



Sustainable Finance
Allocation Report
2023

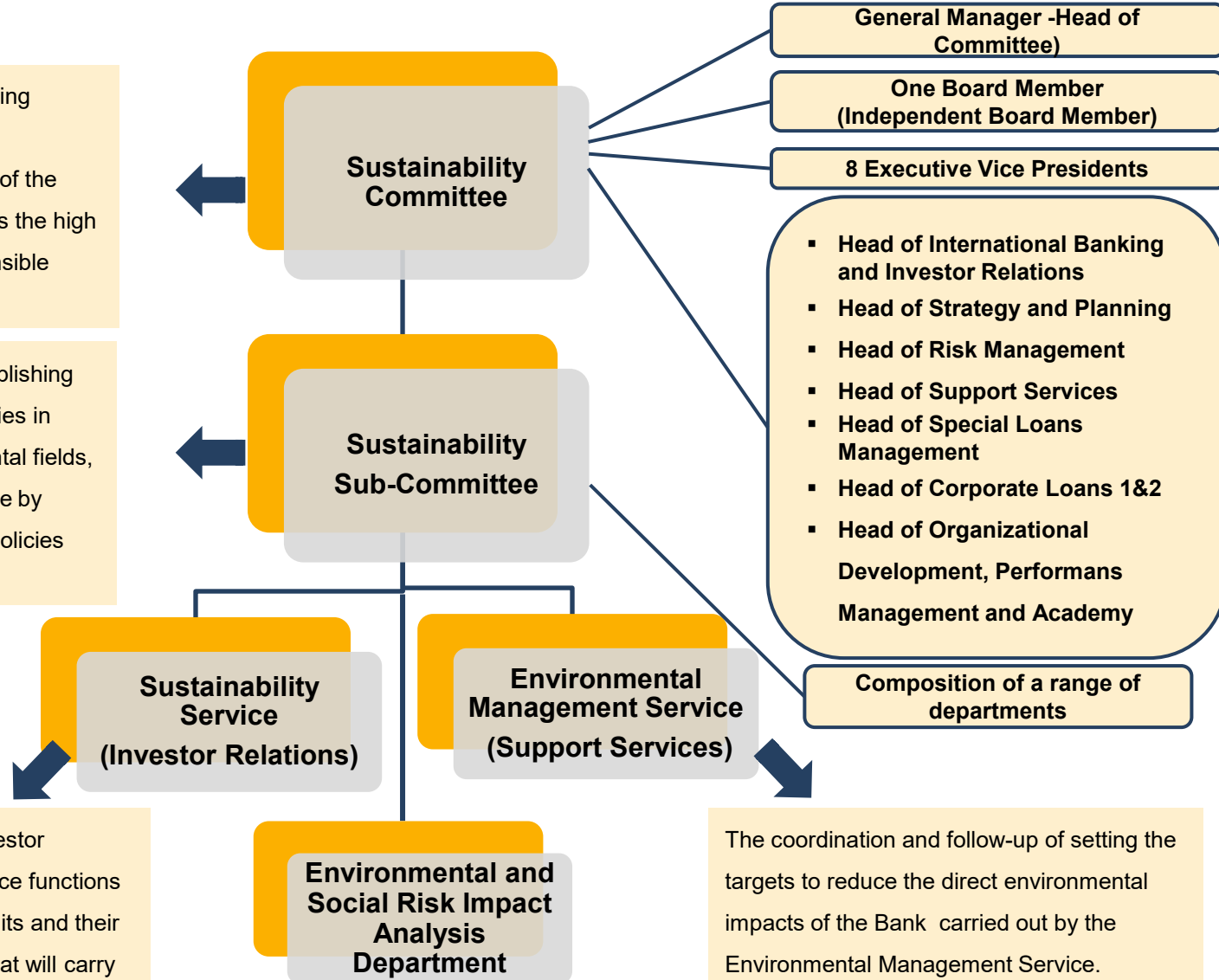


Sustainability Governance Structure

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

The group is responsible for establishing sustainability strategies and policies in economic, social and environmental fields, as well as monitoring performance by integrating these strategies and policies into the Bank's operations.

