



Sustainable Finance Framework

1 June 2020

Sustainable Finance Framework

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Introduction to VakifBank

VakifBank was incorporated under a special charter act (Law No. 6219) dated 11th January 1954 and commenced its operations on the 13th of April 1954 with a capital of TL 50 million. In line with its founding mission to utilize foundations' revenues in the most efficient manner, the Bank has contributed significantly to the growth and sustainable development of Turkey's economy with its modern banking approach since its inception. As of December 11, 2019, 43.00% shares and 15.51% shares of General Directorate of Foundations representing Group (A) and Group (B) respectively (58.51% in total) have been transferred to the Ministry of Treasury and Finance as per the Presidential Decree dated December 3, 2019. On 11 May 2020, the Bank's Board decided to increase capital through a private placement of new shares to Turkey's sovereign wealth fund (the "Turkey Wealth Fund"), which sale was completed on 20 May 2020. The Turkey Wealth Fund acquired Class D shares for TL 7.0 billion. As a result of such transaction, the Bank's paid-in capital increased by TL 1.4 billion and the remainder of the purchase price was added to the "share premium" line item, both of which resulted in an increase to the Bank's Tier 1 common equity. As a result, the Turkey Wealth Fund has 35.99% and the Ministry of Treasury and Finance has 37.45% while VakifBank Pension Fund has the 10.31% free float shares has 16.15% in the Bank's current ownership structure.

Today, modern banking products and services offered by VakifBank covers retail and private banking as well as corporate, commercial, agricultural, local governments and SME banking. Engaged in investment banking and capital market activities in addition to basic banking products and services, VakifBank also provides its customers with a wide range of financial services such as insurance, leasing and factoring services through its financial subsidiaries with modern and state-of-the-art technologies.

As of March 31, 2020 VakifBank is the fourth largest bank in Turkey in terms of asset size. The Bank undertakes a leading role in facilitating access to finance through its 940 branches and 4,256 ATMs. VakifBank has three international branches located in New York, Bahrain and Arbil as well as its subsidiary in Austria, VakifBank International AG, which has branches in Vienna and Cologne.

To achieve its strategic goals and sustain its competitive edge, as of 2020, VakifBank conducts its activities with 16,835 employees. With the aim of maintaining a work environment where business peace prevails throughout the organization, VakifBank has achieved equality and equilibrium in the distribution of gender among its employees of which 51% are women while 11% of the members of the Board of Directors and roughly 27% of the Bank's managerial positions are women.

With the strength of its foundation culture; VakifBank continues to make important contributions to the growth and development of the country's economy with the mission of continuously increasing the value created for its all stakeholders by managing the assets and values entrusted with in an effective and efficient manner.

VakifBank's Strategic Sustainable Business Model

Being aware that an organization's ability to create value for itself is linked to the value it creates for all its stakeholders, VakifBank has been working to create value for all its stakeholders since its foundation. To enhance this value, it has reshaped its strategic business model in 2019. First, to provide input into the Bank's strategy, a stakeholder dialogue was carried out with the representatives of the Bank's stakeholder groups including senior management, employees, affiliates' employees, shareholders, unions, public institutions, customers, investors, financial analysts, suppliers, non-governmental organizations, universities and the media. Moreover, it has been

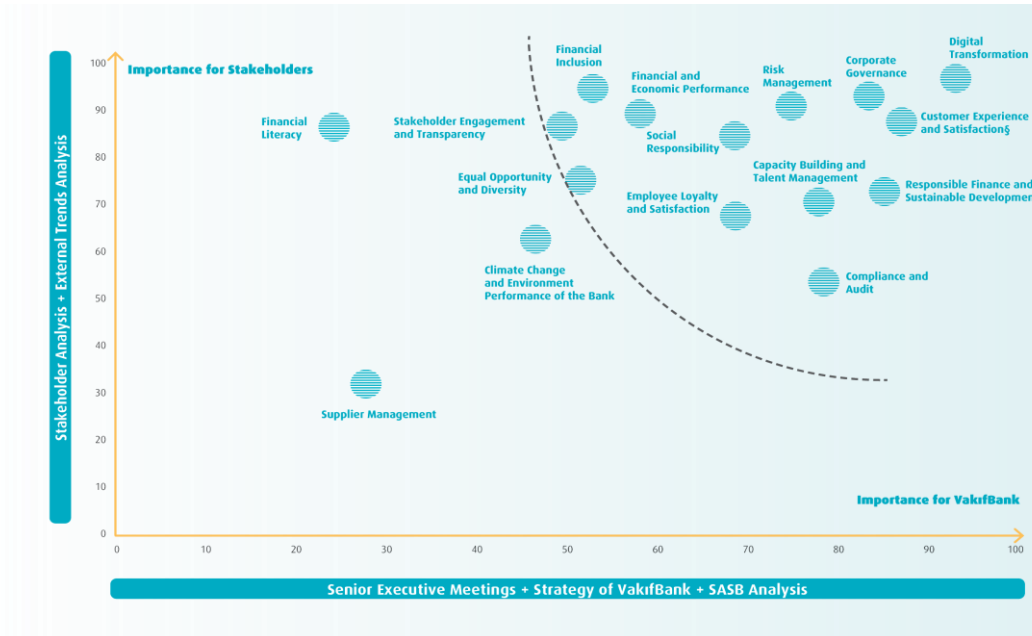
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considered the trends and results of research, practices and dialogues that were carried out by the Bank or external institutions. Thus, the Bank’s material topics have been shaped as stated in the matrix below. These material topics were the main precursors to the core of strategy model by locating around it.

