

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## ESG Risk Rating

# 18.4

Last Full Update Nov 17, 2023

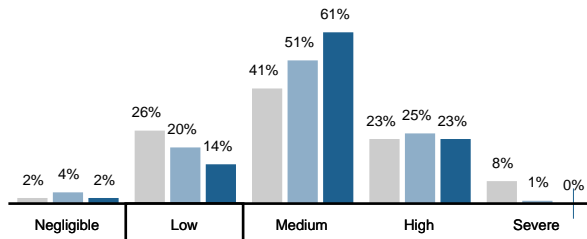
# -0.6

Momentum

# Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	3379/15716	22nd
Banks INDUSTRY	191/1009	20th
Regional Banks SUBINDUSTRY	58/466	13th

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Türkiye Vakıflar Bankası TAO	40.5 Medium	57.1 Strong	18.4 Low
2. Commercial International Bank (Egypt) SAE	35.1 Medium	45.5 Average	19.8 Low
3. Commerce Bancshares, Inc. (Missouri)	37.5 Medium	38.6 Average	23.7 Medium
4. Israel Discount Bank Ltd.	41.5 Medium	40.7 Average	25.4 Medium
5. Cullen/Frost Bankers, Inc.	38.5 Medium	31.6 Average	26.8 Medium

# Türkiye Vakıflar Bankası TAO

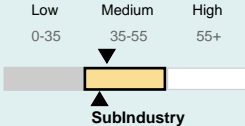
Regional Banks Turkey IST:VAKBN.E

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**40.5** **-5.3**  
**Medium** Momentum  
Beta = 1.04



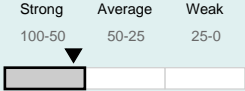
As a public bank engaged in retail, corporate banking, investment banking and other operations, VakifBank is highly exposed to product governance issues. This diversification increases compliance risk due to the complexity of adhering to specific regulations in each domain, while meeting customer needs. Disclosure deficiencies and product mis-selling could expose the bank to reputational and legal risks. Moreover, it collects and processes a significant amount of personal information from its customers. This triggers exposure to data privacy and security breaches, especially considering the bank’s increasing digitalization efforts. Breaches may result in regulatory action and loss of customer trust. Lastly, VakifBank is exposed to business ethics issues including market manipulation, bribery, corruption and fraud. Infractions could lead to lengthy investigations and regulatory penalties.

The company's overall exposure is medium and is similar to subindustry average. Data Privacy and Security, Business Ethics and Product Governance are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

### ESG Risk Management

**57.1** **-4.2**  
**Strong** Momentum



VakifBank’s ESG-related issues are overseen by a sustainability committee, which is chaired by the bank’s CEO, suggesting that these are integrated into the core business strategy. Overall, the bank exhibits above-average preparedness to manage its most material ESG issues. It presents a strong responsible marketing policy and an adequate programme. VakifBank shows adequate management in data privacy and security as well. There is room for improvement in its policies, however, as it currently lacks a commitment to require third parties with whom data is shared to comply with the bank’s policy. Nonetheless, the bank achieved ISO 27001 certification. Its business ethics issues management is above average, as it discloses strong policies on bribery, corruption and money laundering. Its programmes on the matter are adequate, though it does not provide employees with relevant training.

The company's overall management of material ESG issues is strong.

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score   Category	ESG Risk Management Score   Category	ESG Risk Rating Score   Category	Contribution to ESG Risk Rating
Corporate Governance	9.0 High	40.7 Average	5.3 Medium	29.0%
ESG Integration -Financials	5.3 Medium	39.3 Average	3.2 Low	17.3%
Data Privacy and Security	6.3 Medium	70.0 Strong	2.8 Low	15.1%
Business Ethics	6.3 Medium	62.5 Strong	2.6 Low	13.9%
Product Governance	8.4 High	70.0 Strong	2.5 Low	13.7%
Human Capital	5.3 Medium	64.4 Strong	2.0 Low	11.1%
Overall	40.5 Medium	57.1 Strong	18.4 Low	100.0%

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

### Category (Events)

**5 Severe (0)**

**4 High (0)**

**3 Significant (0)**

**2 Moderate (0)**

**1 Low (0)**

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

## Category (Events)

### None (15)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Carbon Impact of Products

Data Privacy and Security

Environmental Impact of Products

Labour Relations

Lobbying and Public Policy

Marketing Practices

Quality and Safety

Sanctions

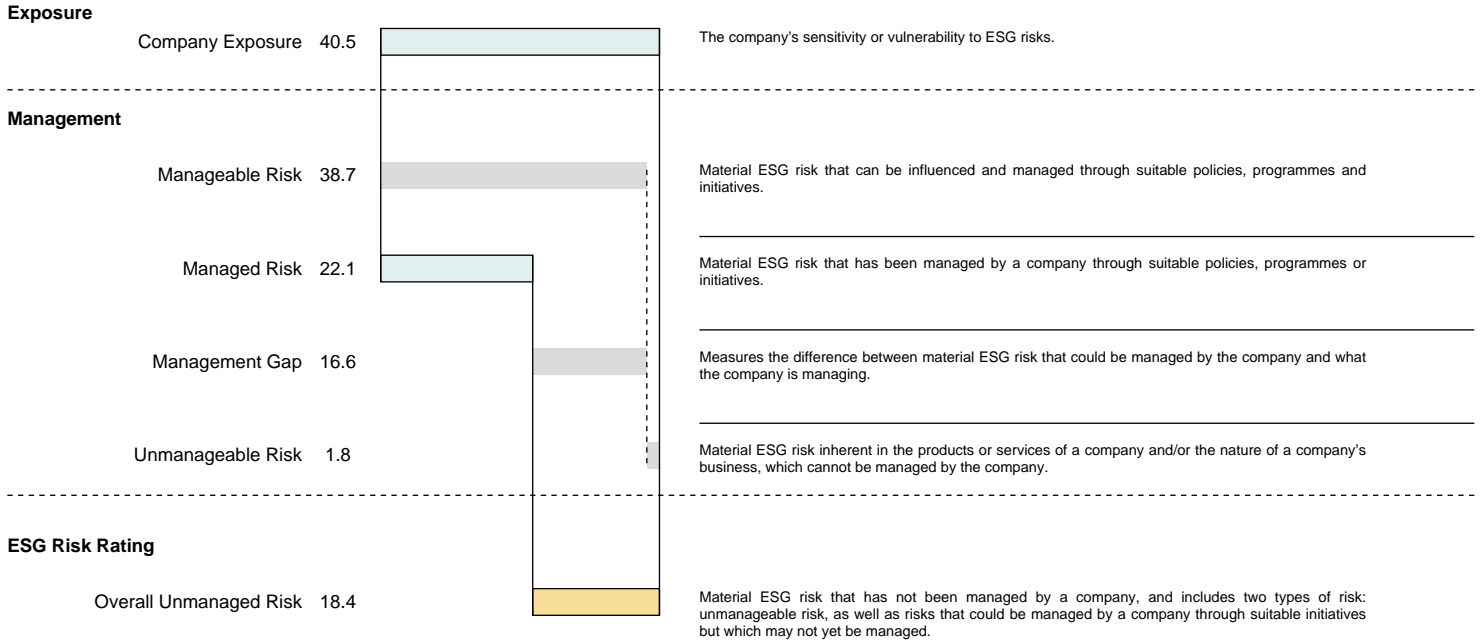
Social Impact of Products

Society - Human Rights

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition



## Momentum Details



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Issue

Contribution 29.0 %



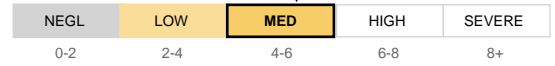
## Corporate Governance

Corporate Governance represents foundational structures for the management of ESG risks.