Being established under the Investor Relations Department, this service functions to coordinate all the business units and their work, thus leading the actions that will carry the Bank forward in sustainability space.



The coordination and follow-up of setting the targets to reduce the direct environmental impacts of the Bank carried out by the Environmental Management Service.

Sustainable Banking Approach

Indices



Initiatives



In support of

**WOMEN'S
EMPOWERMENT
PRINCIPLES**

Established by UN Women and the
UN Global Compact Office



Sustainability Rating



Climate	☐ A Score in 2023
	☐ 1st assessment in 2015
Water	☐ A- Score in 2023
	☐ 1st assessment in 2022



Score and Risk Category

18.4 Low Risk



S&P Global

☐ Score: 44 in 2022

Moody's | ESG Solutions

ESG OVERALL SCORE



**MSCI
ESG RATINGS**



CCC B BB **BBB** A AA AAA

RATING ACTION DATE: October 29, 2020

LAST REPORT UPDATE: January 17, 2023

Sustainability Reporting

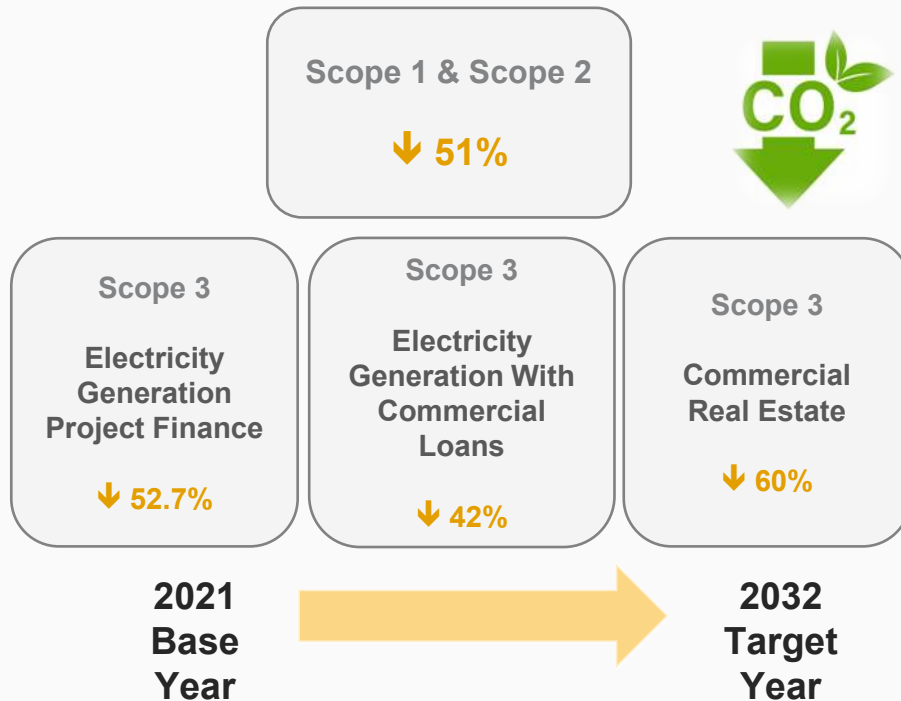


**INTEGRATED
REPORTING** <IR>



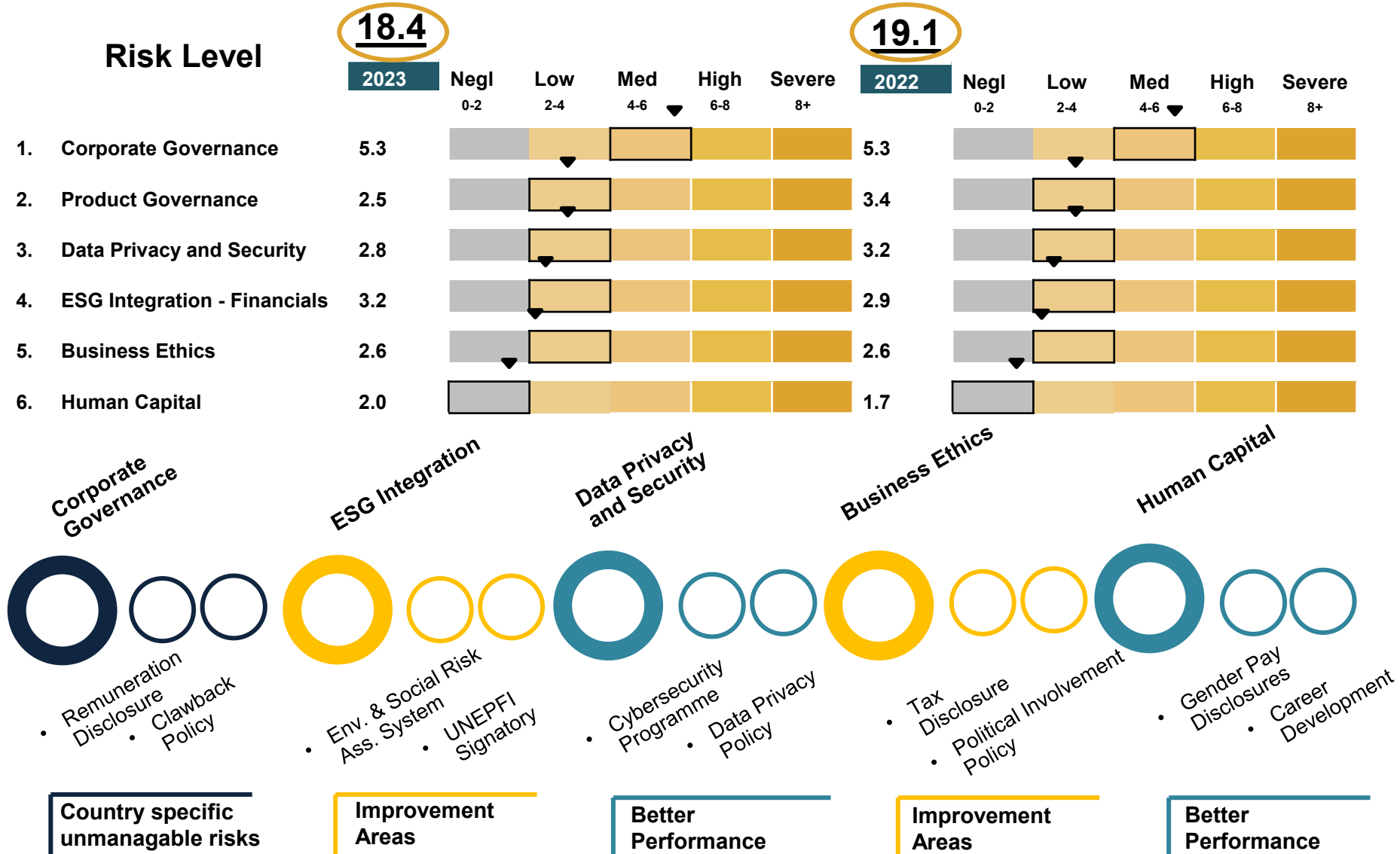
Science Based Targets initiative (SBTi)

