

Second-Party Opinion

Akbank Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Akbank Sustainable Finance Framework is credible and impactful and aligns with Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020, Sustainability Bond Guidelines (SBG) 2018, and Green Loan Principles (GLP) 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Energy Efficiency, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Renewable Energy, (v) Environmentally Sustainable Management of Natural Resources, (vi) Clean Transportation, (vii) Pollution Prevention and Control, (viii) Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (ix) 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, (x) Access to Essential Services, (xi) Affordable Housing – are aligned with those recognized by the GBP, SBP, and GLP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 9, 10, 11, 12 and 15.



PROJECT EVALUATION / SELECTION Akbank's internal process in evaluating and selecting projects is managed by a Sustainable Finance Preliminary Committee ("SFPC"). The SFPC consists of members from various departments and it will review all proposed allocations for alignment with the eligibility criteria in the Framework and remove projects deemed no longer eligible. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The SFPC is responsible for management of proceeds. The proceeds will be managed in a portfolio approach. Pending full allocation, the unallocated proceeds will be temporarily held in cash, cash equivalent, and/or other liquid marketable instruments. Akbank plans to allocate the proceeds within 36 months. This is in line with market practice.



REPORTING Akbank intends to provide annual allocation and impact reporting on its website on an annual basis until full allocation. Where feasible, through allocation reporting, Akbank will provide information on total amount of proceeds allocated to eligible projects, total amount allocated to each project category, share of financing and refinancing, and amount of remaining unallocated proceeds. In addition, Akbank will report on relevant environmental and social impact metrics, to be made at least at the category level, and subject to the availability of data. This is in line with market practice.

Evaluation date	February 2, 2021
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Issuer Location	Istanbul, Turkey
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Introduction

Established in 1948 and headquartered in İstanbul, Akbank T.A.Ş. (“Akbank”, the “Bank”, or the “Issuer”) is a Turkish private bank. Akbank provides services in (i) corporate and investment banking, (ii) commercial banking, (iii) small and medium-sized enterprise (“SME”) banking, (iv) consumer banking, (v) payment systems, (vi) treasury transactions and private banking, and (vii) international banking services. As of December 2020, Akbank has 719 branches with over 12,000 employees in Turkey while operating overseas business through its subsidiaries in Germany and Malta.

Akbank has developed the Akbank Sustainable Finance Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and loans, using the proceeds to finance and refinance, in whole or in part, existing and future projects that facilitate the transition to a low-carbon economy and advance socio-economic development in Turkey.

The Framework defines green eligibility criteria in eight areas:

1. Energy Efficiency
2. Green Buildings
3. Sustainable Water and Wastewater Management
4. Renewable Energy
5. Environmentally Sustainable Management of Natural Resources
6. Clean Transportation
7. Pollution Prevention and Control
8. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes

Furthermore, the Framework defines social eligibility criteria in three areas:

1. 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
2. Access to Essential Services
3. Affordable Housing

Akbank engaged Sustainalytics to review the Akbank Sustainable Finance Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (“GBP”),¹ Social Bond Principles 2020 (“SBP”),² Sustainability Bond Guidelines 2018 (SBG),³ and Green Loan Principles 2020 (GLP).⁴ This Framework has been published in a separate document.⁵

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

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

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

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The Framework’s alignment with the Green Loan Principles 2020, as administered by the LMA;
- The credibility and anticipated positive impacts of the use of proceeds; and

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

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

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

⁴ The Green Loan Principles are administered by the Loan Market Association and are available at: <https://www.lma.org/content/green-loan-principles/>

⁵ The Akbank Sustainable Finance Framework is available on Akbank’s website at: <https://www.akbankinvestorrelations.com/en/>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Akbank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Akbank representatives have confirmed (1) they understand it is the sole responsibility of Akbank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Akbank Sustainable Finance Framework

Sustainalytics is of the opinion that the Akbank Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, and GLP. Sustainalytics highlights the following elements of Akbank's Framework:

- Use of Proceeds:
 - The eligible categories – (i) Energy Efficiency, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Renewable Energy, (v) Environmentally Sustainable Management of Natural Resources, (vi) Clean Transportation, (vii) Pollution Prevention and Control, (viii) Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (ix) 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, (x) Access to Essential Services, (xi) Affordable Housing – are aligned with those recognized by the GBP, SBP and GLP. Sustainalytics is of the opinion that bonds and loans issued under the Framework are expected to facilitate a shift to a low-carbon economy and bring positive socioeconomic impacts in Turkey.
 - Under the "Energy Efficiency" category, Akbank intends to finance or refinance the establishment, acquisition, expansion and upgrade of existing transmission lines and energy storage facilities, smart technologies and/or the associated infrastructure.
 - The Bank has confirmed that grid expansion projects will be eligible when meeting one of the following criteria: (i) transmission lines are supporting/integrating at least 90% renewable electricity, or a pro-rata approach to determine green allocation; (ii) the grid is on