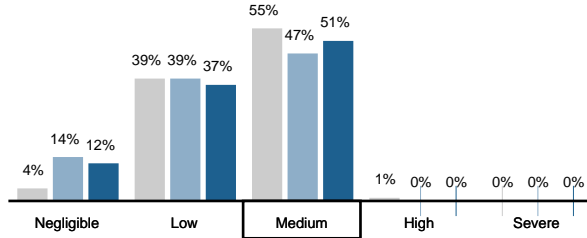
## ESG Risk Rating

# 5.3

## Medium Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	4380/4925	89th
Banks INDUSTRY	344/361	95th
Regional Banks SUBINDUSTRY	125/129	97th

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Israel Discount Bank Ltd.	9.0 High	53.8 Strong	4.2 Medium
2. Commercial International Bank (Egypt) SAE	9.0 High	52.2 Average	4.3 Medium
3. Commerce Bancshares, Inc. (Missouri)	9.0 High	50.5 Average	4.5 Medium
4. Cullen/Frost Bankers, Inc.	9.0 High	47.1 Average	4.8 Medium
5. Türkiye Vakıflar Bankası TAO	9.0 High	40.7 Average	5.3 Medium

# Türkiye Vakıflar Bankası TAO

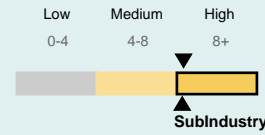
Regional Banks Turkey IST:VAKBN.E

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**9.0**  
High

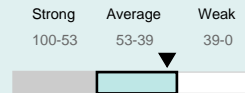


The quality and integrity of the company's board and management and its remuneration systems are identified as the highest weighted governance areas of focus. The company is publicly traded, which leads to heightened scrutiny of its governance practices and increases the importance of governance structures, practices and behaviour. This translates into high exposure to baseline Corporate Governance risk.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

### ESG Risk Management

**40.7**  
Average



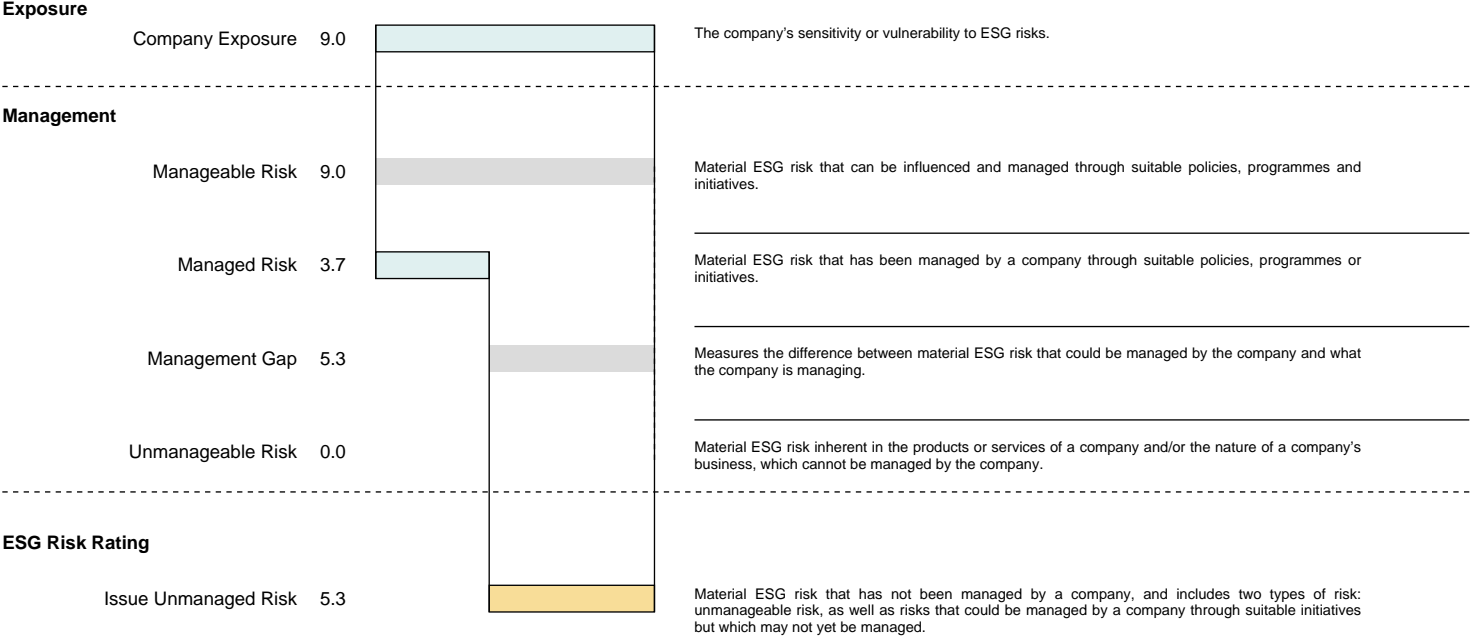
The company is noted for showing particular strength in its stakeholder governance. On the other hand, it is noted for weakness in the quality and integrity of its board/management, its board structure, its remuneration systems and its audit and financial performance systems. It has average management of its other governance pillar. Overall, we rate the company's corporate governance management as average.

Corporate Governance Pillars	Raw Score	Weight	Weighted Score
Board/Management Quality & Integrity	37	25.0%	9.3
Board Structure	43	17.0%	7.3
Ownership & Shareholder Rights	50	17.0%	8.5
Remuneration	28	25.0%	7.0
Audit & Financial Reporting	39	8.0%	3.1
Stakeholder Governance	69	8.0%	5.5
<b>Totals</b>		<b>100.0%</b>	<b>40.7</b>

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition





# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Issue

Contribution 17.3 %



## ESG Integration - Financials

ESG Integration - Financials includes all ESG integration activities by financial institutions that are either driven by financial downside risk considerations or by business opportunities.