The first Turkish bank to have its targets validated by



- VakıfBank commits to reduce absolute scope 1 and 2 GHG emissions by 51% by 2032 from a 2021 base year
- VakıfBank commits to reduce its real estate portfolio GHG emissions by 60% per square meter within its commercial real estate by 2032 from a 2021 base year
- VakıfBank commits to reduce its electricity generation project finance portfolio GHG emissions by 53% per kWh by 2032 from a 2021 base year
- VakıfBank commits to reduce GHG emissions from the electricity generation within its corporate loan portfolio by 42% per MWh by 2032 year from a 2021 base year
- VakıfBank commits that 32% of its other long-term debt portfolio by invested value within the all sectors will have set science-based targets by 2027

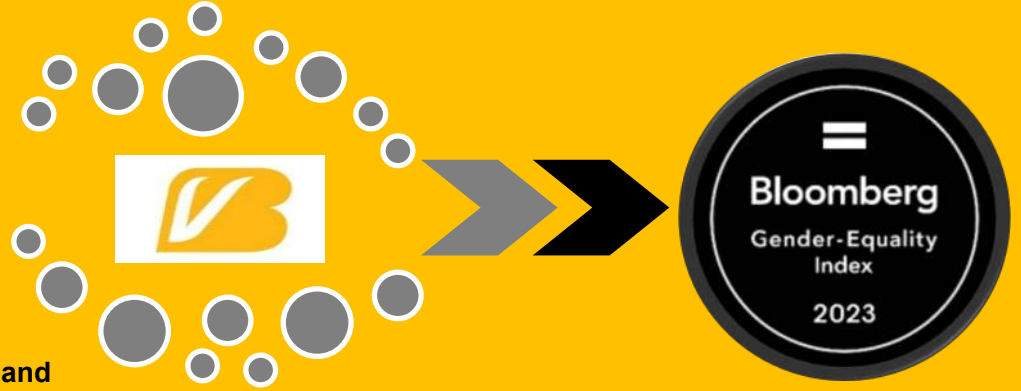
ESG Risk Rating Performance



Gender Equality – Maintaining the position in the Bloomberg Gender Equality Index (GEI)

Since 2020, VakıfBank has been in Bloomberg GEI with an improved score to 72.7% in 2023 from 71.5% in 2022.

VakıfBank continued to be among 484 companies for the Bloomberg Gender-Equality Index which evaluated approximately 11,700 companies across 45 countries in 2022.



VakıfBank has many practices and initiatives for the social and economic empowerment of women

51%

Ratio Of
Female
Employee

**> 1600
Projects**

Financing support
under the Women
Entrepreneur Support
Package within the
scope of the EBRD's
TurWIB program

36 Years

Non-stop support
for VakıfBank
Woman Volleyball
team which is the
one of the most
successful sports
team in the world

**Corporate Social
Responsibility Award**

VakıfBank won the
'Platinum Award' in the
category of Gender Equality
at the 12th Corporate Social
Responsibility Summit
Sustainable Development
Goals Institutional Awards
with the slogan of
"VakıfBank Sports Club -
Success Has No Gender"

**Recent
Developments**

In April 2022, VakıfBank
published its Gender Equality
Policy. In September 2022,
the Bank was awarded with
Gender Equality Program
Certificate as a proof of
successful implementation of
gender equality practices.

International ESG Management Systems Certificates

VakıfBank became the first bank in Turkey to receive ISO Integrated Management System Certificate (ISO 9001-ISO 14001-ISO 45001) in 2020.

We obtained ISO 50001 Energy Management Certificate in 2023.

ISO 9001 QUALITY MANAGEMENT SYSTEM CERTIFICATE

VakıfBank made its operations and processes compatible with the ISO 9001 Quality Management System, including assessment of the Head Office departments and all branches, in order to ensure the customer satisfaction.

ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

VakıfBank have received ISO 14001 Environmental Management System Certification, documenting that the direct impact of its activities on the environment has been minimized according to internationally accepted and reputable standards.

ISO 45001 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE

VakıfBank takes all kinds of measures in accordance with the applicable occupational health and safety legal requirements in order to ensure the health and safety of the employees, customers, suppliers, companies that the Bank cooperates with and visitors.