Selected Indicators for Created Value in 2019

Indicator	Value
Ratio of female employees	50.9 %
Number of barrier-free life ATMs	3,995
Average training hours per employee	58.60 hours
Employee turnover rate	1.87
Share of transactions from alternative distribution channels	94 %
Children in mechatronics and mind games workshops	7,200
Children in VakıfBank sports club youth setup	1,060
Published books in 2019	18
Amount of paper saved	51.6 tonnes
Number of renewable energy projects financed	37

VakıfBank’s Material Topics



The Relationship of the Bank’s Material Topics with Capitals Elements and UN SDGs

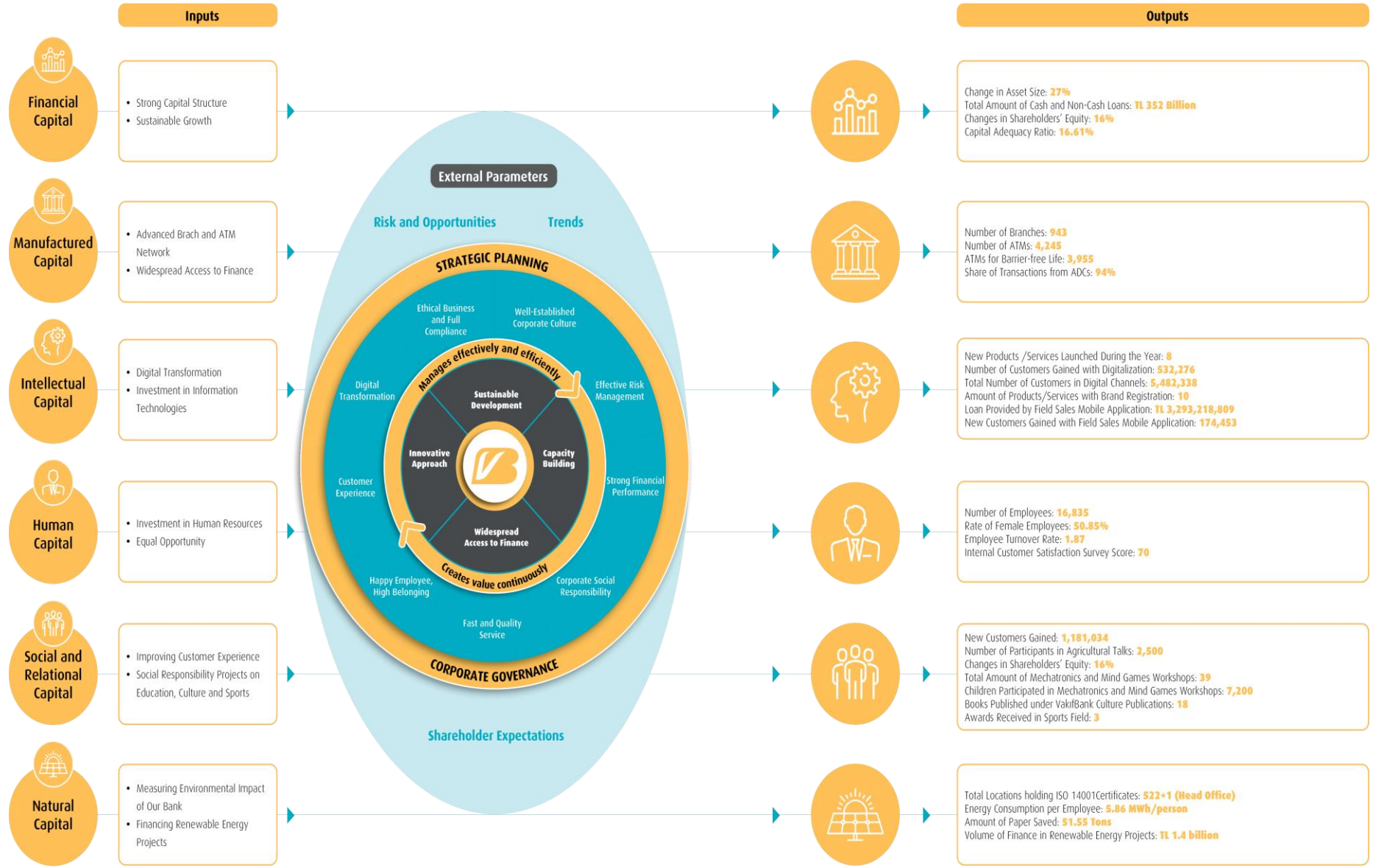
Material Topics	Related UN SDGs	Related Capital Items
Employee Loyalty and Satisfaction		
Digital Transformation		
Equal Opportunity and Diversity		
Financial Inclusion		
Financial Literacy		
Financial and Economic Performance		
Climate Change and Environmental Performance of the Bank		
Capacity Building and Talent Management		
Corporate Governance		
Customer Experience and Satisfaction		
Stakeholder Engagement and Transparency		
Risk Management		
Responsible Finance and Sustainable Development		
Supplier Management		
Social Responsibility		
Compliance and Audit		