- a decarbonization trajectory; or (iii) if transmission lines connect two energy systems, the Bank will exclusively finance a part of the project utilizing renewable energy.
- Sustainalytics positively views the Framework's inclusion of a defined energy efficiency threshold – improving the efficiency of energy consumption at least by 15% and/or reducing greenhouse gas emissions at least by 15% – for refurbishment, rehabilitation and renovation in non-fossil fuel-based technologies.
 - In regard to hydrogen energy storage facilities, Akbank notes that the facilities will utilize water electrolysis or any processes/technologies that do not utilize fossil fuel.
- Under the “Green Buildings” category, Akbank may finance or refinance low-carbon new, existing or refurbished public, commercial and residential buildings meeting one of the following standards: (i) building energy performance certificate, (ii) third-party certification standards (LEED Gold and above, BREEAM Very Good and above, DGNB Gold and above, HQE Excellent and above, and ÇEDBİK Green Building Certification), EDGE (Certified, Advanced or Zero Carbon) or (iii) quantitative improvements. Sustainalytics has conducted an evaluation of these schemes (see Appendix 1) and considers the minimum levels committed to under the Framework as indicative of strong performance, subject to comments below.
- Regarding the building energy performance certificate approach – called BEP-TR, Sustainalytics views the alignment of the programme with the European Union's Energy Performance of Buildings Directive positively.⁷ As of 2020, buildings rated “B” or above account for the top 34.26% of those assessed under the scheme. While Sustainalytics recognizes that market practice is to finance only the top 15% of buildings, it is noted that only approximately 10-15% of Turkey's building stock has been evaluated using this methodology and that the buildings assessed are generally newer. Therefore, Sustainalytics considers buildings with BEP-TR “B” or above to perform better than the overall stock. Furthermore, Sustainalytics highlights that Akbank will prioritize buildings that fall under the top 15% of buildings which is in line with market practice.
 - Sustainalytics recognizes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that score high enough in the energy category to fulfill the requirements for BREEAM Excellent in that category.
 - Regarding ÇEDBİK Green Building Certification, Sustainalytics views the inclusion of the programme positively, while noting the limited data regarding coverage and achievements.
 - Sustainalytics positively views the inclusion of a minimum threshold of 30% for refurbished public, commercial and residential buildings, which is in line with market practice.
- For the “Sustainable Water Management and Wastewater Management” category, Akbank has confirmed that the Bank will exclude fossil fuel operations from wastewater management projects.
- Under the “Renewable Energy” category, Akbank may finance or refinance the following:
- The equipment, development, manufacturing, construction, operation and maintenance of energy generation assets from renewable energy sources including (i) onshore and offshore wind, (ii) solar, (iii) hydropower projects smaller than 25 megawatts, and (iv) geothermal projects with lifecycle emissions less than 100 grams of CO₂e/kilowatt-hour.
 - For Concentrated Solar Power (CSP) projects, Akbank has confirmed the minimum threshold of 85% of power coming from the solar energy resources.
 - Construction, renovation or refurbishment of new electricity grids and expansions that partly transmit renewable energy. Akbank notes that development and maintenance of electricity grid is eligible when (i) dedicated to connecting renewables to the power grid, or (ii) supporting and/or integrating at least 90% renewable electricity.
- Under the “Environmentally Sustainable Management of Natural Resources” category, Akbank will finance or refinance agriculture, land restoration, forest management and urban greening projects including:
- Agricultural projects certified under sustainable certification schemes, namely EU Organic, Global G.A.P.⁸ and/or other equivalent national or international certification schemes. Please refer to Appendix 2 for Sustainalytics' assessment of agriculture certification schemes.

⁷ European Union's Energy Performance of Buildings Directive, at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁸ Livestock/poultry production is not eligible under this category.

- Sustainable agriculture as defined by the Government in Turkey in a communique titled “Regulation on the Principles and Application of Organic Farming”⁹ that have national/international certificates or save water, including the improvement and recovery of agricultural lands and local farming.
- Forestry activities certified to Forest Stewardship Council (“FSC”), Programme for the Endorsement of Forest Certification (“PEFC”), or an equivalent standard. Please refer to Appendix 3 for Sustainalytics’ assessment of forestry certification schemes.
- Urban greening projects providing resilience and other infrastructure benefits (e.g. park and green areas development/restoration) in Turkish cities.
- Under the “Clean Transportation” category, Akbank may finance or refinance zero-emission vehicles, including electric and/or hydrogen vehicles, as well as infrastructure for electric transportation of passengers and freight. Hybrid electric passenger vehicles as well as ferries for passenger transport may also be financed provided they meet the threshold of 50 gCO₂e/p-km for passenger vehicles. Freight vehicles may be financed if they meet the threshold of 25 gCO₂e/t-km.
- For its “Pollution Prevention and Control” category, Akbank intends to finance the development of recycling plants, waste reduction projects, soil remediation projects, waste prevention projects, and air pollution projects.
 - For soil remediation projects, the Bank has specified that certain projects will not be eligible – namely industries specified in the Bank’s Exclusion list¹⁰ and projects where the soil contamination was caused by the same company now seeking financing from the Bank.
- Under the “Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes” category, Akbank may finance or refinance resource use efficiency and circular/recyclable products including:
 - Solutions that extend the product life-cycle, such as applying modular design or design for disassembly, take-back schemes and redeploying products (reverse logistic), reuse, repair and/or products regeneration/refurbishment.
 - Production that uses renewable or recycled resources, that substitute critical materials with biological or bio-based materials, processes fueled by energy from solar, wind or other renewable energy sources. Such production has the following eligibility criteria: (i) reasonable basis/evidence to support substantial reduction of life-cycle emissions relative to comparable fossil product, or (ii) sustainable sourcing of the proportion of biogenic feedstock if used.
 - Products that can be recycled or composted, where the input feedstock derives from recycled/reused waste. Akbank has confirmed that aforementioned products will exclude virgin raw material as input feedstock.
 - Innovative circular technologies using wastes as raw materials more efficiently emitting lower CO₂ emissions compared to the alternatives. The example of technologies includes bioplastic production from olive pits. The Bank articulates such technologies will be financed on condition that only waste feedstocks will be used, to avoid any negative impacts on food security.
 - Akbank may finance electronic waste (e-waste) recovery projects that have robust waste management processes in place to ensure they manage all related projects risks.
- Under the “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” category, Akbank intends to allocate the proceeds to all SMEs, micro enterprises or start-ups¹¹ including those meeting one of the following criteria:
 - (i) minimum 51% owned or led by women; (ii) In case the women ownership is below 51%, women to assume at least one of the managerial roles at the company and at least 20% female ownership (iii) has a workforce of at least 51% women or the overall operational management responsibility is held by a woman (or women); (iv) has a workforce in which vulnerable groups¹² are adequately represented; (v) women’s employment is encouraged

