and relevant legislation. In this context, the Bank’s Information Policy, Ethical Principles Policy, Profit Distribution Policy, Anti-Bribery and Anti-Corruption Policy, MASAK Compliance Policy, Donation and Aid Policy, Human Rights and Employee Rights Policy, Occupational Health and Safety Policy, Remuneration Policy, Indemnity Policy, Information on the Environmental Policy, Sustainability Policy, Customer Satisfaction Policy, Supplier Selection and Compliance Policy, and Equal Opportunity is available on the Bank’s website.

Under the principle of “Sustainable development may only be possible with a sustainable environment,” VakıfBank’s commitments to minimize the impacts of their activities and ensure sustainable and innovative development in all areas related to the environment are as follows.

1. It aims to follow national and international practices in sustainability and contribute to the process with its procedures.
2. It develops environmental and social risk processes to minimize the adverse effects of credit and investment activities thanks to the business model that aims to grow in an integrated manner with the sustainability approach while carrying out its activities.

3. Adopts an understanding based on sharing the long-term values it creates with the principles of accountability and transparency, fairly with shareholders, customers, employees, and other stakeholders.
4. In order to successfully integrate the management system into environmental, social, and governance issues that it has developed in line with its sustainable development goals, to its long-term value creation goals for all its stakeholders, the Bank acts following the belief in cooperation in identifying good practices and product examples and taking advantage of new opportunities.
5. It plays an active role in the transition to a low carbon economy, one of the principles of sustainable development, and sets targets to reduce greenhouse gas emissions from its activities.
6. The Bank also aims to minimize the indirect environmental impacts from its activities with its loans to energy-saving and renewable energy projects.
7. As a part of its sustainable banking approach, it aims to be a pioneer in this field by accessing sustainable finance in national and international areas.
8. It aims to create a modern work environment where human rights are respected, social justice is ensured, and work rights are continuously improved. By spreading this perception, it aims to increase the awareness and awareness of employees, customers, and all other sustainability stakeholders.
9. Under the Bank’s Ethical Principles, the Bank rejects all kinds of discrimination between individuals based on language, religion, race, gender, philosophical belief, sect, and similar reasons and takes precautions against any acts that will lead to its violation. It accepts the diversity of its employees as the most critical element of human capital.
10. It aims to contribute to its employees’ success with a fair rewarding and performance system and works to provide a working environment compatible with its ethical values and strategic goals.

11. Organizes continuous training to increase employee awareness regarding integrating and internalizing the corporate culture’s sustainability approach.
12. While creating a healthy work environment for its employees respects the constitutional right of unionization and collective bargaining and pays attention to this right’s widespread use.
13. To ensure more effective management of information security in line with international standards throughout the Bank, it closely monitors innovations and developments in information security and continuously improves its processes.
14. Adopts medium and long-term strategies that protect customers and all other stakeholders’ interests by placing the sustainable banking approach at the center of its business strategies.
15. It aims to work closely with its suppliers to benefit from its suppliers’ environment-friendly products and services and spread sustainability to the supply chain.
16. It acts equitably, honestly, and impartially in selecting suppliers and carries out purchasing and procurement transactions by considering the professionalism, the quality of the product, and the quality of the service.
17. It aims to integrate all areas by carrying out all sustainability activities in harmony with the corporate culture.

The Bank’s medium and long-term goals, created according to the partnership strategy in line with the ESG policies, risks, and opportunities, are included in VakıfBank under Integrated Thinking in our Bank’s Integrated Report.

1.2. Implementation / Monitoring

The Bank’s corporate governance committees continue their duties within the framework of the working principles specified in the Bank’s Articles of Association, and information about the committees is available on the Bank’s website at the link <https://www.vakifbank.com.tr/committees.aspx?pageID=2528>. The committees regularly report to the Board of Directors regarding their activities during the year. The information regarding the number of reports submitted to the Board of Directors is disclosed to the public in the Corporate Governance Information Form, also included in the Integrated Annual Report.

The Bank develops implementation and action plans according to its medium and long-term goals specified in the Integrated Annual Report. In addition, it explains the performance indicators related to Environmental, Social, and Management comparatively yearly and identifies the sustainability performance improvement studies for products or services regarding business processes in the Integrated Annual Report.

1.3. Reporting

The Bank manages its financial and non-financial and sustainability performance as a holistic and shares its future strategies objectively in the Integrated Annual Report with stakeholders in the light of reliability and transparency principles.

Furthermore, VakıfBank explains the sustainability issues that it has determined with broad stakeholder participation to its stakeholders by associating them with the United Nations Global Sustainable Development Goals and multiple capital items in the Integrated Annual Report.