The model illustrated below clearly shows how VakifBank will create value for the economy, society and the environment against risks and opportunities posed by the external environment, which includes material topics above. In this model, which is in continuous development and change cycle, Widespread Access to Finance, Sustainable Development, Innovative Approach and Capacity Building are located at the center. To this respect, this strategy model, which covers the entire stakeholder ecosystem of the bank, sheds light on the Bank in its sustainable banking journey.

VakıfBank's Strategic Business Model

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OUR VALUE CREATION MODEL



Message from Chairman

We have been experiencing a new world order where social and environmental topics are taken into consideration rather than traditional business models that only consider economic value. In this new order, where social interests are replaced by personal interests, the actors of the banking sector holding the world's financial network have very important responsibilities. With this sense of responsibility, as VakıfBank, we continue to create value for all of our stakeholders and support the sustainable development of the country's economy. By putting sustainability at the center of our strategic business model, we manage our environmental, social and governance performance in a way that creates value for all our stakeholders.

Abdülkadir Aksu
Chairman

VakıfBank's Sustainability Approach by ESG Factors

- **Governance**

To effectively coordinate the Bank's sustainability practices, the Corporate Governance Committee, which is the high-level decision-making authority in VakıfBank, has been nominated as the responsible body. With the belief that faster decision-making will add dynamism to its sustainability journey, the Bank has created the Sustainability Working Group as the supporting structure operating under this committee. In addition, the "Sustainability Service" within the body of the Bank's Investor Relations Department and the "Environmental Management Service" within the body of the Bank's Support Services Department are other structures that support the Committee to support sustainability efforts throughout the Bank.

To create sustainable value and act in the interests of stakeholders, the Bank conducts its activities in compliance with the Corporate Governance Principles in order to protect all stakeholders by the principles of equality, transparency, accountability and responsibility. Along with the financial risks that affect or may affect the Bank; non-financial risks, such as reputational and environmental risks are also monitored and managed through internal control systems in line with national legislation and international regulations. In addition to being against all kinds of bribery and corruption and laundering of criminal proceeds and terrorism financing, the Bank complies with the relevant laws, regulations as well as ethical principles. Concerning corporate governance, all the Bank's policies and documents are disclosed under the Investor Relations division of the corporate website.

- **Environment**

In this period, when the transition to a low carbon economy shaped the sustainable development agenda, the Bank has been playing an active role in this transition by effectively managing environmental risks not only for its direct operations but also for its indirect impacts emerging through its financing activities. In this respect, VakıfBank's strategy to combat climate change is based on three pillars:

- Sustainable Energy Finance: To provide financing support for sustainable energy projects by giving priority to renewable energy investments.
- Reducing Environmental Impacts: To minimize the effects and carbon footprint that occurs during its activities, the Bank monitors its environmental performance through an electronic database system and monthly data entries

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for the energy and water consumption as well as waste data for its all locations. To reduce greenhouse gas emissions and energy consumption, the Bank prefers central heating and cooling systems and energy efficient products. In 2020, the Bank plans to obtain a Gold-certified Green Building Certificate for our buildings of Head Office and IT Department (EBIS).