⁹ Republic of Turkey/Legislation Information System, “Regulation on the Principles and Application of Organic Farming”, at: <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=14217&MevzuatTur=7&MevzuatTertip=5>

¹⁰ Akbank, “Non Financing Activities List”, at: [NON_FINANCING_ACTIVITIES_LIST.pdf \(akbankinvestorrelations.com\)](https://www.akbankinvestorrelations.com/non-financing-activities-list.pdf)

¹¹ Regulatory Information System, “The Management of Small and Medium-sized Enterprises. Regulations on their quality and classing”, at: <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=20059617&MevzuatTur=3&MevzuatTertip=5>. Micro and SME definition of Akbank in effect may differ from that general official definition in line with the bank’s own segmentation policies at any time.

¹² Akbank follows the definition of vulnerable population defined by UNDP: “populations that live in poverty without access to safe housing, water, sanitation and nutrition and those who are stigmatized, discriminated against, marginalized by society and even criminalized in law, policy and practice”,

through supportive practices (e.g. childcare, or women health services, etc.); (vi) owned and/or operated by migrants, youth, vulnerable groups; and (vii) facing the effects of natural disasters (e.g. earthquakes, floods, etc.) for the construction, development, maintenance or renovation of buildings and to prevent/alleviate potential consequent unemployment, health pandemics including COVID-19, and loans granted by dedicated governmental-guaranteed schemes will be eligible.

- Under the “Access to Essential Services” category, Akbank may finance or refinance healthcare, education and vocational training infrastructures and services including (i) the construction, or refurbishment of hospitals, healthcare facilities and medical equipment and technology; (ii) providing affordable or free essential healthcare services to underprivileged populations; (iii) funding educational institutions including public schools, universities, tertiary education centres, technical/vocational training centres and student housing; and (iv) investment in technologies to improve public education specialized treatment centers, nursing homes, rehabilitation centers and elderly care facilities owned by government or private,¹³ (iii) production of medical supplies and equipment needed for the prevention and/or treatment of health pandemics, (iv) R&D in the healthcare/pharmaceutical industry aimed at addressing health pandemics, (v) public and subsidized schools, universities and technical/vocational training centers, and (vi) development of technologies, processes and programs to improve public education and training. Sustainalytics positively views that the services in this category will be publicly available (free or subsidized), and therefore accessible to marginalized groups as well as the general public.
- Under the “Affordable Housing” category, Akbank may finance social housing projects as defined by the Housing Development Administration of Turkey (TOKI).¹⁴ Target population defined by TOKI¹⁵ focuses on low- and middle-income groups based on the public sector wage index and maximum net monthly household income. Additionally, TOKI ensures that the sales price and re-payment conditions are defined by the income and saving patterns of the target groups, while the terms do not apply to the private sector.
- Akbank has established a three-year look-back period for its refinancing, which is aligned with market practice.
- Project Evaluation and Selection:
 - Akbank has established a Sustainable Finance Preliminary Committee (“SFPC”) to oversee the project evaluation and selection process as well as to manage any updates on allocation of proceeds where, for example, a project is deemed to no longer be eligible. The SFPC is comprised of representatives from Investor Relations & Sustainability, International Banking & Institutional Clients, Loan/Credit Allocation, Corporate Banking, Commercial Banking, Assurance and Retail Banking, Treasury, Private Banking & Investment Services and other relevant departments as necessary. The SFPC will review and approve all proposed allocations of bond proceeds with Akbank’s Sustainable Finance Framework and will manage any future updates of the Framework.
 - Based on the appropriate oversight of project evaluation and selection process, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The SFPC will be in charge of management of proceeds. Akbank will track allocation of proceeds using a portfolio approach. Pending full allocation, the unallocated proceeds will be temporarily held in cash, cash equivalent, and/or other liquid marketable instruments.
 - Akbank intends to allocate the net bond proceeds within 36 months.
 - Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Until full allocation, Akbank commits to publishing allocation and impact reports on an annual basis on its website.
 - Allocation reporting will include information on the total amount of proceeds allocated to eligible projects, total amount allocated to each project category, share of financing and refinancing, and amount of remaining unallocated proceeds.

available at: <https://www.undp-capacitydevelopment-health.org/en/legal-and-policy/key-populations/#:~:text=Vulnerable%20and%20key%20populations%20include,in%20law%2C%20policy%20and%20practice>

¹³ Private facilities will be financed on condition that patient expenses are subsidized by the Government.