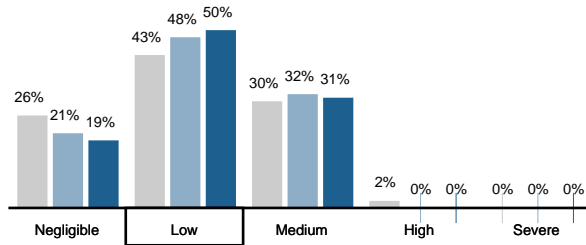
## ESG Risk Rating

# 3.2

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	544/1069	51 <sup>st</sup>
Banks INDUSTRY	172/361	48 <sup>th</sup>
Regional Banks SUBINDUSTRY	53/129	41 <sup>st</sup>

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Commercial International Bank (Egypt) SAE	4.3 Medium	44.5 Average	2.4 Low
2. Türkiye Vakıflar Bankası TAO	5.3 Medium	39.3 Average	3.2 Low
3. Israel Discount Bank Ltd.	5.3 Medium	30.4 Average	3.7 Low
4. Commerce Bancshares, Inc. (Missouri)	4.8 Medium	12.8 Weak	4.1 Medium
5. Cullen/Frost Bankers, Inc.	5.0 Medium	9.1 Weak	4.5 Medium

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

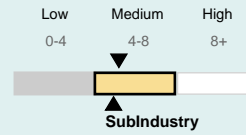
## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

# 5.3

Medium



ESG Integration -Financials involves the integration of environmental, social and governance (ESG) criteria and metrics into financial lending and investment decision-making. With their comprehensive product offering, regional banks face a multifaceted array of risks and opportunities related to ESG integration, with each bank facing a different level of exposure depending on its product mix and geographical footprint. In their lending operations, regional banks are subject to criticism and may encounter risks by lending to controversial industries and projects, such as coal mines, hydroelectric dams, controversial weapons manufacturers and palm oil producers. The asset management businesses at regional banks face similar considerations as lending divisions; investment decisions can lead to reputational damage and losses on investments. Although asset managers are often highly diversified, they are exposed to shifts in markets that arise due to ESG issues. Companies employing successful risk management strategies that include ESG considerations may experience a long-term competitive advantage compared to their peers. Regional banks may also be able to capture new business opportunities in the area of responsible finance. For example, some banks have developed new products that cater to sustainability-minded investors and consumers, such as green bonds that invest in renewable energy and energy efficiency projects. Likewise, new lending products catering to businesses and retail customers can establish banks in growth markets that may be particularly important in the event of regulatory and market shifts. Banks that integrate ESG considerations may also reduce criticism from NGOs, the public, and clients. Although most companies may have some level of responsible finance activity, many approach it as a niche area rather than a core part of their business. However, shifting public expectations toward greater corporate accountability suggest that responsible finance will increasingly be an important area of differentiation among regional banks.

The company's exposure to ESG Integration -Financials issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x <b>1.05</b>
Company Issue Exposure	5.3

### Beta Indicators

### Beta Signal

Environmental Impact of	0.00
Social Impact of Products	0.00
Carbon Impact of Products	0.00
Society - Human Rights	0.00
Operating Performance	0.00
Solvency - Banking	0.02
Asset Performance - Banking	-0.02
Financial Flexibility - Banking	0.03
Headquarters Location	0.00
Sales Location	0.00
Responsible Asset Portfolio	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Beta Indicators	Beta Signal
Exceptional Event Adjustment	0.00
Total Beta Signal	0.05
Baseline	+1.00
Overall Beta	<b>1.05</b>

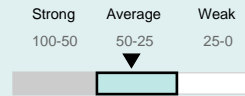
# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**39.3**  
Average



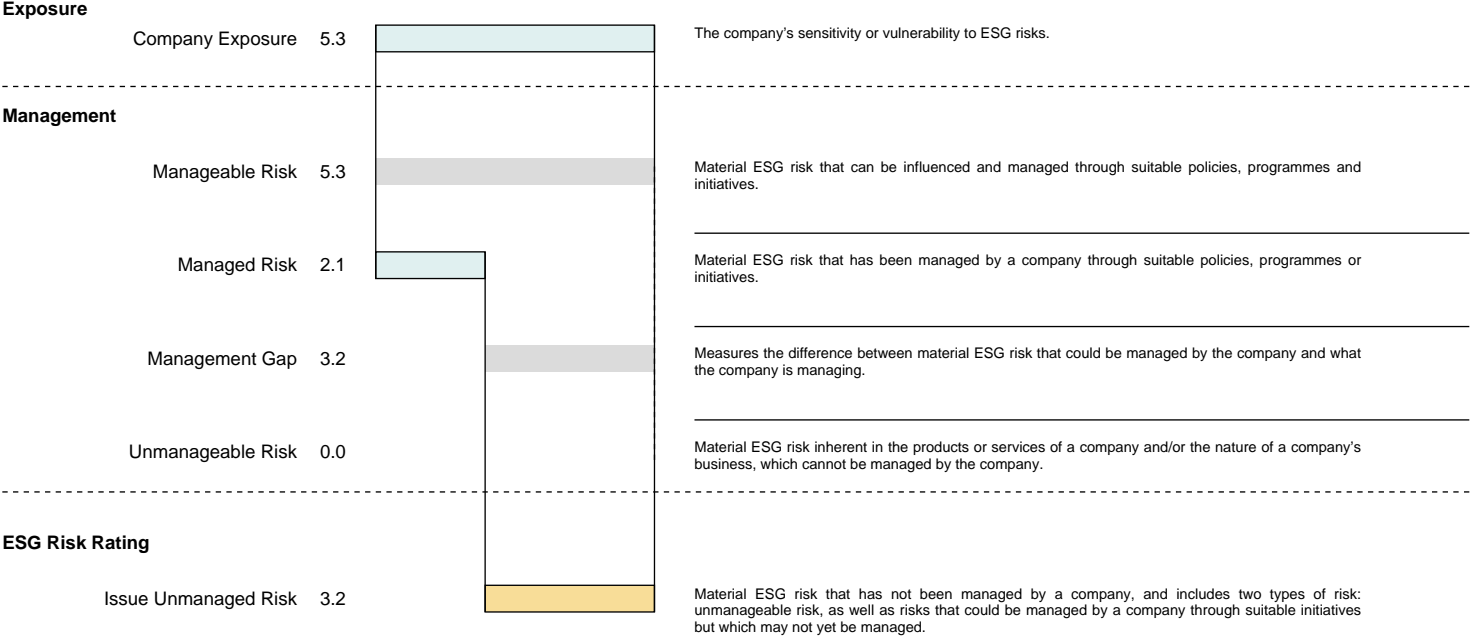
In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Credit & Loan Standards	100	15.0%	15.0
Corporate Finance - ESG Integration	50	20.0%	10.0
Financial Inclusion	50	7.5%	3.8
Sustainable Financial Initiatives	50	7.5%	3.8
Responsible Investment Policy	25	7.5%	1.9
Responsible Investment Programme	25	12.5%	3.1
Responsible Asset Management	10	17.5%	1.8
Equator Principles Signatory	0	2.5%	0.0
PRI Signatory	0	7.5%	0.0
UNEPFI Signatory	0	2.5%	0.0
Carbon Impact of Products	Category 0	0%	0.0
Environmental Impact of Products	Category 0	0%	0.0
Social Impact of Products	Category 0	0%	0.0
Society - Human Rights	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>39.3</b>

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Issue

Contribution 15.1 %



## Data Privacy and Security

Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.