- Raising Employee Awareness: To raise the awareness of its employees on energy efficiency and climate change both within and outside the Bank, it provides trainings on these issues. In this context, in 2019, the Bank provided its employees with 8,263 hours of online training on environment and 6,260 hours of in-class training on sustainability. Moreover, within the scope of Corporate Social Responsibility, electronic waste which is seen appropriate has been donated to institutions in need and working for the public.

- **Social**

Human Capital

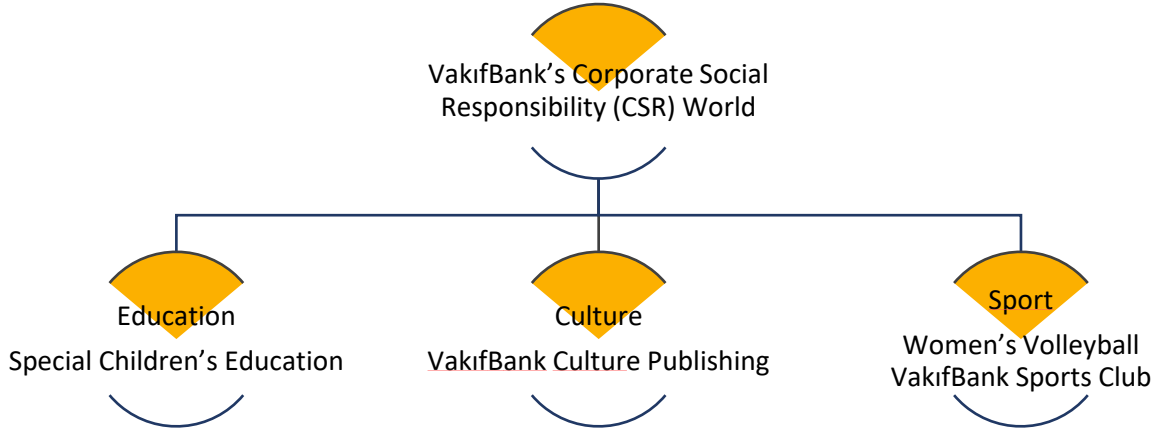
In this period, when sensitivity to social and environmental issues is increasing especially among millennials, VakıfBank considers its sustainable banking approach as an opportunity to retain its human resources and attract new talents in achieving its strategic goals and being competitive because they expect the same sensitivity from their employers. In this context, the Bank invests in strengthening its human resources in order to develop new competencies in the financial sector, to adapt to technological developments and to respond to the changing expectations of customers. Through its Human Rights and Employee Rights Policy, the Bank offers a working environment that takes into consideration the health, safety and happiness of employees in accordance with the requirements of the modern age.

Customer Satisfaction

In order to respond to the changing needs of its customers, to increase transaction speeds and to ensure information security, VakıfBank sees the digital transformation and innovation issue as its strategic priority and integrates it into all its processes. In line with its strategy “widespread access to finance”, the Bank use technological power to enable disabled citizens to easily benefit from financial products and services with arrangements not only in branches or ATMs but also in digital channels. The Bank also provides its customers with a variety of communication platforms to resolve any suggestions, complaints and requests as soon as possible. Moreover, to raise awareness on social and environmental topics among its customers, the Bank donated 10,000 saplings for the "VakıfBank Private Banking Memorial Forest" through the cooperation with the TEMA Foundation.

Corporate Social Responsibility

Because of the foundations of culture in its roots, VakıfBank has an identity beyond just being a Bank. VakıfBank's activities in social responsibility are categorized under three main topics: “education”, “culture” and “sports”.



- i. **Education:** The Bank focuses on the development and education of special children, one of the most important tools of social development. In this context, it has undertaken the construction of a total of 39 mechatronics and mind games workshops within the Science and Art Education Centers (BİLSEM) since 2017 and supported training of roughly 7,200 special-talented children in those workshops.
- ii. **Culture:** In line with its goal of enriching and expanding the culture and art life at the national and then the universal level, the Bank has published 18 books in 2019 under ‘VakifBank Culture Publications (VBKY)’, thus reaching 33 books in total since 2018.
- iii. **Sports:** With VakifBank Sports Club, the Bank has been introducing Turkish volleyball to the world for over 33 years and holding the title of Turkey's most trophy-winning team in the international arena. Moreover, through its volleyball schools, the Bank provides basic volleyball training for girls between the ages of 7 and 14. As of 2019, the number of volleyball schools has reached 9, where nearly 3,000 girls have been trained in the last five years. The Bank commits to show the power of women to the world via its projects in the sports area.