¹⁴ Housing Development Administration of Turkey (TOKI), at: <https://www.toki.gov.tr/en/>

¹⁵ TOKI’s definition of target population for its social housing projects is available at: <https://www.toki.gov.tr/en/housing-programs.html>

- Akbank intends to report on relevant environmental and social impact metrics, subject to the availability of data, including, but not limited to estimated annual energy savings, estimated annual CO₂ emissions avoided (tCO₂e), level of green building certification, amount of water treated or managed or re-used or recycled (m³), increase in water use efficiency (%), installed renewable capacity (MW) or renewable generation (MWh), sustainable agriculture land area (hectares), number of vehicles (clean transportation), amount of waste prevented, reduced or recycled (tons), number of SMEs financed, breakdown by target population, number of hospitals/educational institutes financed, and number of housing mortgages to disadvantaged groups/social housing organizations.
- Based on Akbank's commitment to annual allocation and impact reporting, Sustainalytics considers this reporting process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Akbank Sustainable Finance Framework aligns to the four core components of the GBP, SBP and GLP. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Akbank

Contribution of Framework to Akbank's sustainability strategy

Akbank demonstrates a commitment to sustainability with a focus on several key environmental and social areas including (i) Sustainable Finance (ii) Ecosystem Management (iii) Climate change and (iv) People and Community.¹⁶ Akbank aims to support businesses to reduce their impact on the environment and transition to a sustainable economy. Akbank became the first Turkish bank to be a signatory to the United Nations Global Compact¹⁷ in 2007.¹⁸

Akbank's sustainability strategy includes the implementation of its *Environmental and Social Credit Policies*.¹⁹ Akbank manages high priority environmental and social risks and opportunities that arise in their products, services and operations by conducting a materiality analysis.²⁰ By identifying the material issues that are important to stakeholders and are required for strong environmental and social performance, Akbank determines risks and opportunities to support their sustainability strategy.²⁰

Akbank has set 2030 targets to provide TRY 200 bn (EUR 23 bn)²¹ in sustainable loan financing and TRY 15 bn (EUR 1.7 bn)²² in sustainable investment funds until 2030.¹⁶ By 2025, the Bank intends to attain carbon neutrality in its operations.¹⁶ A "Sustainability Committee" has been established as of January 2021 in order to oversee the efforts of all business units towards achieving the sustainability performance targets.²³ Members of the Sustainability Committee convene at least two times per year and include Executive board members, Independent board member, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and the Senior Vice President of Investor Relations and Sustainability.

Since 2010, Akbank has adapted its SME loan processes to the environmental and social standards set by the International Finance Corporation ("IFC"). This led to Akbank establishing Environmental and Social Management Systems for SME loans under the securitization transaction amounting to USD 250 million.²⁴

¹⁶ Akbank, "Akbank's Sustainability Commitments", at: <https://www.akbankinvestorrelations.com/en/sustainability/detail/Akbanks-sustainability-commitments/74/54/0>

¹⁷ UN Global Compact, "The Power of Principles", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles#:~:text=%20The%20Ten%20Principles%20of%20the%20UN%20Global,diffusion%20of%20environmentally%20friendly%20technologies.%20%20More%20>

¹⁸ UN Global Compact, "Akbank T.A.S.", at: <https://www.unglobalcompact.org/what-is-gc/participants/397-Akbank-T-A-S->

¹⁹ Akbank, "Environmental And Social Credit Policies", at: www.akbankinvestorrelations.com/en/sustainability/detail/Environmental-and-social-policies/72/52/0

²⁰ Akbank, "Akbank Sustainability Report 2019", at www.akbankinvestorrelations.com/en/images/pdf/2019_akbank_sustainability_report.pdf

²¹ Exchange rate: EUR/ TRY 8.6225 on Feb. 2. 2021

²² Exchange rate: EUR/ TRY 8.6225 on Feb. 2. 2021

²³ Akbank, "Akbank's Sustainability Governance", at: <https://www.akbankinvestorrelations.com/en/sustainability/detail/Akbanks-sustainability-governance/204/339/0>

²⁴ IFC, "IFC Performance Standards", (2012), at: www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

The Bank prioritizes financing projects that improve environmental conditions, such as renewable energy or waste recycling investments, and investments that reduce carbon emissions or increase productivity. Akbank reports extending project finance loans totaling USD 1,711 million which has prevented 5.8 million tons of carbon emissions, as of the end of 2019.