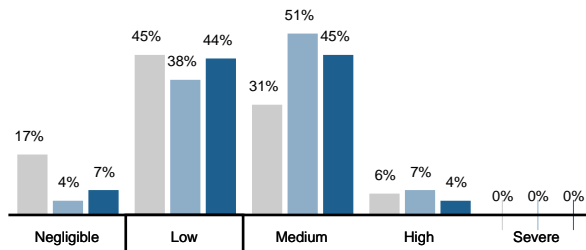
## ESG Risk Rating

# 2.8

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	658/2037	33rd
Banks INDUSTRY	51/333	16th
Regional Banks SUBINDUSTRY	26/129	20th

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Türkiye Vakıflar Bankası TAO	6.3 Medium	70.0 Strong	2.8 Low
2. Commercial International Bank (Egypt) SAE	5.1 Medium	55.0 Strong	2.9 Low
3. Commerce Bancshares, Inc. (Missouri)	5.7 Medium	35.0 Average	4.1 Medium
4. Israel Discount Bank Ltd.	7.5 Medium	55.0 Strong	4.2 Medium
5. Cullen/Frost Bankers, Inc.	6.0 Medium	35.0 Average	4.3 Medium

# Türkiye Vakıflar Bankası TAO

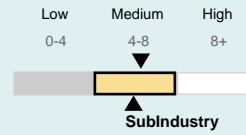
Regional Banks Turkey IST:VAKBN.E

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**6.3**  
Medium



In FY2022, VakifBank saw an increase in the number of digital banking customers to 11 million from 9 million in 2021. On top of its already existing AI-based digital assistant ViBi, the bank plans to further integrate AI within its systems and to develop hyperautomation models in 2023. Thus, VakifBank is exposed to data privacy and security risks due to the large amount of sensitive customer personal data it manages and its increasing focus on digitalization. Insufficient controls or programmes to manage and protect information would therefore expose the company to reputational and legal risk.

The company's exposure to Data Privacy and Security issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>1.05</b>
Company Issue Exposure	6.3

### Beta Indicators

### Beta Signal

Data Privacy and Security	0.00
Operating Performance	0.00
Solvency - Banking	0.02
Asset Performance - Banking	-0.02
Financial Flexibility - Banking	0.03
Headquarters Location	0.00
Sales Location	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.05
Baseline	+1.00
Overall Beta	<b>1.05</b>

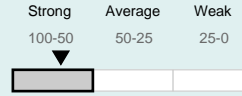
# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.


## ESG Risk Management

**70.0**  
**Strong**



To protect sensitive information gathered from its customers and other data subjects and to mitigate the risk of cyberattacks, VakifBank established an information security management system certified to ISO 27001 standards. Furthermore, the company is committed to apply leading safeguards to protect customers' personal identifiable information, and to only collect personal data that is limited to the stated purpose. It provides details on data collection, processing and retention. Its policies detail the management of data sharing, yet there are no clear commitments to require third parties with whom the data is shared to comply with the company's policy. Nevertheless, data subjects can inquire about data processing and request deletion. While VakifBank's employees are regularly trained in data protection, the bank does not carry out regular privacy risk assessments or audits.

In our view, the company's management of the issue is above average.

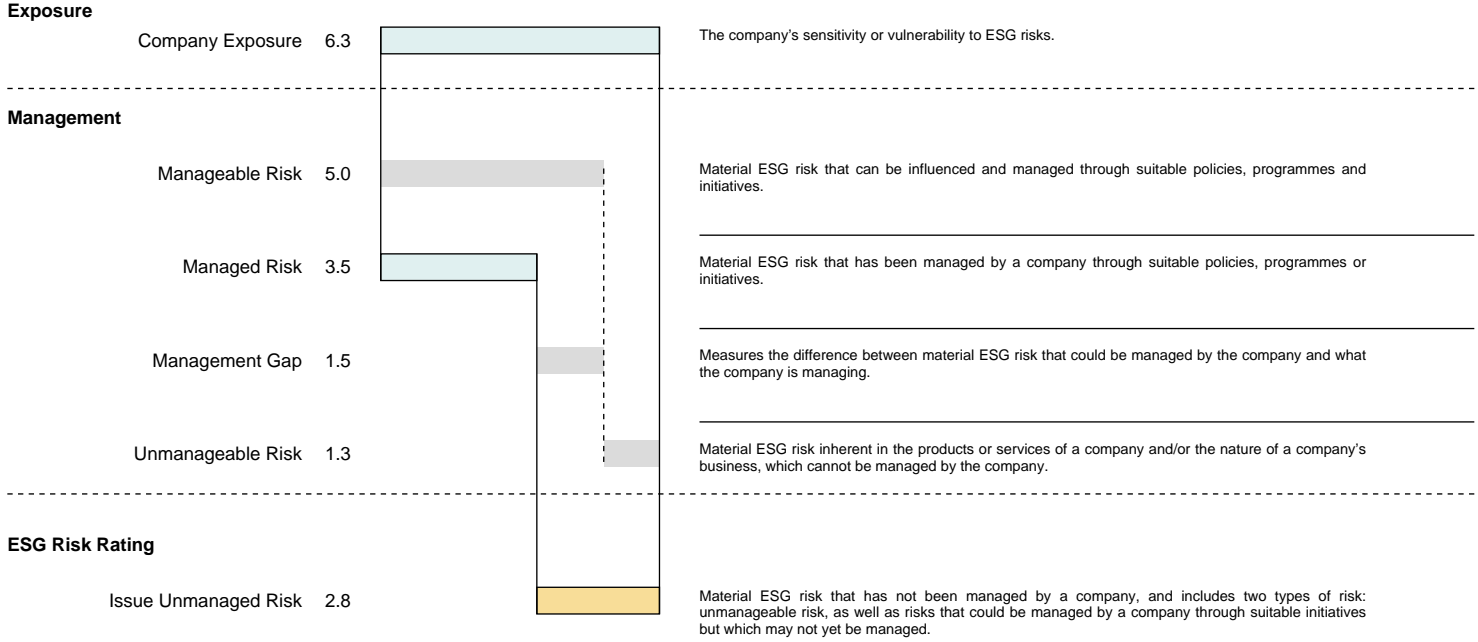
Management Indicators	Raw Score	Weight	Weighted Score
Cybersecurity Programme	100	40.0%	40.0
Data Privacy & Security Policy	50	20.0%	10.0
Data Privacy Programme	50	40.0%	20.0
 Data Privacy and Security	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>70.0</b>