There are no lawsuits filed against the Bank regarding environmental, social, and corporate governance issues.

1.4. Verification

The Bank shares the British Standards Institution (BSI) verification statement for the CDP Report in the Integrated Annual Report. It shares the information related to sustainability performance measurements in its integrated annual report

prepared in accordance with the GRI Standards “Basic” option, and takes into account the Integrated Reporting Framework by the Value Reporting Foundation. The Bank benefits from the GRI Financial Services Sector Supplement and the Sustainability Accounting Standards Board Provisional Standard for Commercial Banks-SASB. While VakıfBank discloses its sustainability performance measurements to the public, it continues to increase the verification processes performed by national and international institutions.

Further, the Integrated Annual Report includes the United Nations (UN) Global Compact (UNGC) Progress Statement and the UN Women’s Empowerment Principles (UN WEPs) Progress Report, of which we are a signatory. In the Integrated Annual Report prepared by taking advantage of the UN Sustainable Development Goals (SKA) guidance, there is a table showing the climate-related statements within the scope of The Task Force’s recommendations on Climate-related Financial Disclosures (TCFD).

SECTION 2 - ENVIRONMENTAL PRINCIPLES

The Bank’s Environmental Policy has been publicly disclosed on its official website. ISO 14001 Environmental Management System Standard has been integrated into all working areas as of 2020.

The Environmental Management Service carries out the compliance with the relevant legislation monitored by the Compliance and Legislation Department. Environmental Policy, Waste Management Regulation, Zero Waste Regulation, Packaging Waste Control Regulation, Waste Electrical, and Electronic Equipment Control Regulation, Waste Batteries and Accumulators Control Regulation, Waste Oil Management Regulation, and Vegetable Waste Oil Control Regulation are examples of the legislation harmonized by the Bank on the environment.

The environmental report boundary included in the Integrated Annual Report and Carbon Disclosure Project Report prepared within the Sustainability Principles scope explains the reporting period’s limitations, reporting date, data collection process, and reporting conditions.

The Board of Directors holds the highest responsibility for the overall performance of the Bank. To achieve the targets, the Board of Directors directs and reviews the general strategy of the Bank. Accordingly, it examines the main action plans, annual business plans, and budgets. Furthermore, the Board of Directors determines the sustainability and climate change strategy and revises it when necessary. The Bank evaluates risks and possible opportunities in sustainability, reviews and updates its policies in this regard. The Bank determines performance targets and allocates resources for performance; these targets are publicly disclosed in the corporate website and the annual Integrated Annual Report.

It is the responsibility of the Sustainability Committee to identify, prioritize, and manage the risks and opportunities arising from climate change and the risks and opportunities related to environmental issues are included in the integrated report. In addition, in the Environmental Policy of the Bank, targets regarding the problems and the solution to these problems have been determined.

The Bank has been reporting on Sustainability since 2014 and has published its Integrated Report, prepared in accordance with the guidelines of the International Integrated Reporting Framework, for the first time regarding its activities in 2019. In addition to financial data, performance and future targets in corporate, economic, environmental, and social fields are provided to the stakeholders with the Integrated Report.

The Bank carries out the position of vice president of The Banks Association of Turkey (BAT) Sustainable Working Group. Communication is provided with Municipalities, Provincial Directorates of Environment, Urbanization and Climate Change within the Zero Waste Project scope. The “Memberships and Business Associations” section of the Integrated Annual Report describes the association memberships, related organizations, and supported activities.

The data collected under the ISO 14064 Greenhouse Gas Calculation and Verification standard are verified following the relevant standard. These data are used in the Integrated Annual Report, CDP Report, and Zero Waste System and shared with the public. Moreover, comparative data are available in the CDP Report and the Integrated Annual Report.

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In order to reduce the environmental impact of the Bank, the Environmental Policy also includes the commitments on

- Electricity consumption saving per square meter of 2% per annum,
- Natural gas consumption saving per square meter of 2% per annum,
- Mains water consumption saving per person of 2% per annum,
- Paper saving per person of 2% per annum,
- The Bank will reduce its total carbon and greenhouse gas emissions by 2%.

The efforts to determine the Bank's targets within the science-based target guide framework specific to the finance sector, which was published by the Science Based Targets initiative in October 2020, will continue in 2022.