To support gender equality, Akbank joined the Women's Empowerment Principles,²⁵ a private sector program set up by the United Nations in 2019 and followed a fair employment policy focused on equal opportunities. Akbank has taken steps to report on its operational environmental impact by reporting on carbon emissions (scope 1 and 2), and water consumption.²⁰

Sustainalytics is of the opinion that the Akbank Sustainable Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP 2018 and SBP 2020 to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include risks to community relations issues, loss of biodiversity and ecological risks related to the construction of large-scale infrastructure. Furthermore, financial institutions are exposed to risks of financing environmentally and socially harmful activities while offering lending services. Sustainalytics is of the opinion that Akbank is able to manage and mitigate potential risks through implementation of the following policies and assessments:

- Akbank has provided details in a document titled "Environmental and Social Risk Assessment System"²⁶ that is managed by the Environmental and Social Impact assessment team. The Bank states that project loans over USD 10 million and commercial loans over USD 50 million will be subject to environmental and social risk assessment (ESIA).²⁶ In addition, Akbank has an effective ESMS (Environmental Social Management System) for its entire Micro and SME portfolio.
 - Investment loans or project finance requests will be classified as low, medium or high risk and are monitored periodically based on risk category.²⁶ For low-risk investments, prospective borrowers are requested to prepare an environmental and social action plan with details on risk mitigation. For medium and high-risk investments, a due diligence assessment by an independent consultant is requested to determine social and environmental risks of planned activities.²⁶
 - Akbank states that it does not lend to companies that are categorized as medium and high risk and does not agree to take actions to mitigate identified risks.²⁶
- Akbank is a signatory to the UN Global Compact Principles, providing guidelines on topics of upholding human rights, eliminating unfair labor practices, and promoting environmental sustainability.¹⁷
- In regard to SME financing, loans that Akbank secures from international financial institutions such as IFC, EBRD, and EIB are to be lent out to their customers that meet conditions of being environmentally friendly and supporting development.²⁰ Akbank establishes dialogues with the international financial institutions to build management systems to monitor environmental and social performances of its customers pursuant to the conditions attached to these loans.
- In regards to stakeholder engagement with local communities, Akbank conducts Environmental and Social Impact Assessment (ESIA) for project loans over USD 10 million and commercial loans over USD 50 million. The ESIA studies impacts on communities that are affected by project financing and lending activities.²⁰ In 2019, Akbank conducted four ESIA studies and visited 9 project sites to examine impact together with independent consultants.²⁰
- Under Akbank's non-financing list,²⁷ there are activities that Akbank will not finance under any circumstance. This list includes controversial contents such as (i) production or trading of products or services that are deemed illegal by national legislation or international treaties, (ii) production of weapons, (iii) activities that involve child labor, (iv) trading of wildlife products of CITES-listed

²⁵ Women's Empowerment Principles, "About | WEPs", at: www.weps.org/about

²⁶ Akbank, "Environmental and Social Risk Assessment System", at:

www.akbankinvestorrelations.com/en/images/pdf/ENVIRONMENTAL_AND_SOCIAL_RISK_ASSESSMENT_SYSTEM_v2.pdf

²⁷ Akbank, "Non Financing Activities List", at: https://www.akbankinvestorrelations.com/en/images/pdf/NON_FINANCING_ACTIVITIES_LIST.pdf

species,²⁸ (v) production or trading of ozone-depleting products, and (vi) production and trading of products that contain polychlorinated biphenyls (PCBs). Furthermore, Akbank has confirmed that the Bank will exclude any fossil-fuel related activities under eligible social projects in the bank's Sustainable Finance Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Akbank has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eleven use of proceeds categories are aligned with those recognized by the GBP, SBP and GLP. Sustainalytics has focused on four below where the impact is specifically relevant in the local context.

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

Total final energy consumption in Turkey increased by 58% between 2005 and 2018²⁹ due to high population growth and a fast-growing economy. Fossil-fuel based sources (coal, oil and natural gas) accounted for nearly 83% of total energy supply in 2019.²⁹ To address this growing energy challenge, the Government of Turkey aims to increase the share of renewable energy sources to 30% by 2023, while advancing energy efficiency in Turkey aimed at reducing the country's primary energy consumption by 14% by 2023 compared to a 2017 baseline³⁰. To achieve this energy efficiency goal, the Government of Turkey has financed around USD 11 billion in energy efficiency measures.³¹ Financing of renewable energy projects will enable Akbank to support Turkey's energy transition.

Regarding the building sector, between 2000 and 2015, end-use energy consumption in Turkey increased by 66%. The building sector in Turkey is expected to have high potential for emission savings, as improving the existing buildings can considerably save energy and new buildings can be designed to become more energy efficient.³² Given this, the Government of Turkey has established the National Energy Efficiency Action Plan (NEEAP),³² signaling the importance of promoting environmental initiatives in the building sector. The NEEAP sets the target of "transforming at least one-fourth of the building stock in 2010 to sustainable buildings by 2023"³³.

Based on the above, Sustainalytics is of the opinion that Akbank's investments in renewable energy and green building projects are expected to contribute to Turkey achieving its national renewable energy and energy efficiency targets.

Importance of financing SMEs to support employment generation in Turkey

Akbank intends to provide financing to small and medium-sized enterprises (SMEs), micro enterprises, and start-ups to support employment generation and to alleviate unemployment stemming from socioeconomic crisis, pandemic, and natural disasters. In 2019, SMEs accounted for 99.8% of Turkish enterprises and 72.4% of total employment in Turkey.³⁴ Meanwhile between 2006 and 2017, regional disparities in economic development and unemployment have widened.³⁵ The unemployment rate in the 20% best performing regions averages 5.9%, while the bottom 20% regions average 15.8%.³⁵ Furthermore, SMEs are recognized to contribute to reducing regional inequalities as they are an important source of development and employment in underdeveloped regions in Turkey.³⁶ To support SME's with continuity and employment, the Government of Turkey has adopted financial initiatives, including the Credit Guarantee Fund, support packages and tax initiatives, in order to support and scale-up Turkish SMEs since 2016.³⁷