• **Sustainable Finance**

Supporting the socio-economic development of various layers of society with sustainable products and services with a responsible banking approach, VakifBank offers products and services ranging from environmentally friendly projects to energy efficiency, renewable energy projects and women entrepreneurs. Banking activities in the field of agriculture are still an important pillar of Turkey’s development. In this context, in 2017, we added the title of Environmental and Social Impact Assessment and Sustainability to the Bank’s Credit Policy Document.

In addition, the Bank does not provide financing to below stated sectors under any circumstances.

- Energy generation using nuclear fuels
- Production or trade in weapons and land mines
- Production or activities involving illegal forms of child labour
- Gambling, casinos and equivalent enterprises
- Production or trade in alcoholic beverages
- Production or trade in tobacco
- Illegal fishing

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To measure and manage its indirect impacts in a more systematic way stemming from its financing activities, VakıfBank has launched the process to establish an Environmental and Social Risk Assessment system by the end of 2020 within the scope of a loan agreement signed with the French Development Agency (AFD). Thanks to this system, VakıfBank aims to fortify its loan allocation in terms of sustainable financing, thus having a competitive edge in the sector.

Above all, as being the most active Turkish bank in the international debt capital markets, the Bank intends to take an active part in innovative sustainable market transactions to create long-term value for all its stakeholders in the coming periods.

- **Stakeholder Engagement**

To share its all practices in economic, environmental and social areas with all stakeholders in a transparent way, the Bank published sustainability reports on an annual basis from 2015 to 2019. With the change in the reporting landscape recently, the Bank has started to publish an integrated annual report from 2020 onwards to show how it creates value throughout its value chain and to interpret its non-financial performance in terms of financial indicators by associating them with the United Nations Global Sustainable Development Goals and multiple capital elements in line with the IIRC reporting framework. With the first report this year, the Bank became one of the few state-owned banks to do so worldwide, as well as being a few banks in Turkey.

Sustainability Milestones

The Bank was included in the BIST Sustainability Index as the only public bank among 15 companies. Since then, the Bank has been taking important steps to strengthen its sustainable banking identity.

- Since 2014, the Bank has maintained its strong position on the BIST Sustainability Index
- Since 2015, the Bank has been reporting its climate change strategy, risks and performance to the Carbon Disclosure Project (CDP). In 2019, the Bank kept its performance score at the “B” level in CDP and became one of the participant banks from Turkey who obtained the highest grade
- In 2015, the Bank published its first sustainability report and continued to publish this report annually until 2019
- In 2016, the Bank received the Turkey Sustainable Energy Financing Program (TurSEFF) Leading Bank in Energy Financing award
- Since 2017, the Bank has been listed on the FTSE4GOOD Emerging Index, thus moving its sustainable banking identity to international platforms
- In 2017, within the scope of its customer and quality-oriented growth strategy, the Bank completed the installation of an ISO 9001:2015 Quality Management System
- Initiated in 2017, an ISO 14001 Environmental Management System has been gradually installed in the Bank’s locations. Currently, the number of locations who are certified stands at 522+1 (Head Office)
- In 2017, the Bank extended the first Energy Service Company (ESCO) fund under the World Bank SME Energy Efficiency Loan Program