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Issue

Contribution 13.9 %

## Business Ethics

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

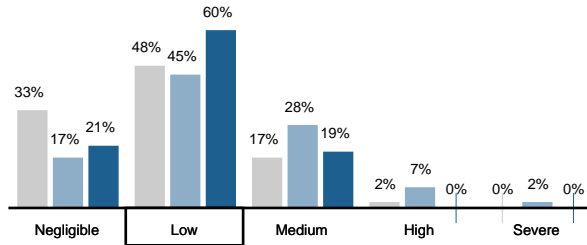
## ESG Risk Rating

# 2.6

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	2260/4559	50th
Banks INDUSTRY	101/361	28th
Regional Banks SUBINDUSTRY	46/129	36th

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Commercial International Bank (Egypt) SAE	5.4 Medium	57.5 Strong	2.5 Low
2. Türkiye Vakıflar Bankası TAO	6.3 Medium	62.5 Strong	2.6 Low
3. Commerce Bancshares, Inc. (Missouri)	5.7 Medium	57.5 Strong	2.6 Low
4. Cullen/Frost Bankers, Inc.	5.7 Medium	31.3 Average	4.0 Medium
5. Israel Discount Bank Ltd.	6.3 Medium	31.5 Average	4.4 Medium

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

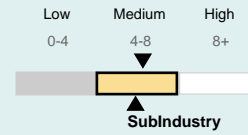
## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

# 6.3

Medium



VakifBank is controlled by Turkey's Ministry of Treasury and Finance, which, at 2022 year-end, had a 20.57% stake in the company. Even after the October 2023 review, Turkey continues to be on the "grey list" of the Financial Action Task Force (FATF), which is a list of jurisdictions subject to increased monitoring of money laundering and terrorism financing. As the second largest bank in Turkey by assets, VakifBank faces exposure to potential business ethical issues, such as money laundering, fraud and corruption. Infractions could lead to lengthy investigations and regulatory penalties.

The company's exposure to Business Ethics issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>1.05</b>
Company Issue Exposure	6.3

### Beta Indicators

### Beta Signal

Accounting and Taxation	0.00
Anti-Competitive Practices	0.00
Bribery and Corruption	0.00
Business Ethics	0.00
Lobbying and Public Policy	0.00
Sanctions	0.00
Operating Performance	0.00
Solvency - Banking	0.02
Asset Performance - Banking	-0.02
Financial Flexibility - Banking	0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.05</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>1.05</b>

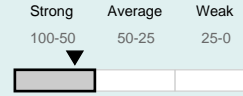
# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**62.5**  
**Strong**



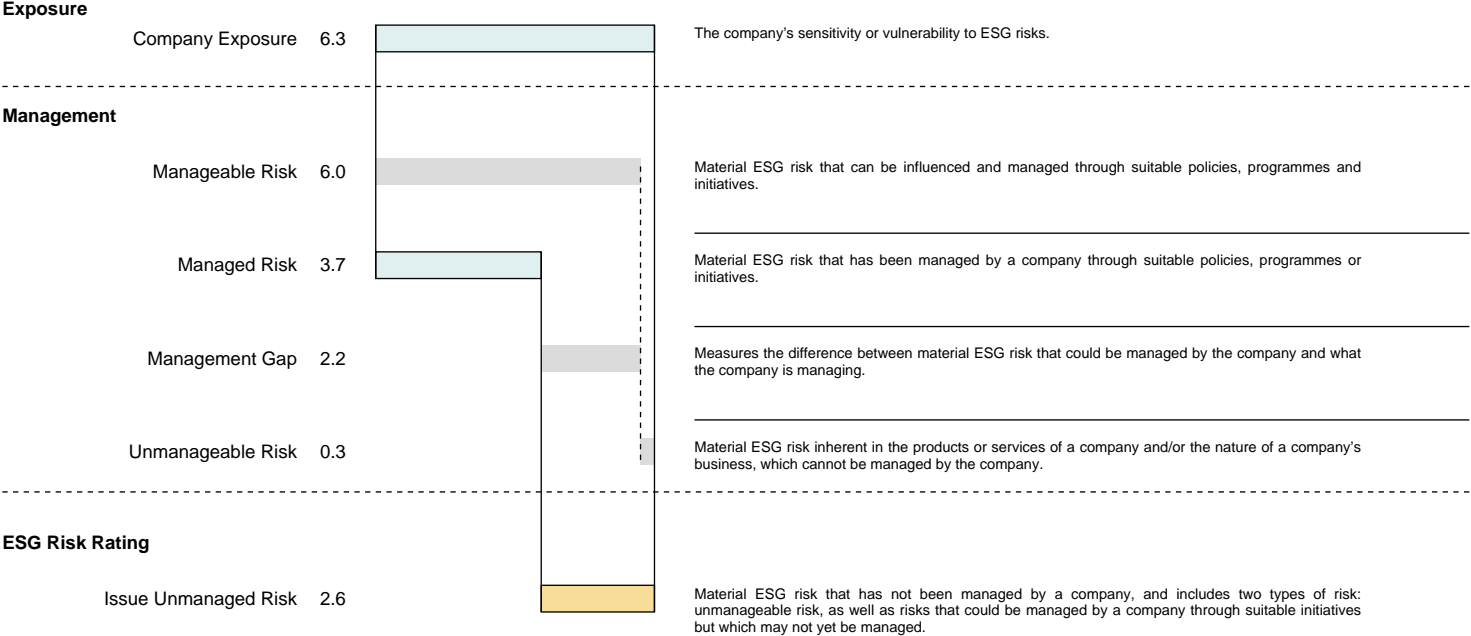
VakifBank has a zero-tolerance approach towards bribery and corruption and has adopted a strong policy, the implementation of which falls under the responsibility of the board of directors. The bank also has in place an ethics commission composed of senior executives. Ethical breaches can be reported through the company's whistleblower system. However, there is no option of an independent third-party operated hotline. VakifBank provides ethical principles training to new hires, but it lacks regularity and mandatory participation for the rest of its employees. Furthermore, it lacks annual training on money laundering. Nevertheless, it discloses a strong anti-money laundering policy, which defines suspicious transactions and offers details on how it identifies and reports these. It further conducts due diligence before establishing business relationships as well as during the relationship. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Lobbying and Political Expenses	100	5.0%	5.0
Money Laundering Policy	100	10.0%	10.0
Bribery & Corruption Policy	75	10.0%	7.5
Bribery & Corruption Programmes	75	15.0%	11.3
Business Ethics Programme	50	22.5%	11.3
Compliance Programme	50	15.0%	7.5
Whistleblower Programmes	50	17.5%	8.8
Political Involvement Policy	25	5.0%	1.3
Accounting and Taxation	Category 0	0%	0.0
Anti-Competitive Practices	Category 0	0%	0.0
Bribery and Corruption	Category 0	0%	0.0
Business Ethics	Category 0	0%	0.0
Lobbying and Public Policy	Category 0	0%	0.0
Sanctions	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>62.5</b>