VakifBank makes the utmost effort in its "sustainability" activities within the scope of its economic and social responsibility through its services to its customers, stakeholders, employees, and society. VakifBank is aware of its responsibility to combat climate change globally and nationally and provides the necessary contribution. Therefore, the Bank seeks to reduce its carbon footprint within the scope of its environmental responsibility. In this context, VakifBank has put the following principles into practice as of 2015:

- Supporting policies and national development plans to reduce greenhouse gas emissions by contributing to national draft policies and plans,
- Fulfilling not only the Bank's global and national responsibilities but also being a role model in the Turkish Banking Sector for Environmental Sustainability at several platforms such as Istanbul Stock Exchange Sustainability Index, CDP, MidSEFF, TurSEff, and other initiatives,
- Continuous monitoring, transparent reporting, and improving GHG emission reduction performance since 2013.

VakifBank is aware that climate change is a reality and that fighting/adaptation is a need. The Bank invests in R&D activities to develop and improve products that reduce third parties' carbon footprint, such as mobile and internet banking. As part of the Branch Transformation Project, where it started to implement its new concept in the pilot branch as the first step of digital transformation, besides the physical structure; It has also simplified intra-branch transaction processes. It aims to increase the digital integration of processes by shortening long process steps. Thus, it supported the paperless banking model and sought to improve the customers habits towards alternative distribution channels in digital areas created within the branch.

The Bank serves to reduce the impacts and carbon footprint that occur during its operations. In this context, it monitors environmental performance with an electronic database system, monitors the energy, waste, and water data of the Headquarters and all branches through this system, and prefers to use high-efficiency products to reduce greenhouse gas emissions and energy consumption.

Total energy consumption data (excluding raw materials) are reported, and the energy consumption is included in the CDP Report and Integrated Annual Report as Scope-1 and Scope-2, by years.

In 2021, financing support of over TL 4.4 billion was provided for 22 renewable projects.

On the other hand, the Bank decided to offset all carbon footprints in 2019 due to environmental awareness. In addition, it has purchased more carbon credits than its total emissions, including Scope 3 emissions, and has become a Carbon-Negative organization as a leading organization in Turkey. In 2020, the proportion of electricity generated from renewable sources in the total electricity consumption was 25%, and in 2021 this proportion was raised to 80%.

Drinking and potable water consumption, which is included in environmental performance data, is monitored by an electronic database system.

Although the Bank is not included in any carbon pricing system, it closely monitors the subject's developments.

VakifBank attaches great importance to reducing its carbon footprint, so it offsets the entire carbon footprint, including Scope 1, Scope 2, and Scope 3. In 2020, it managed to reduce its carbon emission from 53,413 tCO₂e to 40,429 tCO₂e by carrying out a sensitive energy and emissions management. In return for this confirmed amount, VakifBank has become a Carbon-Negative organization for two consecutive years by receiving "45,000 Verified Carbon Units" produced from clean energy sources.

The Bank's environmental information is disclosed to the public within the scope of ISO 14001 Environmental Management System, Integrated Annual Report, Carbon Disclosure Project (CDP), and Zero Waste Project.

VakifBank is also taking action to reduce its water footprint by calculating it and aims to report water data to the CDP (Carbon Disclosure Project) Water Safety Program by 2022.

SECTION 3 - SOCIAL PRINCIPLES

3.1. Human Rights and Employee Rights

VakifBank, in its Human Rights and Employee Rights Policy, states that it makes the best effort to fulfill the basic principles of the United Nations Universal Declaration of Human Rights, to which Turkey is a party, and the International Labor Organization and the international conventions to which our country is a party, as well as the Labor Law. The Bank regulates employee rights and responsibilities based on the personnel regulations established under the Labor Law No. 4857 and the collective bargaining agreements signed between VakifBank and the Bank Finance and Insurance Employees Union (BASS). These principles are available on the common portal accessible to all personnel.

VakifBank provides equal opportunity to all candidates in recruitment processes. All recruitment processes are declared to candidates through public advertisements. Employment is provided after interviews are done with the candidates who are successful in the exam. In this process, the Human Rights and Employee Rights Policy emphasizes the importance of non-discrimination in women's employment and inclusion issues. More than half of the bank personnel are female employees.

The Bank takes the necessary care to ensure equal opportunity for all its personnel. In addition to the Labor Law, the efforts made to fulfill the basic principles of the United Nations Universal Declaration of Human Rights and the International Labor Organization, to which Turkey is a party; VakifBank made a commitment to these principles by signing the "Equality at Work Declaration" prepared in cooperation with the World Economic Forum under the leadership of the Ministry of Family and Social Policies in 2013, without discrimination under its Ethical Principles. In case of any situation regarding discrimination, inequality, human rights violations, and forced labor within VakifBank, the Board of Inspectors evaluates the issue, and necessary actions are taken.

Child labor is not allowed in the bank. VakifBank employs personnel under the Labor Law No. 4857.