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- In 2017, the Bank added categories of “Environmental and Social Impact Assessment” and “Sustainability” to the Bank’s lending policy
- In 2018, the Bank was the first bank in Turkey to obtain the OHSAS 18001 Occupational Health and Safety Management System Certificate, the standards for which provide employees with a safe and healthy work environment with international standards beyond the legal requirements
- In 2019, the Bank became the first state-owned bank in Turkey to commit to reduce carbon emissions by participating in the Science Based Targets Initiative
- In 2019, to align our strategy with the UN Sustainable Development Goals, the Bank became a signatory to the United Nations Global Compact (UNGC)
- In 2019, the Bank became the first public institution in Turkey to sign the UN Women's Empowerment Principles (UN WEPs)
- In 2019, to further strengthen our sustainable banking identity on global platforms, the Bank voluntarily participated in the Dow Jones Sustainability Index survey
- In 2019, the Bank launched its R&D Center to integrate digital transformation into all our processes in order to respond to the changing needs of our customers, to increase transaction speeds and to ensure information security
- In 2019, the Bank established “VakıfBank Farmers Academy” to increase the technical knowledge of farmers, reduce costs in agricultural production, increase productivity and contribute to sustainability in agriculture
- In 2019, as a first step of digital transformation, the Bank started to implement a new concept in its pilot branch to simplify in-branch transaction processes
- In 2019, reflecting the Bank’s aim to maximize the service quality and customer experience through its Call Center, the Bank received ISO 18295-1 Customer Contact Centers Standard Certificate
- In 2019, the Bank completed systematic records of all its branches within the scope of zero waste
- In 2019, the Bank provided financial support of over TL 1.3 billion to 37 renewable energy projects
- In 2019, the Bank obtained a Silver Award in the Galaxy Awards by Mercomm for the Bank’s 2018 Sustainability Report
- In 2019, the Bank started to work on the establishment of an environmental and social risk management system in the loan allocation processes within the scope of the funds we provide from the French Development Agency (AFD)
- In 2019, the Bank established the Ethics Commission in order to increase ethical awareness
- In 2020, to demonstrate our approach to gender equality, the Bank responded to the Bloomberg GEI (Bloomberg Gender Equality Index). In just the first year of its reporting, the Bank was one of only two banks in Turkey selected for the 2020 Bloomberg Gender-Equality Index
- In 2020, the Bank published its first integrated annual report in line with the International Integrated Reporting Framework (<IR>) guidelines. With this report, the Bank has taken its place in the world among a few state-owned banks as well as being one of the few banks in Turkey.

Sustainable Finance Framework

VakifBank's Sustainable Finance Framework

In order to meet the commitments described above and finance projects that will deliver environmental, social and/or environmental benefits to support VakifBank's business strategy and vision, VakifBank has elected to create a Sustainable Finance Framework.

The Sustainable Finance Framework articulates how VakifBank intends to raise Sustainable Financing Instruments to finance and/or refinance new and existing loans to its clientele and internal projects with environmental and/or social benefits.

"Sustainable Financing Instruments" will include Green, Social and Sustainability Bonds and Loans and other debt or financing instruments that fund Eligible Green and Social Projects that conform to the sustainable finance principles listed below:

- International Capital Market Association ("ICMA") Green Bond Principles ("GBP") 2018;
- International Capital Market Association ("ICMA") Social Bond Principles ("SBP") 2018;
- International Capital Market Association ("ICMA") Sustainability Bond Guidelines ("SBG")2018; and/or
- Loan Market Association ("LMA") Green Loan Principles 2018

In aligning with the above principles and guidelines, VakifBank's Sustainable Finance Framework is presented through the GBP / SBP's four core components as well as its recommendation for external review:

(a) Use of Proceeds

(b) Process for Project Evaluation and Selection

(c) Management of Proceeds

(d) Reporting

Bonds issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, issued under our Debt Issuance Programmes or on a stand-alone basis and may take the form of senior unsecured, covered bond or subordinated issuances. Such Bonds (except Covered Bonds) and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

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1. Use of Proceeds


VakifBank will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework towards financing and/or refinancing, in whole or in part, new and/or existing eligible businesses and projects as described below.

A business/organisation will be considered eligible for financing using the Sustainable Financing Instrument proceeds only if it derives 90% or more of its revenues from activities in the list of eligible categories below.



VakifBank can issue three types of Sustainable Financing Instruments under this Framework:

- (a) Green bonds/loans (including only Eligible Green Use of Proceeds)
- (b) Social bonds/loans (including only Eligible Social Use of Proceeds)
- (c) Sustainability bonds/loans (including a combination of Eligible Green and Social Use of Proceeds)


1.1 Eligible Green Use of Proceeds Categories

Category (GBP)	SDG Target	Criteria	Eligible projects	Exclusions
Renewable Energy 	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix	Generation of energy from renewable sources Manufacture of components wholly dedicated to renewable energy technology	<ul style="list-style-type: none"> • Onshore and offshore wind energy • Solar energy • Geothermal with direct emissions \leq 100g CO2e/kWh • Biomass and Biogas with 80% GHG emission reduction compared to fossil fuels, and sourced from sustainable feedstock¹ • Small run-of-river hydro plants 	Projects that are large-scale (>25MW) dam or reservoir based hydro projects, run-of-river projects with pondage Exclude portions refinanced by third parties Bioenergy from non-waste biomass

¹ VakifBank ensures that bioenergy comes from sources that do not deplete existing terrestrial carbon pools. Also, the projects must protect biodiversity and should not involve the burning of peat. The projects will produce bioenergy from agricultural residues or forestry residues.