ISO 27001 INFORMATION SECURITY MANAGEMENT SYSTEM CERTIFICATE

Products and services enriched by digital transformation bring about risks related to data protection and provision of information security. To ensure more effective management of our digital security, VakıfBank has received ISO 27001.

ISO 50001 ENERGY MANAGEMENT SYSTEM CERTIFICATE

VakıfBank have received ISO50001 Energy Management System Certification, ISO 50001 Energy Management System are among the system standards followed for the management of sustainability issues.



VakıfBank's Sustainable Bond Issuances - Terms & Conditions

US\$ 750 Million

ISIN	XS2266963003 US90015WAK99
Format	RegS/144A Bond under GMTN Programme
Issuance Date	8 December 2020
Maturity Date	8 January 2026
Coupon	6.50% Fixed
Rating	B+ (Fitch) B2 (Moody's)
Listing	Euronext Dublin
Use of Proceeds	to finance and refinance certain eligible Green Projects and/or Social Projects

US\$ 500 million

ISIN	XS2386558113 US90015WAL72
Format	RegS/144A Bond under GMTN Programme
Issuance Date	16 September 2021
Maturity Date	1 October 2026
Coupon	5.50% Fixed
Rating	B+ (Fitch)
Listing	Euronext Dublin
Use of Proceeds	to finance and refinance certain eligible Green Projects and/or Social Projects

US\$750 million

ISIN	XS2677517497 US90015WAM55
Format	RegS/144A Bond under GMTN Programme
Issuance Date	12 September 2023
Maturity Date	12 October 2028
Coupon	9.00% Fixed
Rating	B- (Fitch)
Listing	Euronext Dublin
Use of Proceeds	to finance and refinance certain eligible Green Projects and/or Social Projects

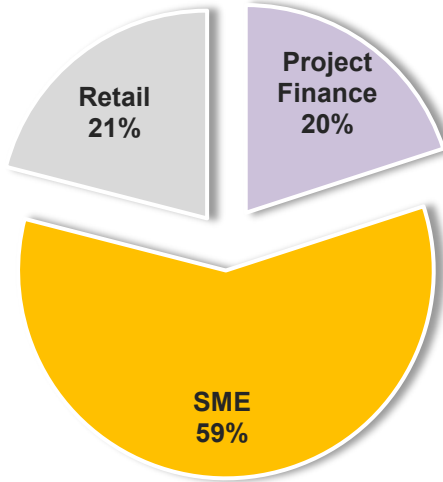
Eligible Sustainable Assets

Eligible Sustainable Loan Portfolio				
Project Type		Installed Capacity (MwH)	Total Amount (US\$)	Number of Loans
Green		3078	1,156,973,493	10912
	Hydroelectric	100	79,500,568	13
	Solar	2437	542,606,943	144
	Wind	541	353,523,505	13
	Green Mortgage	-	180,890,334	10248
	Clean Transportation	-	452,143	494
Social		-	3,606,706,741	178,707
	Essential Service	-	578,992,117	6,154
	MSMEs	-	2,696,566,487	104,289
	Affordable Housing	-	228,491,013	3,224
	Food Security and Sustainable Food Systems	-	78,156,787	1,905
Total		3078	4,739,179,897	126,484
% allocated to Sustainable Bond Issuances			42%	

