

Yapı ve Kredi Bankası A.Ş.

Type of Engagement: Annual Review

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Introduction

Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) issued a green bond in 2020 aimed at financing and/or refinancing renewable energy projects. In 2021, Yapı Kredi originated sustainable diversified payment rights (DPR)¹ aimed at financing and/or refinancing renewable energy projects, green buildings and small and medium-sized enterprises (SMEs). In 2023, Yapı Kredi engaged Sustainalytics to review the projects funded with proceeds from the 2020 green bond and 2021 sustainable DPR issuances and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Yapı Kredi Sustainable Finance Framework.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 green bond and the 2021 sustainable DPRs based on whether the projects and financed companies:

1. Met the use of proceeds and eligibility criteria outlined in the Yapı Kredi Sustainable Finance Framework; and
2. Reported on at least one of the impact reporting metrics for each use of proceeds category outlined in the Yapı Kredi Sustainable Finance Framework.

¹ DPRs are private transactions secured by future hard-currency incoming flows in a special purpose vehicle (SPV) located abroad.

² Yapı Kredi, "Yapı Kredi Sustainable Finance Framework", (2021), at:

https://www.yapikrediinvestorrelations.com/en/images/pdf/sustainablebonds/surdurulebilir_tahvil_cercevesi_2021_v2.pdf

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated Impact Reporting Metrics

Use of Proceeds Category	Eligibility Criteria	Impact Reporting Metrics
Renewable Energy	<p>Financing or refinancing the acquisition, procurement, development, construction, operation, transmission and maintenance of new and/or existing renewable energy power plants and transmission of energy from such renewable sources:</p> <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;³ • Geothermal Power: Geothermal Power Plants;⁴ • Bio Power: Biofuel and/or biomass power plants.⁵ • Transmission systems: Development of new, or improvement of existing, transmissions systems (or other infrastructure) to facilitate the integration of electricity from renewable energy sources to the grid. <ul style="list-style-type: none"> ○ Construction, renovation and refurbishment of electricity grids that transmit electricity generated by renewable power plants to the national grid ○ Investments enhancing energy efficiency with respect to the distribution and transmission of electricity ○ Smart grids, storage facilities, metering systems and other intelligent electricity systems that serve to increase the share of renewable energy in total energy consumption 	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Estimated annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent • Expected annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Green Buildings	<p>Financing or refinancing new and/or existing commercial and/or residential buildings that meet one of the following criteria:</p> <ul style="list-style-type: none"> • Commercial or residential green buildings belonging to top 15% low-carbon buildings in Turkey 	<ul style="list-style-type: none"> • Level of certification by property • Estimated annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent

³ Eligible hydropower projects are limited to those that are small-scale dam type (maximum generation capacity of 25 MW or under) or run-of-river type power plants.

⁴ With life cycle emissions below 100 g/CO₂e/kWh.

⁵ With feedstock obtained from sustainable sources for any kind of bio power project (excluding using energy crop or non-waste feedstocks).

	<ul style="list-style-type: none"> Buildings rated “B” or above in terms of energy performance in the local context, as determined via energy performance certificate (BEP-TR) issued in accordance with the Turkish regulation or via Turkish Building Code Buildings that meet at least any of the following external certifications for green buildings: <ul style="list-style-type: none"> LEED (Gold or above) BREEAM (Very Good or above) ÇEDBİK Green Building certification (Very Good or above) Yes-TR (Çok İyi or above) Refurbished commercial and residential building energy efficiency projects that reduce energy consumption by at least 30% 	
Employment Generation	<p>Providing financing or refinancing to SMEs. To be identified as an SME, the end client should have fewer than 250 employees and a turnover or total assets below TRY 125 mi.</p> <p>To be eligible for this category, any one of the following criteria should be met:</p> <ul style="list-style-type: none"> SMEs where at least 51% of shares are owned by women or where the company has at least 20% women’s ownership with women occupying at least one managerial role, or where the overall operational management responsibility is held by one or more females, SMEs located in cities with lower income than the average GDP SMEs owned by migrants and/or displaced persons SMEs affected by natural Disasters 	<ul style="list-style-type: none"> Number of target group-owned SMEs financed Number of SMEs financed that are located in cities with an income below average GDP Number of SMEs financed that are affected by natural disasters or health disasters Number of jobs created and/or retained Number of people benefited

Issuer’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from Yapı Kredi’s green bond and sustainable DPRs. The work undertaken as part of this engagement included collection of documentation from Yapı Kredi and review of said documentation to assess conformance with the Yapı Kredi Sustainable Finance Framework.

Sustainalytics relied on the information and the facts presented by Yapı Kredi. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Yapı Kredi Sustainable Finance Framework. Yapı Kredi has disclosed to Sustainalytics that the proceeds from the green bond and sustainable DPRs were fully allocated as of December 31st, 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2020 green bond and the 2021 sustainable DPRs to determine if projects aligned with the use of proceeds criteria outlined in the Yapı Kredi Sustainable Finance Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	The definition of SME changed ⁷
Reporting Criteria	Verification of the projects funded with proceeds from the 2020 green bond and the 2021 sustainable DPRs to determine if impact of projects was reported in line with the impact reporting metrics outlined in the Yapı Kredi Sustainable Finance Framework and above in Table 1. For a list of impact reporting metrics reported, please refer to Appendix 1.	All projects reviewed reported on at least one impact reporting metric per use of proceeds category.	None

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁷ The use of proceeds criteria for eligible social projects initially defined SME with fewer than 250 employees and a turnover or total assets below TRY 125m – changed to SME with fewer than 250 employees and a turnover or total assets below TRY 250m. The Issuer has confirmed that the definition was changed in accordance with KOSGEB, a government's entity supporting SMEs. More details at: <https://en.kosgeb.gov.tr/site/tr/genel/detay/5667/definitions-and-regulations>

Appendix

Appendix 1: Reported Impact

Green Categories

Eligible Green Project Category	GHG Avoided (tonnes of CO ₂ e/year)	Annual Energy Generated (MWh)	Number of Loans	Eligible Portfolio (USD million)	Allocation %
Renewable Energy	922,640	2,301,381	47	200	88%
Solar	133,476	315,593	20	48	
Wind	269,364	621,943	5	23	
Hydro	348,038	967,257	18	101	
Biomass	87,116	201,146	3	16	
Geothermal	84,646	195,442	1	11	
Green Buildings	169,702	n/a	1,845	27	
Total	1,092,342	2,301,381	1,892	227	100%

Social Categories

Eligible Social Project Category	Number of Beneficiaries	Number of Loans	Eligible Portfolio (USD million)	Allocation %
Employment Generation				
SMEs owned by women	79,893	4,130	366	17%
SMEs affected by natural or health disasters	87,916	7,656	515	24%
SMEs in cities with lower income than the average GDP	261,553	32,965	1289	59%
Total	429,362	44,751	2,170	100%

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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