Category (GBP)	SDG Target	Criteria	Eligible projects	Exclusions
<p>Pollution prevention and control</p> 	<p>SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p>Waste management, recycling and reuse projects</p>	<ul style="list-style-type: none"> Waste recycling plants 	<p>Landfills and incineration activities</p>
<p>Green buildings</p> 	<p>SDG 7.3: By 2030, double the global rate of improvement in energy efficiency</p>	<p>Investments in new or existing commercial or residential buildings which are compliant with green buildings standards</p>	<ul style="list-style-type: none"> LEED Gold or above BREEAM Very Good or above BEP-TR “B” or above energy label provided by the energy performance certificate issued in accordance with the related Turkish regulation ÇEDBİK Green Building certification 	

1.2 Eligible Social Use of Proceeds Categories

Category (SBP)	SDG Target	Criteria	Eligible projects	Exclusions
<p>Affordable housing</p> 	<p>SDG 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>	<p>Investments into mass housing projects in order to solve the housing problem of the low- and middle-income groups</p>	<p>Eligible financings provided under TOKI’s² social housing projects</p>	

² <https://www.toki.gov.tr/en/housing-programs.html>

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Category (SBP)	SDG Target	Criteria	Eligible projects	Exclusions
Employment generation including through the potential effect of SME financing and microfinance 	SDG 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 and markets	Investments that contribute to expanding access to affordable and responsible financial products and services to the poor and vulnerable populations.	Employment Focused Business Loans for manufacturing and service facilities to SMEs ³ and commercial segment Business Continuity Support Loans for SMES for employment retention/preservation in the wake of pandemics and natural disasters	The business activity must not breach the activities covered under the Overall Exclusions list

Businesses and projects that are involved in the following operations will not be Eligible Projects (Overall Exclusions List):

- Payday loans
- Adult entertainment
- Manufacture and production of alcoholic beverages
- Any activity or technology associated with the extraction, production, refining, transmission and distribution of fossil fuels
- Lethal defense goods
- Gambling
- Military contracting
- Nuclear power generation
- Manufacture and production of tobacco products
- Child labour or forced labour

2. Process for Project Evaluation and Selection

VakıfBank's Sustainability Working Group is responsible for establishing sustainability strategies and policies in economic, social and environmental fields.

³ SME's as defined in <https://www.tobb.org.tr/KobiArastirma/Sayfalar/Eng/SMEsinTurkey.php>

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The integration into decision-making processes and management of sustainability is the responsibility of the **Corporate Governance Committee**, which is the highest-level decision-making and responsible authority at the Bank. In 2019, the Board of Directors of the Bank deemed that the activities carried out by the Corporate Governance Committee were effective, appropriate and sufficient.

The **Sustainability Working 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. This group derives its mandate from the Corporate Governance Committee and consists of the various group heads of business (including of the loans department).



Sustainable Finance Framework

The **Sustainability Working Group** will:

- Meet at least two times each year, endeavoured to be distributed evenly throughout the year
- Ratify eligible business and projects, which are initially proposed by local banking teams
- Undertake regular monitoring of the asset pool to ensure the eligibility of businesses and projects, whilst replacing any ineligible businesses and projects with eligible new green and/or social assets
- Verify compliance of the green/social projects with VakıfBank's CSR policy and internal environmental and social standards
- Facilitate regular reporting on any Green, Social or Sustainable issuance in alignment with the section 4 on 'Reporting'
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Green and Social Projects will follow the Bank's existing credit/loan/investment approval processes

To qualify as Eligible Projects for financing and/or refinancing using the net proceeds of the Sustainable Financing Instruments under this Framework, all financing to eligible activities must:

- (a) Be aligned with this Framework;
- (b) Be aligned with the Credit Policy Document of the Corporate Loans Department;
- (c) Not be a loan refinanced by third parties;
- (d) Not be a non-performing loan; and
- (e) Not be an uncommitted transaction.

3. Management of Proceeds

The net proceeds of any VakıfBank bond issuance or loan under this Framework will be managed on a portfolio approach by the Sustainability Working Group and would be allocated as follows:

- Green Bonds / Loans to the Eligible Green Portfolio
- Social Bonds / Loans to the Eligible Social Portfolio
- Sustainability Bonds / Loans to the Eligible Green Portfolio and/or Eligible Social Portfolio

VakıfBank will maintain an eligible portfolio that at least matches or exceeds the net proceeds from its outstanding bonds or loans issued under this Framework.