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Issue

Contribution 13.7 %



## Product Governance

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

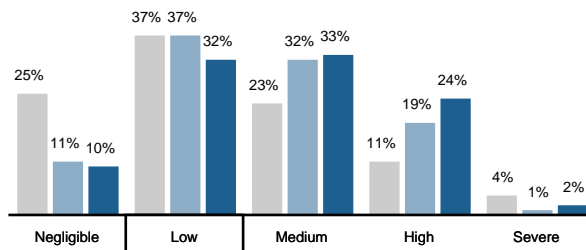
## ESG Risk Rating

# 2.5

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	1499/3985	38th
Banks INDUSTRY	63/333	19th
Regional Banks SUBINDUSTRY	25/129	20th

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Türkiye Vakıflar Bankası TAO	8.4 High	70.0 Strong	2.5 Low
2. Commercial International Bank (Egypt) SAE	6.8 Medium	25.0 Average	5.1 Medium
3. Commerce Bancshares, Inc. (Missouri)	7.6 Medium	25.0 Average	5.7 Medium
4. Cullen/Frost Bankers, Inc.	8.0 High	25.0 Average	6.0 High
5. Israel Discount Bank Ltd.	8.4 High	23.8 Weak	6.4 High

# Türkiye Vakıflar Bankası TAO

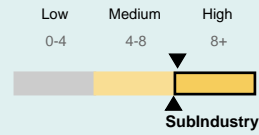
Regional Banks Turkey IST:VAKBN.E

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**8.4**  
High



As the second largest bank in Turkey by total assets, VakifBank serves a diverse customer group with a broad spectrum of products and services, which are offered ranging from corporate and commercial clients to small businesses and retail customers. The company is thus challenged to maintain a suite of high-quality offerings while attending to a variety of client profiles and needs. VakifBank must ensure proper compliance with product-related regulations, as failure to do so could constitute significant legal, reputational and operational risks.

The company's exposure to Product Governance issues is high and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	8.0
Issue Beta	x <b>1.05</b>
Company Issue Exposure	8.4

### Beta Indicators

### Beta Signal

Access to Basic Services	0.00
Marketing Practices	0.00
Quality and Safety	0.00
Operating Performance	0.00
Solvency - Banking	0.02
Asset Performance - Banking	-0.02
Financial Flexibility - Banking	0.03
Headquarters Location	0.00
Sales Location	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.05</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>1.05</b>

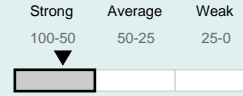
# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.




## ESG Risk Management

**70.0**  
**Strong**



To manage its responsibilities to clients, VakıfBank commits within its policies to provide clear, complete and comprehensible information on the rights and liabilities related to its products and services. It pledges to inform its customers of the benefits offered as well as of the risks posed by its services and to consider the customers' financial capacities and needs before providing any product. In addition, the company measures and plans to improve customer satisfaction metrics. It also discloses on its corporate website a dedicated mechanism to receive requests, suggestions, and complaints from its customers. However, the bank does not currently disclose publicly the risks associated with its services and it is unclear if the social impacts and risk assessments are integrated in the product development stage, aspects on which it lags behind best practice.

In our view, the company's management of the issue is above average.

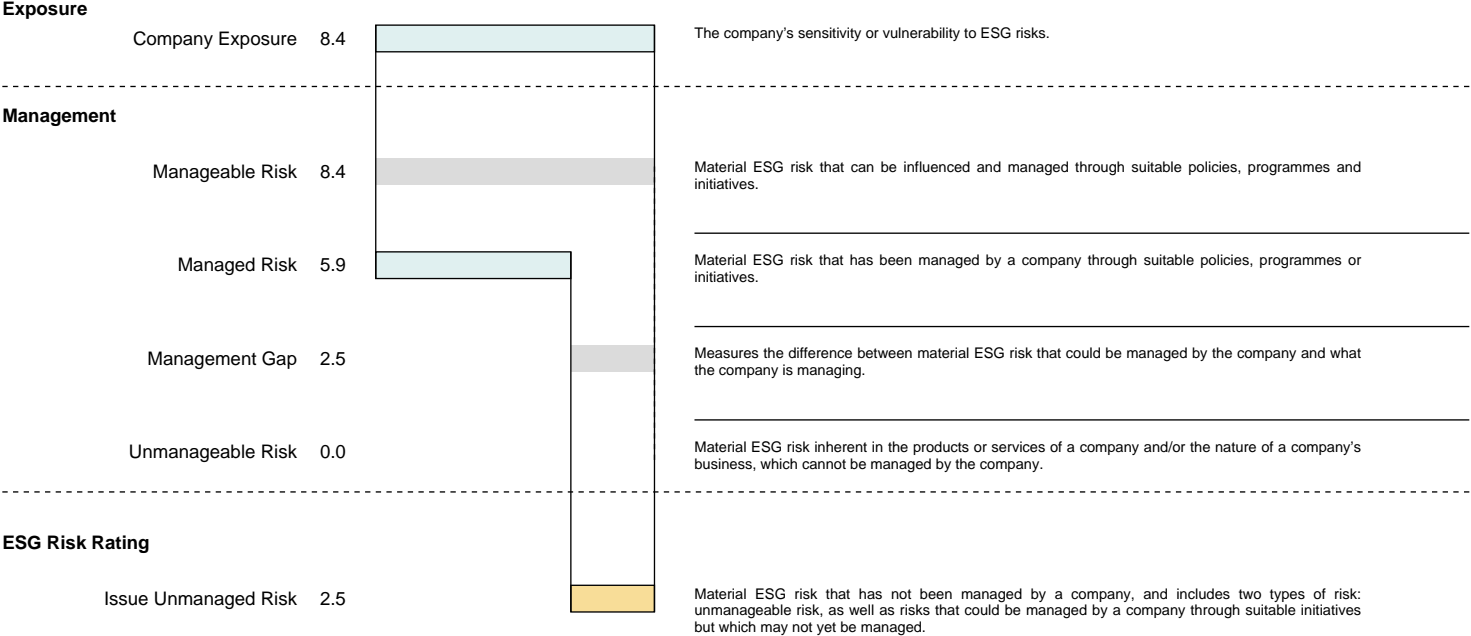
Management Indicators	Raw Score	Weight	Weighted Score
Responsible Marketing Policy	100	40.0%	40.0
Responsible Product Offering	50	60.0%	30.0
 Access to Basic Services	Category 0	0%	0.0
 Marketing Practices	Category 0	0%	0.0
 Quality and Safety	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>70.0</b>



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition



# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Issue

Contribution 11.1 %



## Human Capital

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

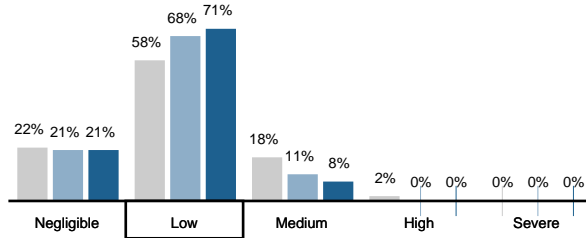
## ESG Risk Rating

# 2.0

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	1089/4663	24th
Banks INDUSTRY	82/361	23rd
Regional Banks SUBINDUSTRY	30/129	23rd