²⁸ CITES, "The Cites Species", at: <https://cites.org/eng/disc/species.php>

²⁹ IEA, "Key Energy Statistics", (2018), at: <https://www.iea.org/countries/turkey>

³⁰ IEA, "National Energy Efficiency Action Plan", (2020), at: <https://www.iea.org/policies/7964-national-energy-efficiency-action-plan-2017-2023>

³¹ EBRD, "EBRD welcomes Turkey's National Energy Efficiency Action Plan", (2018), at: <https://www.ebrd.com/news/2018/ebrd-welcomes-turkeysnational-energy-efficiency-action-plan.html>

³² Republic of Turkey – Ministry of Energy and Natural Resources, "National Energy Efficiency Action Plan (NEEAP) 2017-2023", at: http://www.yegm.gov.tr/document/20180102M1_2018_eng.pdf

³³ IEA, National Energy Efficiency Action Plan (2020), [National Energy Efficiency Action Plan 2017-2023 – Policies - IEA](#)

³⁴ European Commission, "2019 SBA Fact Sheet: Turkey", (2019), at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_turkey.pdf; <https://data.tuik.gov.tr/Bulten/Index?p=Small-and-Medium-Sized-Enterprises-Statistics-2019-37548&dil=2>

³⁵ OECD, "Regions and Cities at a Glance 2018 – Turkey", (2019), at: <https://www.oecd.org/cfe/TURKEY-Regions-and-Cities-2018.pdf>

³⁶ Erdin, C. et al., "Contribution of small and medium enterprises to economic development and quality of life in Turkey", (2020), at: <https://www.sciencedirect.com/science/article/pii/S2405844020300608>

³⁷ OECD, "Turkey: Small Business Act profile", (2019), at: <https://www.oecd-ilibrary.org/docserver/f565e33c-en.pdf?expires=1588758322&id=id&accname=guest&checksum=74B3C85D1B9AED39F47475D4ECF353E2>

Akbank intends to provide loans to SMEs affected by pandemics, such as COVID-19, and natural disasters in Turkey. As of March 2020, the World Health Organization (WHO) declared COVID-19 to be a global pandemic and urged nations to take prompt action.³⁸ On 18 March 2020, in response to the outbreak of the COVID-19 pandemic, the Government of Turkey announced an Economic Stability Shield package. As part of the package, the government has introduced several initiatives that include financial support to affected small and medium sized businesses, in need of additional liquidity and collateral deficit.³⁹

Akbank intends to provide loans to SMEs, micro-enterprises or start-ups where at least 51% shares belong to women or there are 51% of women in the workforce or the overall operational management responsibility is held by a woman (or women). Access to finance for SMEs, especially women-owned SMEs, is a significant challenge for the growth and continuity of the enterprises.⁴⁰ On average, 64% of loan applications for SME financing are granted a loan.⁴⁰ Among women-owned SME applications 47% are granted loan applications and they receive approximately USD 14,000 lower loan amounts on average than male-owned SME's.⁴⁰ The International Finance Corporation (IFC) indicates that increasing financial access for Turkish women-owned SMEs is expected to bring positive benefits for other underserved groups through facilitating employment generation.⁴¹ Based on this context, Sustainalytics is of the opinion that Akbank's lending to SMEs owned or led by women, will create employment generation by providing access to finance for SMEs while.

Based on the above context, Sustainalytics is of the opinion that Akbank's Sustainable Finance Framework will increase access to finance for SMEs to support employment generation, especially regarding female labour force participation in the economy, all the while fighting effects of unemployment stemming from COVID-19 and any future pandemics and natural disasters.

Alignment with/contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Green Buildings	11. Sustainable Cities and Communities	11.c Support least developed, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030 substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

³⁸ WHO, "WHO Director-General's opening remarks at the media briefing on COVID-19 - 11 March 2020", (2020), at:

<https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19--11-march-2020>

³⁹ EY, "Turkey introduces Economic Stability Shield Package to reduce the impact of COVID-19", (2020), at: <https://taxnews.ey.com/news/2020-0605-turkey-introduces-economic-stability-shield-package-to-reduce-the-impact-of-covid-19?uAlertID=Sd%2fG8rua1oj6%2f158E72AiA%3d%3d#:~:text=%20The%20following%20measures%20are%20implemented%20by%20the.and%20revenue%20shares%20related%20to%20hotel...%20More%20>

⁴⁰ World Bank, "Gender Bias in SME Lending: Experimental Evidence from Turkey" (2019), at: <http://documents.worldbank.org/curated/en/244611577766368167/pdf/Gender-Bias-in-SME-Lending-Experimental-Evidence-from-Turkey.pdf>

⁴¹ IFC, "New Financing Tools Empower Turkey's Women Entrepreneurs", News, (2020), at:

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

Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.a Increase financial resources to conserve and sustainably use ecosystem and biodiversity
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, including through access to financial services.
	9. Industry Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains
	10. Reduce Inequalities	10.1: By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average
Access to Essential Services	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Conclusion

Akbank has developed the Akbank Sustainable Finance Framework under which it will issue green, social and sustainability bonds and loans, using the proceeds to finance eligible project categories: (i) Energy Efficiency, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Renewable Energy, (v) Environmentally Sustainable Management of Living Natural Resources and Land Use, (vi) Clean Transportation, (vii) Pollution Prevention and Control, (viii) Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (ix) 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, (x) Access to Essential Services, (xi) Affordable Housing. Sustainalytics considers that the projects funded by the sustainability bond proceeds will facilitate the transition to a low-carbon economy and advance socio-economic development in Turkey.