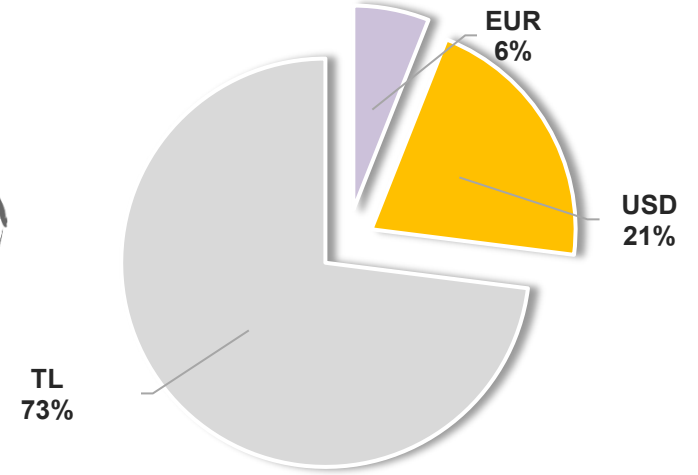
- GDP Criteria applied to SME Loans. SMEs that operate in the manufacturing and service industry and are located in cities with a GDP per capita below the national average were considered as eligible.
- SMEs are defined following the Small and Medium Industry Development Organization as companies with fewer than 250 employees and turnover or total assets below TL 250 million. Details for each categorization (micro/small/medium-sized enterprises) can be found at: <https://en.kosgeb.gov.tr/site/tr/genel/detay/5667/definitions-and-regulations>
- Included all loans compliant with VakıfBank's eligibility criteria as outlined in the Bank's Sustainable Finance Framework and 3 years look-back period.

Breakdown of Eligible Sustainable Assets

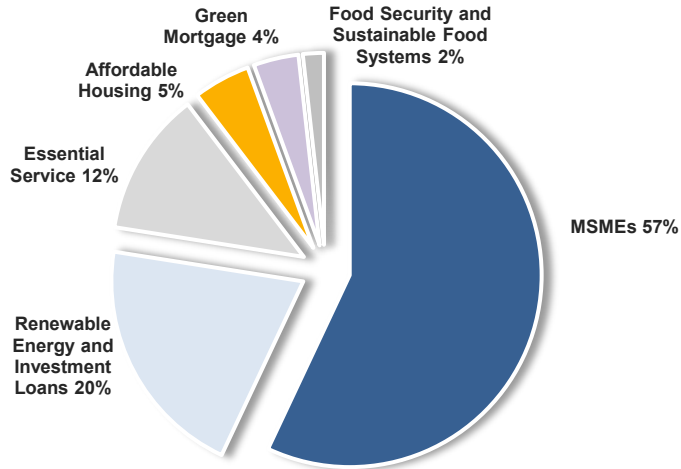
Banking Segment



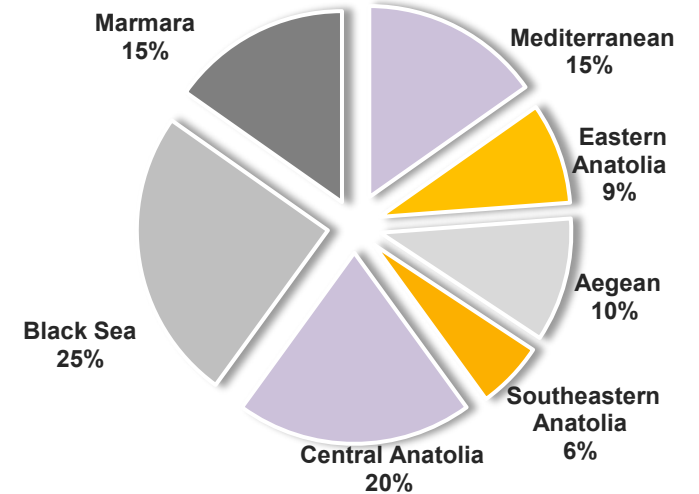
Currency



Project Type



Geographical Distribution



~USD 4.8 billion
Total Eligible Assets

~25% Green Loans & ~75% Social Loans

Examples of Eligible Sustainable Projects

Wind Power Project



- Bilecik Bozüyük Province
- Project consists of 2 wind tribunes with a total installed capacity of 11,12 MW
- The power plant has 29.223 GWh capacity for of electricity generation yearly
- The investment cost of the Project is TL 223 Millon
- VakıfBank provided USD 11 million financing for the Project