## Peers Table

Peers (Market cap \$5.5 - \$5.8bn)

Peers (Market cap \$5.5 - \$5.8bn)	Exposure	Management	ESG Risk Rating
1. Türkiye Vakıflar Bankası TAO	5.3 Medium	64.4 Strong	2.0 Low
2. Israel Discount Bank Ltd.	5.0 Medium	50.8 Strong	2.6 Low
3. Commerce Bancshares, Inc. (Missouri)	4.8 Medium	45.8 Average	2.7 Low
4. Commercial International Bank (Egypt) SAE	4.5 Medium	41.3 Average	2.7 Low
5. Cullen/Frost Bankers, Inc.	4.8 Medium	34.5 Average	3.2 Low

# Türkiye Vakıflar Bankası TAO

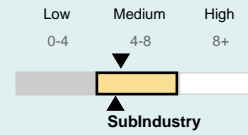
Regional Banks Turkey IST:VAKBN.E

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**5.3**  
Medium



A bank's success depends on recruiting and retaining a workforce that supports strategic growth, drives innovation, supports a complex array of products and fosters consumer loyalty. Banks that are unable to effectively manage their employees may face obstacles, such as understaffing, skill deficits, high training costs, compliance failures and operational inefficiencies. There is evidence that banks are increasingly facing difficulty in retaining and attracting top talent. For example, junior banking salaries have increased by as much as 20% at some firms in an attempt to compete with private equity firms, technology companies and start-ups. Additionally, banks face pressure from shifting attitudes regarding the need to increase levels of diversity to better reflect the general population. Improving diversity and limiting discrimination may contribute to increased employee satisfaction and reduced turnover, and may be viewed positively by customers and business partners alike. Regulatory scrutiny on these issues is expected to increase and may put pressure on all financial services companies, increasing the risk of litigation and regulatory penalties. For example, the US and the UK have gender pay parity disclosure requirements that should come into force in 2017 and 2018, respectively, while other countries already require that companies hire a certain percentage of people with disabilities. Overall, past reliance on salary as an incentive is gradually decreasing and being replaced with more nuanced expectations that banks will invest in their employees, provide more work-life balance, offer clear channels for employees to make complaints, advance employees' careers and provide clear feedback on employee performance. Considering that personnel costs can represent as much as half of all costs, a bank's ability to effectively manage its employees is a key determinant of its long-term success.

The company's exposure to Human Capital issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x <b>1.05</b>
Company Issue Exposure	5.3

### Beta Indicators

### Beta Signal

Labour Relations	0.00
Operating Performance	0.00
Solvency - Banking	0.02
Asset Performance - Banking	-0.02
Financial Flexibility - Banking	0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.05</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>1.05</b>

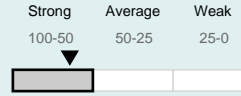
# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**64.4**  
Strong



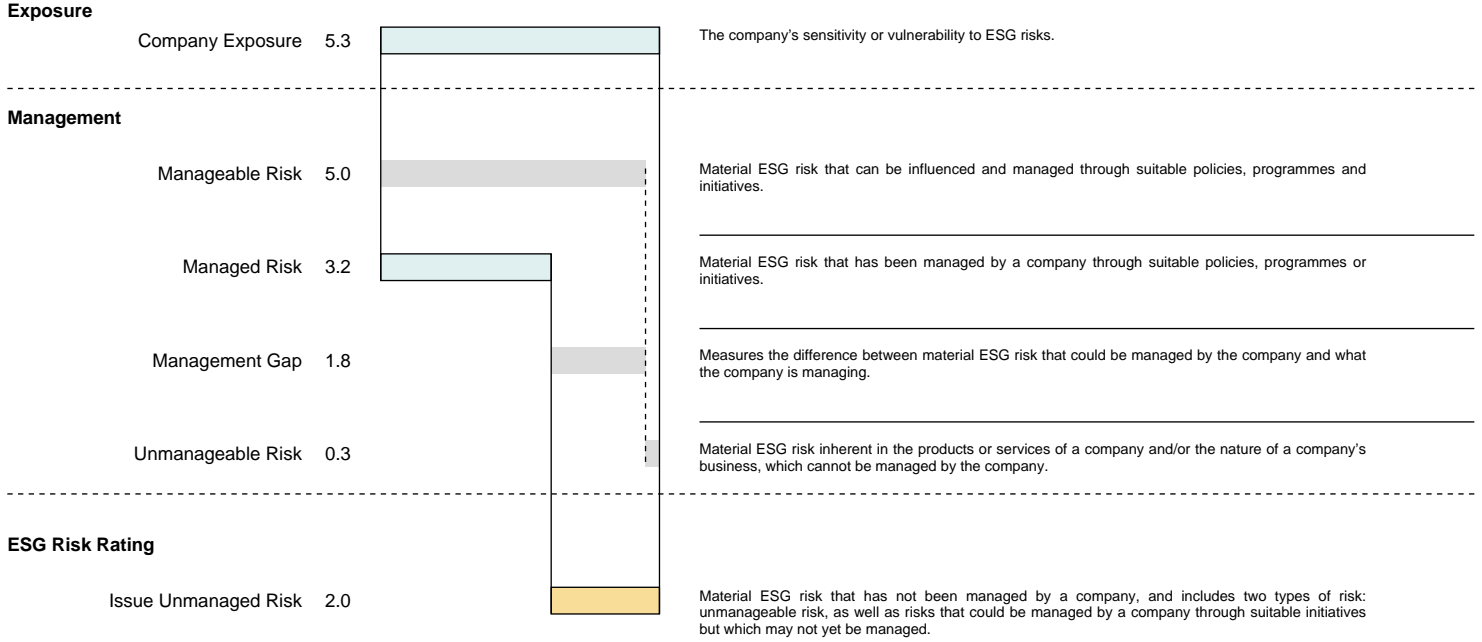
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Collective Bargaining Agreements	100	5.0%	5.0
Discrimination Policy	100	15.0%	15.0
Employee Turnover Rate	100	5.0%	5.0
Freedom of Association Policy	100	5.0%	5.0
Human Capital Development	75	27.5%	20.6
Diversity Programmes	50	22.5%	11.3
Employee Training	50	5.0%	2.5
Gender Pay Disclosure	0	5.0%	0.0
Gender Pay Equality Programme	0	10.0%	0.0
 Labour Relations	<b>Category 0</b>	0%	0.0
<b>Weighted Sum</b>			<b>64.4</b>

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## Risk Decomposition



# Appendix



## Management Details



### Corporate Governance

#### Board/Management Quality & Integrity

37 Underperformer

Raw Score



Our analysis of the quality and integrity of the company's board and management indicates the following key areas of focus for Türkiye Vakıflar Bankası TAO:

- Zero non-executive directors have relevant industry experience as a public or private company executive or zero non-executive directors have relevant industry experience as a public company outside director.
- RPTs are approved by the board as a whole and the oversight and review of RPTs raises concerns.
- No non-executive directors with more than one year of tenure own stock and market practice is for directors to own stock.