VakifBank employs personnel in accordance with the provisions of Labor Law No. 4857, and a Collective Bargaining Agreement is signed with the Banking, Financial, and Insurance Workers Union (BASS). In 2021, the proportion of employees covered by the collective bargaining agreement is 85%, and the employee are free to choose whether they are members of a trade union or not. The Bank carries out its activities to monitor its employees' rights who are union members, especially the wages and working conditions. VakifBank attaches importance to talent management and organizational backup processes with the principle of raising its manager. Senior management is regularly informed about the works carried out in this context and their results. Training and development activities are planned following the results of these studies.

Within the framework of the Human Rights and Employee Rights policy of the Bank, its primary purpose is to support the personal development of its employees through training activities by transparently and predictably managing career planning, performance evaluation, and remuneration processes.

The processes regarding wages, career, awards, and incentives within the scope of employee personal rights are operated by informing the employees in advance according to the criteria determined within the relevant regulations' size.

The mechanisms through which the employees of the Bank can submit their complaints and disputes are the Ethics Commission and the Head of Board of Audit. The related instruments can be efficiently notified via the "ethics@vakifbank.com.tr" e-mail address and the Board of Audit-Notice page within the Bank's applications. While evaluating the notifications, an objective and impartial attitude is displayed within the framework of confidentiality principles. As a result of the examination, it is ensured that the necessary measures are taken by including the related parties subject to the violation in the process.

The Bank's Ethical Principles have been approved by the Board of Directors and published on the website. Within these principles, e-learning training on "Ethical Rules" is periodically assigned to employees.

VakifBank's activities within the scope of social investment, social responsibility, financial inclusion, and finance access are explained under Ethical Rules and Social Responsibility in the Corporate Governance Principles Compliance Report.

VakifBank's Occupational Health and Safety (OHS) Policy reflects the superior value it attaches to people and considers providing a safe and healthy work environment to its employees as one of its primary responsibilities. VakifBank adopts compliance with international standards and legal requirements on OHS as an essential requirement in this context. Obtaining the ISO 45001 Occupational Health and Management System certificate, it managed to become the first bank establishing the Integrated Management System (ISO 9001-ISO 14001-ISO 45001) and obtaining the certificate after the Integrated Certification Audit in Turkey. It has successfully undergone the 2021 interim audits and ensured the sustainability of the Integrated Management System.

With the increasing complexity and variability with digital transformation, VakifBank proceeds to strengthen its security systems to protect personal data and ensure data security, mainly to keep the defense against cyber-attacks at the highest level.

Within the scope of ESG policies, VakifBank provides training to its employees on professional/technical and personal development to improve their knowledge and skills and improve their workflows. Pieces of training at the Bank are planned on a role-based basis. All employees are provided with equal opportunities to participate in the training. Positive discrimination is applied to women employees who are pregnant and have small children in their participation in compulsory training.

"Integrated Management System and Auditor" pieces of training are given to the environmental representatives of the Bank in the classroom / virtual classroom environment. The training content includes "Sustainability," "ISO 9001," "ISO 14001," and "ISO 45001." In addition, "ISO 9001 Quality Management System" and "ISO 14001 Environmental Management System" e-learning training are periodically assigned to employees to increase all employees' awareness on this issue.

In addition, PDPL training, which is prepared to inform employees within the scope of Personal Data Protection Law, is assigned as mandatory e-learning training to all employees.

In-class and video pieces of training support employees' development in customer relations and customer experience, strengthen communication between customers and employees, and increase customer satisfaction.

Training on "Occupational Health and Safety" is provided as in-class and e-learning training as compulsory training for all employees.

In-class / e-learning training on "Suppression of Money Laundering and Terrorist Financing" is compulsory education. E-learning trainings under the heading of "Fraud" with the direction of the relevant department are assigned to employees through the training portal.

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3.2. Stakeholders, International Standards and Initiatives

VakıfBank conducts its activities in sustainability, considering the needs and materiality of all stakeholders. In this context, VakıfBank Customer Satisfaction Policy was created. The policy document in question was published on the website in Turkish and English.

In addition, Stakeholder Dialogue activities were carried out under the supervision of an external expert consultant organization to shape strategic sustainability issues with stakeholders' views within the scope of the Integrated Annual Report of 2019. Following the materiality of our stakeholder groups in accordance with the Integrated Reporting and Accountability AA1000SE standard, to provide input into our strategies, we have carried out a stakeholder dialogue by keeping in touch with the representatives of our stakeholder groups, including senior management, employees, affiliates' employees, shareholders, unions, public institutions, customers, investors, financial analysts, suppliers, non-governmental organizations, universities, and the media. At the Stakeholder Dialogue Meeting, the participants were informed about sustainability and integrated reporting. The opinions of the participants were obtained with a detailed questionnaire prepared about VakıfBank. A specially prepared questionnaire was sent to stakeholders who could not participate in the stakeholder dialogue meeting via e-mail, and responses were received. Finally, relevant stakeholder groups were contacted through phone calls after the items related to financing sustainability were added to the questionnaire questions.

