

Yapı ve Kredi Bankası A.Ş.

Type of Engagement: Annual Review

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Introduction

In January 2020, Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) issued a green bond aimed at financing and/or refinancing renewable energy projects. In January 2021, Yapı Kredi engaged Sustainalytics to review the projects funded through the issued green bond and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Yapı Kredi Sustainability Bond Framework (the Framework).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 based on whether the projects financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework: and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs relevant.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Financing or refinancing the acquisition, procurement, development, construction, operation, transmission and maintenance of new and/or existing renewable-energy power plants. Eligible renewable-energy power plants are as follows: <ul style="list-style-type: none"> • Solar Power: Solar photovoltaic (PV), Concentrated solar power (CSP) and solar thermal power plants; • Wind Power: On and off-shore power plants; • Hydro Power: Hydropower plants;² • Geothermal Power: Geothermal power plants;³ • Bio Power: Biofuel and/or biomass power plants.⁴ 	<ul style="list-style-type: none"> • Installed renewable energy capacity (MW) • Expected annual renewable energy generation (MWh) • Estimated annual GHG emission avoided or reduced (tCO₂e)

Issuing Entity's Responsibility

Yapı Kredi is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of projects, amounts allocated, and project impact.

¹Yapı Kredi, "Sustainable Bonds", at: <https://www.yapikrediinvestorrelations.com/en/debt-capital-markets/list-document/Yapi-Kredi-Sustainability-Bond-Framework/571/1789/0>.

² Eligible hydropower projects are limited to those that are small-scale dam type (maximum generation capacity of 25MW or under) or run-of-river plants.

³ Eligible geothermal projects are limited to those with direct emissions lower than 100 g CO₂e/kWh.

⁴ Eligible non-waste biomass energy projects are limited to feedstock obtained from sustainable sources for any kind of bio power projects.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Yapı Kredi's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Yapı Kredi employees and review of documentation to confirm the conformance with the Yapı Kredi Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by Yapı Kredi with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Yapı Kredi.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Yapı Kredi's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Yapı Kredi Sustainability Bond Framework. Sustainalytics has reviewed Yapı Kredi's methodology used to calculate the estimated GHG emissions avoided and found it to be in accordance with market practice based on accepted third party GHG emission calculation tools. Yapı Kredi has disclosed to Sustainalytics that 100% of the net proceeds of the green bond have been allocated as of December 31st, 2020.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the seven projects funded by the green bond in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Yapı Kredi Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the seven projects funded by the green bond in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Yapı Kredi Sustainability Bond Framework and above in Table 1. For a list of KPIs reported, please refer to the Appendix.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Allocation and Impact by Eligibility Criteria

Yapı Kredi has disclosed to Sustainalytics the amount allocated to each eligible project from the Eligible Sustainability Asset Portfolio. 95% of proceeds from the green bond have been used for refinancing while the remainder has been used for new financing. Yapı Kredi has reported on the green bond share of financing per project to calculate the impact related to the green bond issuance. A summary of these allocations is provided below.

Use of Proceeds Category	Project Number	Type of Project	Project Region ⁶	Yapı Kredi Share of Project Cost	Green Bond Outstanding Amounts in USD (31/12/2020)	Project Capacity (MW) ⁷	Annual Energy Generation (GWh) ⁸	Annual GHG Emissions Avoided (tCO ₂ e) ⁹
Renewable Energy	Project 1	Solar Power Plant	Aegean, Central Anatolia and Mediterranean	11.8%	6,978,408	40.3	65.3	3,579
	Project 2	Solar Power Plant	SE Anatolia	51.3%	8,980,683	14.5	22.9	5,473
	Project 3	Solar Power Plant	SE Anatolia	48.3%	8,654,974	15.4	22.6	5,073
	Project 4	Solar Power Plant	Aegean	65.4%	2,806,000	6.6	11.8	3,582
	Project 5	Wind Power Plant	Aegean	19.3%	7,883,896	30.0	120.9	10,857
	Project 6	Solar Power Plant	Aegean	18.4%	10,348,486	38.3	64.2	5,487
	Project 7	Solar Power Plant	Central Anatolia and Mediterranean	23.5%	10,540,713	31.6	47.2	5,139
	Total:					56,193,162	176.8	354.8

⁶ All projects are located in Turkey.

⁷ Total project capacity.

⁸ Total annual energy generation.

⁹ GHG emissions avoided from operational renewable energy projects under green loans are calculated as follows:

Annual electricity generation of operational renewable energy projects under loan (kWh) x Carbon Emission Factor (kg CO₂e/kWh) x Percentage of Yapı Kredi's share in the project cost / 1,000 (t/kg). Where electricity generation data covers the year 2020, and real-time electricity generation was obtained from Energy Exchange Istanbul (EXIST). For unlicensed Solar Power Projects (SPP), electricity generation data is based on customer statements. The Carbon Emission Factor is calculated for Turkish Electricity Grid by the International Energy Agency (2018) as 0,4645 kg CO₂e/kWh. Yapı Kredi share in Project Cost is considered as a multiplier in the calculation.

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**The
Green Bond
Principles**