The Akbank Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Akbank's Sustainable Finance Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 8, 9, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Akbank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Akbank is well-positioned to issue green, social and sustainability bonds and loans and that the Akbank Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018, Social Bond Principles 2020, Sustainability Bond Guidelines 2018 and Green Loan Principles 2020.

Appendices

Appendix 1: Certification Schemes for Green Buildings

	LEED ⁴²	BREEAM ⁴³	CEDBIK ⁴⁴	BEP-TR ^{45,46}	EDGE ⁴⁷
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Building Research Establishment Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.	CEDBIK (Turkish Green Building Council) is a rating system for residential and commercial buildings that is used in Turkey.	Building Energy Performance of Turkey (BEP-TR) Certification is a building energy performance calculation methodology that focuses on district heating and/or renewable energy for buildings above a certain threshold. BEP-TR was developed in alignment with Turkey's regulations and based on the EU's Energy Performance of Buildings Directive (EPBD).	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.
Certification levels/rating	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Good Very Good Excellent	A B C D	EDGE Certified EDGE Advanced EDGE Zero Carbon
Areas of Assessment: Environmental Performance of the Building	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy Efficiency Water Efficiency Land use Health and Comfort Materials and Resources Life on Property Operation and Maintenance Innovation	Outdoor climatic conditions of a building's location Minimum energy performance (MEPs) of retrofits for existing buildings	1. Climatic Conditions 2. Building Type and Occupant Use 3. Design and Specifications 4. Building Orientation Calculation of the End Use Demand Overall energy demand in buildings; heating ventilation and air conditioning

⁴² USGBC, LEED, at: www.usgbc.org/LEED

⁴³ BREEAM, Building Research Establishment LTD, at: <https://breeam.com/>

⁴⁴ Cedbik, at: <https://cedbik.org/>

⁴⁵ BEP, Energy Performance of Buildings, at: <http://www.bep.gov.tr/default.aspx>

⁴⁶ International Partnership for Energy Efficiency Cooperation, Building Code Implementation – Country Summary, at: http://www.gbpi.org/sites/default/files/Turkey_Country%20Summary_0.pdf

⁴⁷ EDGE, "Certify", at: <https://www.edgebuildings.com/certify/>

					demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item⁴⁸ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites (independent of level of certification) + additive Credits with associated points	BEP-TR calculates the maximum energy needed for heating, cooling hot water, ventilation and illumination of new existing buildings using an hourly calculation. Building Energy Performance Certificates (EPCs) are granted under the "Regulation on Energy Performance in Buildings". An EPC will not be granted to buildings with less than a C rating.	Prerequisites depending on the level of certification. To achieve the minimum level, EDGE Certified, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.
Performance display				N/A	
Accreditation	LEED AP BD+C LEED AP O+M	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor		Aligned with EU EPBD	

⁴⁸ BREEAM weighting: Management 12%, Health, and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Qualitative considerations	Widely recognised internationally, and strong assurance of overall quality.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (fewer minimum thresholds) than LEED certifications.	There has been one CEDBIK-certified project in Turkey since CEDBIK's launch in 2016. ⁴⁹	The application of BEP-TR is mandatory for all new buildings in Turkey except for industrial buildings, temporary buildings (used for less than 2 years), buildings with a total useful floor area of less than 50m ² , greenhouses, workshops, and stand-alone buildings with no heating or cooling requirements.	Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.
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⁴⁹ DergiPark, Credit Success Rates of Certified Green Buildings in Turkey: <https://dergipark.org.tr/en/download/article-file/683057>

Appendix 2: Sustainalytics' assessment of agriculture schemes

	GLOBAL G.A.P. Agriculture	EU Organic
Background	The GLOBAL G.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promoting sustainable agriculture practices.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The GLOBAL G.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Compliance Criteria consists of 3 types of control points. To obtain certification the following are required: <i>Major Musts</i> : 100% compliance is compulsory <i>Minor Musts</i> : 95% compliance is required <i>Recommendations</i> : no minimum % required	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	1. Applies to farm crop base: (i) fruit and vegetables, (ii) flowers and ornamentals, (iii) combinable crops, (iv) tea, (v) plant propagation material, (v) hop. 2. Covers the certification of the whole agricultural production process of the product, from before the plant is in the ground (origin and propagation material control points) to non-processes product. - Food safety and traceability; Environment (including biodiversity); Workers' health, safety and welfare; Animal welfare; Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) 3. Waste, conservation (weak), water	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
Verification of standards and risk mitigation	GlobalGAP approves certification bodies, which can then in turn carry out audits and verification. Certification is valid for one year.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The standards are informed by FAO guidelines.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.

Performance display		 AB-CDE-999 EU Agriculture  AB-CDE-999 Non-EU Agriculture  AB-CDE-999 EU/non-EU Agriculture
Qualitative considerations	Widely recognized internationally, and strong assurance of overall quality. However, the environmental dimension, G.A.P. does not prohibit the use of pesticides beyond those permitted by national regulations. Furthermore, the certification includes no requirements for reducing, minimizing or substituting pesticides.	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.