In evaluating the opinions we receive from our stakeholders and stakeholder dialogues we organize with an integrated reporting focus, we also benefited from the results of research, practices, and dialogues carried out by our bank or external institutions and implemented for different purposes. We have also considered the outcomes of meetings with our managers in various departments, trends leading the industry, the United Nations Sustainable Development Goals, the United Nations Global Compact, the Carbon Disclosure Project, and international guiding principles outcomes in the field of sustainable development.

In addition to our stakeholders' opinions, we have considered our strategies and employee and senior management views to set material topics for our Bank and relate them to stakeholder material topics. In light of all these studies and our material topics, we have also determined our Sustainable Development Goals priorities: Quality Education, Gender Equality, Decent Works and Economic Growth, Industry, Innovation, and Infrastructure and Reduced Inequalities.

In this new era, where reliable sustainability indicators are an integral part of investment decisions, public disclosure and transparency determine the basis of communication with investors. In this context, ESG provides a strategic tool for analyzing rating agencies and trading in sustainability indexes, conveying and continuously improving the Bank's ESG performance. VakıfBank has been included in the BIST Sustainability Index since 2014, which consists of the most sustainable companies in Turkey traded on Borsa Istanbul, based on its financial, environmental, social, and corporate governance performance.

We have also been included in the FTSE4Good Emerging Markets Index since 2017, which selects companies that meet globally recognized corporate responsibility standards.

VakıfBank was selected for the third time with a higher score in the Bloomberg Gender-Equality Index (Bloomberg GEI), which conducted the most significant gender equality research globally and maintained its continuity in the index in 2022.

Detailed information about the organizations that the Bank is a signatory and a member of is included under the heading Memberships and Cooperations in the "Our Social and Relational Capital" section of the Integrated Annual Report.

SECTION 4 - CORPORATE GOVERNANCE PRINCIPLES

VakıfBank stated that it is in full compliance with the mandatory Corporate Governance principles within the scope of Corporate Governance Communiqué numbered II.17.1 and aims to comply fully with non-compulsory corporate governance principles. However, the principles that have not been adapted yet are explained in detail in the Corporate Governance Principles Compliance Report's relevant sections.

Putting the sustainable banking approach at the center of its business strategies, VakıfBank aims to realize its banking activities at international sustainability standards and to increase the value permanently it adds to all its stakeholders, society, and the environment, and to become a globally competitive bank with sustainable profitability and development principles.

As stated in the sustainability policy of the Bank, an understanding based on sharing the long-term values it creates with the shareholders, customers, employees, and other stakeholders fairly is adopted under the principles of accountability and transparency. The Bank aims to create a modern work environment where human rights are respected, social justice is ensured. Right to work is continuously improved and increases the awareness of its employees, customers, and all other stakeholders on sustainability by spreading this understanding.

VakıfBank has determined medium and long-term strategies that protect customers and all other stakeholders' interests with its sustainable banking approach. In addition, the Bank holds Stakeholder Dialogue Meetings at regular intervals. In this direction, stakeholders are informed about sustainability. The stakeholders' views are integrated into the Bank's strategy, taking into account the Bank's employee and senior management strategies.

Through social responsibility projects, awareness activities, and training for employees throughout the year, much emphasis is placed on raising awareness about sustainability within and outside the bank.

VakıfBank is a member of international standards and organizations on sustainability and voluntarily contributes to efforts and supports initiatives in this area.

In addition to being against all kinds of bribery and corruption, we are determined to comply with the relevant laws, regulations, and principles. Issues such as laundering proceeds of crime and fighting financing of terrorism, and preventing the use of the financial system by criminals are also among the main areas that we focus on. VakıfBank's Anti-Bribery and Anti-Corruption Policy is available on the website <https://www.vakifbank.com.tr/Default.aspx?pageID=2783> In addition, the subject of "Anti-Bribery and Anti-Corruption" is included in the Ethical Principles of the Bank.

Yours sincerely;

Dilek YÜKSEL
Chairman

Abdülkadir AKSU
Board Member

Sadık YAKUT
Board Member

Ali TAHAN
Board Member

Korhan TURGUT
Board Member