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During the life of the Sustainable Financing Instruments issued under this Framework, if a business or project ceases to fulfil the eligibility criteria, VakıfBank will remove the same from the portfolio upon becoming aware of such ineligibility and replace it with another eligible green / social project as soon as reasonably practicable.

The balance of the tracked proceeds should be adjusted on a bi-annual basis in order to match the allocation to Eligible Projects re/financed during this period.

For any net proceeds of Sustainable Financing Instruments issued under this Framework that remain unallocated, VakıfBank will hold the proceeds in cash and/or invest in other short-term liquid instruments.

VakıfBank will establish a Sustainability Financing Register to track the relevant information for each such issuance. The register will be reviewed bi-annually.

4. Reporting

VakıfBank intends to issue reports in English on the allocation of the net proceeds of Sustainable Financing Instruments to the Eligible Green and Social Portfolio (each, an “Allocation Report”). Reporting with respect to each Sustainable Financing Instrument will take place: (a) within 12 months following the funding date of such Sustainable Financing Instrument and (b) if the net proceeds thereof have not been allocated by the time of such first report, for each following 12 month period until the full initial allocation of the net proceeds of such bond or loan (with a final such report being published after such initial allocation has been completed). Furthermore, additional reports are intended to be published on a timely basis in case of material developments.

Wherever feasible, VakıfBank may report on the aggregated impact of the Eligible Green and Social Portfolio on a category level. VakıfBank will align, on a best efforts basis, the reporting with the portfolio approach described in ICMA’s Harmonized Framework for Impact Reporting (June 2019).

The Allocation Reports and other reports described in this section above may be found on our website <https://www.vakifbank.com.tr/sustainable-finance.aspx?pageID=3907>.

a. Allocation reporting

The Allocation Reports for each Sustainable Financing Instrument will provide information such as:

- The amount or percentage of allocation to the Eligible Green and Social Portfolio from the proceeds of such Sustainable Financing Instrument,
- Examples of projects being financed (subject to confidentiality considerations) from the proceeds of such Sustainable Financing Instrument,
- The amount of the proceeds of such Sustainable Financing Instrument as allocated by Project Category,
- The geographic distribution of businesses and projects being funded from the proceeds of such Sustainable Financing Instrument,

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- The portion of the proceeds of such Sustainable Financing Instrument used for new financing vs. refinancing, and
- The balance of the unallocated proceeds of such Sustainable Financing Instrument.

b. Impact reporting

Within each Allocation Report, VakıfBank intends to include a discussion on the impact of the portfolio funded by the applicable Sustainable Financing Instrument by category from a social and environmental perspective, subject to the availability of information and baseline data and based on methodologies that will be publicly available.

Examples of indicators and Metrics:

Eligible Green/ Social Projects Categories	Sub-categories	Examples of impact indicators
Renewable Energy	<ul style="list-style-type: none"> • Wind energy • Solar energy • Geothermal • Biogas / biomass • Hydropower 	<ul style="list-style-type: none"> • Expected annual renewable energy generation (MWh/y) • Reduced and/or avoided GHG emissions (in t. CO_{2e} /year)
Pollution prevention and control	<ul style="list-style-type: none"> • Waste recycling 	<ul style="list-style-type: none"> • Annual absolute (gross) amount of waste that is separated and/or collected, and treated and recycled
Green buildings	<ul style="list-style-type: none"> • Certified green buildings 	<ul style="list-style-type: none"> • Level of certification • Reduced and/or avoided GHG emissions (in t. CO_{2e} /year) • Energy savings (MWh or %)
Affordable Housing	<ul style="list-style-type: none"> • Affordable housing loans under TOKI projects 	<ul style="list-style-type: none"> • Number of people with access to safe, affordable and sustainable housing
Employment generation through SME Financing	<ul style="list-style-type: none"> • Loans to SME and Micro enterprises including pandemic related loans 	<ul style="list-style-type: none"> • Quantum of loans • Number of SMEs financed • Number of new jobs created

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External Review

a. Second Party Opinion

The Framework is supported by a Second Party Opinion (SPO) by Sustainalytics. The Second-Party Opinion ensures that this Framework follows the highest standards as defined by the Green and Social Bond Principles 2018 and best market practices.

b. Annual review

In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, VakıfBank intends to engage a third party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework's criteria.

Amendments to this Framework

The Sustainable Working Group will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of VakıfBank and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.