Appendix 3: Sustainalytics' assessment of forestry certification schemes

	Forest Stewardship Council (FSC) ⁵⁰	Programme for the Endorsement of Forest Certification (PEFC) ⁵¹
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
Basic Principles	• Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations	• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements
Types of standards and benchmarks	• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products –	• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems

⁵⁰ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview/principles-criteria-v5.a-1112.pdf>

⁵¹ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

	all operations that want to produce or make claims related to FSC-certified products must possess this certificate) Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)	who have group forest management certification - Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards - Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products - PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo - Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement
Governance	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.
Scope	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁵² and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards	Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum

⁵² ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

	• CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC	requirements for chain-of-custody management systems required by PEFC • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood • The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody
Non-certified wood sources	FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including: - Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, - Wood harvested in violation of traditional and civil rights, - Wood harvested in forests where high conservation values are threatened by management activities, - Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, - Wood from management units in which genetically modified trees are planted.	The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from: - forest management activities that do not comply with local, national or international laws related to: - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labor issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. - genetically modified organisms,

		c. forest conversion, including conversion of primary forests to forest plantations.
Accreditation/verification	FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.	Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures. PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.
Qualitative considerations	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices ⁵³ and both have also faced criticism from civil society actors. ^{54,55} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.	

⁵³ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁵⁴ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁵⁵ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Akbank T.A.Ş.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Akbank Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 29, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.
The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories – (i) Energy Efficiency, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Renewable Energy, (v) Environmentally Sustainable Management of Living Natural Resources and Land Use, (vi) Clean Transportation, (vii) Pollution Prevention and Control, (viii) Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (ix) 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, (x) Access to Essential Services, (xi) Affordable Housing – are aligned with those recognized by the GBP, SBP and GLP. Sustainalytics is of the opinion that bonds and loans issued under the Framework are expected to facilitate a shift to a low-carbon economy and bring positive socioeconomic impacts in Turkey. Akbank has established a three-year look-back period for its refinancing, which is aligned with market practice.

Use of proceeds categories as per GBP:

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

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

Use of proceeds categories as per SBP:

- | | |
|---|--|
| ☐ Affordable basic infrastructure | ☒ Access to essential services |
| ☒ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☐ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Akbank has established a Sustainable Finance Preliminary Committee ("SFPC") to oversee the project evaluation and selection process as well as to manage any updates on allocation of proceeds where, for example, a project is deemed to no longer be eligible. The SFPC is comprised of representatives from various departments and it will review all proposed allocations for alignment with the Akbank's environmental strategy, the eligibility criteria in the Framework and other applicable criteria. The SFPC will remove projects deemed no longer eligible. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☐ Summary criteria for project evaluation and selection publicly available | ☐ Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The SFPC will be in charge of management of proceeds. Akbank will track allocation of proceeds using a portfolio approach. Pending full allocation, the unallocated proceeds will be temporarily held in cash, cash equivalent, and/or other liquid marketable instruments. Akbank intends to allocate the net bond proceeds within 36 months. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
|---|---|

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

4. REPORTING

Overall comment on section (if applicable):

Until full allocation, Akbank commits to publishing allocation and impact reports on an annual basis on its website. Allocation reporting will include information on the total amount of proceeds allocated to eligible projects, total amount allocated to each project category, share of financing and refinancing, and amount of remaining unallocated proceeds. Subject to the availability of data, Akbank intends to report on relevant environmental and social impact metrics including, but not limited to, estimated annual energy savings, estimated annual CO2 emissions avoided (tCO2e), level of green building certification, amount of water treated or managed or re-used or recycled, installed renewable capacity (MW) or renewable generation (MWh), sustainable agriculture land area (hectares), number of vehicles (clean transportation), amount of waste prevented, reduced or recycled (tons), number of SMEs financed, breakdown by target population, number of hospitals/educational institutes financed, and number of housing mortgages to disadvantaged groups/social housing organizations. Based on Akbank's commitment to annual allocation and impact reporting, Sustainalytics considers this reporting process to be in line with market practice.

Use of proceeds reporting:

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

Information reported:

- | | |
|---|---|
| ☒ Allocated amounts | ☐ Sustainability Bond financed share of total investment |
| ☒ Other (please specify): Share of proceeds used for new financing vs refinancing | |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (please specify) | |

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☒ Decrease in water use | ☒ Number of beneficiaries |

☒ Target populations

☐ Other ESG indicators (please specify): Level of [Green Building] certification; Estimated annual energy consumption (in kWh/m2); Amount of water treated or managed or re-used or recycled; Increase in water use efficiency; Amount of wastewater treated; Installed renewable capacity (MW) or renewable generation (MWh); Sustainable agriculture land area (hectares); Land restored (hectares); Certification scheme [Sustainable Management of Resources]; Number of vehicles; Number of charging stations; Length of bicycle path (in km); Amount of waste prevented, reduced or recycled (in tons); Number of SMEs financed, breakdown by target population; Amount of loans granted to SMEs, breakdown by target population; Number of jobs created / preserved; Number of hospitals / educational institutes financed; Number of housing mortgages to disadvantaged groups and to social housing organizations
Frequency:
☒ Annual

☐ Semi-annual

☐ Other (please specify):
Means of Disclosure
☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify): on the Bank's website

☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

<https://www.akbankinvestorrelations.com/en/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

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

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



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