Examples of Eligible Sustainable Projects

Solar Power Plant



- Konya Karapınar Province
- Solar power plant has been producing electric since 2023
- Solar power plant has 1000 MWE capacity
- The power plant has 2397 GWh capacity for of electricity generation yearly
- VakıfBank provided USD 150 million financing for the Project



FTSE4Good



A member of BIST
Sustainability Index

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For Earnings
Presentations:





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Independent Limited Assurance Report

To the Board of Directors of Türkiye Vakıflar Bankası T.A.O

We were engaged by Türkiye Vakıflar Bankası T.A.O (hereinafter also “VakıfBank” or “Bank”) to provide limited assurance for the purpose of reporting on the ‘Selected Information’ (as defined below) in the Bank’s Sustainable Finance Allocation Report (hereinafter ‘the Report’) that has been prepared by the Bank as at 31 December 2023.

Subject Matter Information and Applicable Criteria

We were engaged by the Bank to provide limited assurance regarding:

That the proceeds from the Green and Social projects in the Bank’s portfolio as at 31 December 2023 and for the issuance of bonds on 8 December 2020, 16 September 2021 and 12 September 2023 (the ‘Sustainable Bonds’), both as shown at page 8, were used to provide financing for eligible projects which met the criteria as indicated in the VakıfBank Sustainable Finance Framework included on pages from 17 to 21.

The scope of our assurance is limited to the Indicators listed in the Selected Information shown below, which has been prepared based on the Bank’s internally developed criteria, as listed on page 13 of its Sustainable Finance Framework.

Selected Information

Allocation Reporting of Green and Social Loans per amount and Sustainable Bonds per total that shows the categories the Loan projects have been allocated to as well as the total investment of the Sustainable Bonds (page 9 and page 10 of the Sustainable Finance Allocation Report).



Management's responsibilities

Management is responsible for the preparation and presentation of the Report in accordance with the criteria as indicated in the VakıfBank Sustainable Finance Framework and the information and assertions contained within it; for determining the Bank's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

The firm International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



Procedures performed

A limited assurance engagement on the Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

1. Assessed policies and procedures established by the Bank for determining the eligibility of Green and Social Loan projects in the Bank's portfolio and of the Sustainable Bonds for Sustainable Financing based on the requirements of the Bank's Sustainable Finance Framework.
2. That the proceeds from the Green and Social Loan projects in the Bank's portfolio as at 31 December 2023 and for the issuance of a bonds on 8 December 2020, 16 September 2021 and 12 September 2023 (the 'Sustainable Bonds'), both as shown in Table on page 9 and page 10, were used to provide financing for eligible projects which met the criteria as indicated in the VakıfBank Sustainable Finance Framework¹.
3. Evaluated the eligibility of nominated projects for inclusion in the Bank's Green and Social Loan Portfolio as shown in Table on page 9 and page 10 based on the eligibility requirements for Sustainable Financing identified in the VakıfBank Sustainable Finance Framework.
4. Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information pertaining to the reporting period;
5. Undertook substantive testing, on a sample basis, of the allocation of proceeds for projects financed through the Green and Social Loan Projects and the Sustainable Bonds.
6. Used the Bank's Internal documentation to evaluate and measure the Selected Information;
7. Evaluated the design and Implementation of key processes and controls over the Selected Information;
8. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
9. Evaluated the disclosure and presentation of Selected Information in the Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.



Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the projects included in the Eligible Sustainable Loan Portfolio as reported on page 9 and page 10 as at 31 December 2023, are not prepared in all material respects in accordance with the Bank's eligibility criteria as explained in the VakıfBank Sustainable Finance Framework¹ included on pages from 17 to 21.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for VakıfBank in connection with reporting to VakıfBank and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than VakıfBank, for any purpose or in any other context. Any party other than VakıfBank who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than VakıfBank for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal, SMMM
Partner

İstanbul
16 April 2024