Overall, Türkiye Vakıflar Bankası TAO positions itself as an Underperformer with regard to its Board/Management Quality & Integrity compared to peers.

#### Indicators

Score

Board Experience	0
Governance Controversies	50
Shareholder Engagement and Responsiveness	90
Director Track Record	80
Board Capture	70
Related Party Transactions	0
Director Stock Ownership	0
Executive/Board Misconduct	50
Business Practices Controversies	50

#### Board Structure

43 Underperformer

Raw Score



In reviewing the company's structural board features, we note the following for Türkiye Vakıflar Bankası TAO:

- The nominating committee lacks an independent majority and there are one or more executives on the nominating committee.
- There are no women on the board and the company has no disclosed diversity policy or has affirmatively disclosed the absence of a policy for its board membership.
- The Chair and CEO roles are separate and the Chair is a former senior executive.

Overall, Türkiye Vakıflar Bankası TAO positions itself as an Underperformer with regard to its Board Structure compared to peers.

#### Indicators

Score

Board Leadership	20
Board Tenure	60
Board Independence	30
Nominating Committee Effectiveness	0
Director Disclosure	70
Voting Structures	100
Directors not Elected by Shareholders	30
Risk Oversight	100
Board Diversity	0

#### Ownership & Shareholder Rights

50 Average Performer

Raw Score



Türkiye Vakıflar Bankası TAO's Ownership & Shareholder rights regime includes the following key areas of focus:

- Not all the directors on the board are elected annually.
- The company has a controlling shareholder and charter/bylaw amendments require a simple majority vote.
- There is no shareholder rights or "poison pill" plan in effect and the board of directors is not elected annually.

Overall, Türkiye Vakıflar Bankası TAO positions itself as an Average Performer with regard to its Ownership & Shareholder Rights compared to peers.

#### Indicators

Score

Director Appointment & Removal	30
Proportionality - One Share/One Vote	60
Ownership Structure	50
Capital Issuance Risks	60
Shareholder Action	60
Poison Pill & Takeover Defences	50
Supermajority Provisions	40

# Appendix



## Management Details

### Remuneration

28 Underperformer

Raw Score



Our analysis of executive compensation practices at Türkiye Vakıflar Bankası TAO points to the following:

- CEO remuneration amounts are not disclosed and remuneration amounts are disclosed as an aggregate for executives of the company.
- There is no disclosure of performance metrics or basis for the STI.
- There is no recoupment or clawback policy disclosed and there is no recoupment or clawback policy disclosed.

Overall, Türkiye Vakıflar Bankası TAO positions itself as an Underperformer with regard to its Remuneration compared to peers.

#### Indicators

#### Score

Remuneration Disclosure	0
CEO Termination Scenarios	0
Internal Pay Equity	50
Clawback Policy	0
Remuneration Committee Effectiveness	10
Say on Pay	60
Pay Controversies	50
STI Performance Metrics	0
LTI Performance Metrics	50
Pay Magnitude	50
Pay for Performance	50
Pay for Failure	60

### Audit & Financial Reporting

39 Underperformer

Raw Score



In reviewing the company's Audit & Financial reporting features, we note the following for Türkiye Vakıflar Bankası TAO:

- The audit committee lacks an independent majority and audit committee independence meets market standards.
- The audit committee met 6 or more times during the year and there are no independent members of the audit committee with financial expertise.
- The auditor has recently changed, due to rotation policy.

Overall, Türkiye Vakıflar Bankası TAO positions itself as an Underperformer with regard to its Audit & Financial Reporting compared to peers.

#### Indicators

#### Score

Audit Committee Structure	0
Audit Committee Effectiveness	30
Auditor Fees	100
Audit Rotation Policy	70
Auditor Change	50
Reporting Irregularities	50

### Stakeholder Governance

69 Leader

Raw Score



In reviewing the company's practices regarding ESG stakeholder governance, points of attention for Türkiye Vakıflar Bankası TAO are: ESG Governance, Discrimination Policy and GHG Reduction Programme.

- ESG Governance: A board member or a board committee is responsible for overseeing ESG issues
- Discrimination Policy: The company has a strong policy
- GHG Reduction Programme: The company has a very strong programme

#### Indicators

#### Score

ESG Governance	100
Environmental Policy	100
Whistleblower Programmes	50
Tax Disclosure	0
Discrimination Policy	100
Scope of Social Supplier Standards	25
GHG Reduction Programme	100
Green Procurement Policy	30
ESG Reporting Standards	100
Verification of ESG Reporting	50
Global Compact Signatory	100
ESG Performance Targets	25
Political Involvement Policy	25
Lobbying and Political Expenses	100
Bribery & Corruption Policy	75

# Appendix

## Exposure Details



### ESG Integration - Financials

#### EA.E.17 - Environmental Impact of Products

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.32 - Social Impact of Products

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.46 - Carbon Impact of Products

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.48 - Society - Human Rights

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

0.00  
Beta Signal

The company has an average net income margin.

Average Net Income Margin (Trailing 3 Years): 24.43%  
Subindustry Median (Trailing 3 Years): 24.43%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

0.02  
Beta Signal

The company has a weak Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.38%  
Subindustry Median (Trailing 3 Years): 14.77%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

- 0.02  
Beta Signal

The company has a strong non-performing asset ratio.

Average Non-Performing Assets (Trailing 3 Years): 0.03%  
Subindustry Median (Trailing 3 Years): 0.71%  
Source: Morningstar, December 2021. All Rights Reserved.,  
FactSet, December 2021. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

0.03  
Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 1.02  
Subindustry Median (Trailing 3 Years): 0.8  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.



# Appendix

## Exposure Details

### EA.G.1 - Headquarters Location

0.00  
Beta Signal

The location of the company's headquarters does not indicate higher or lower exposure to this issue.

Turkey: Average exposure  
Source: Sustainalytics Country Risk Rating, November 2023.

### EA.G.3 - Sales Location

0.00  
Beta Signal

The location of the company's sales does not signal higher or lower exposure to this issue.

Turkey 100% (Average exposure)  
Other: 0%  
Source: Sustainalytics Country Risk Rating, November 2023. Morningstar, November 2023. All Rights Reserved.

### EA.P.5 - Responsible Asset Portfolio

0.00  
Beta Signal

It is not disclosed whether the company has assets under management that could be categorized as "responsible investment"

### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### E.3.1.10 - Credit & Loan Standards

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has detailed and specific standards and excludes certain industries from financing for sustainability reasons

Within its policy, the bank outlines specific activities that it refrains from financing due to environmental and social considerations. Notably, these include projects and activities associated with the production or trade of wood or forestry products other than from sustainably managed forests. Additionally, the bank commits not to finance activities related to prostitution, weapon production or trade, or the utilization of diamond mines and diamond trading in countries that do not adhere to the Kimberley Process.

#### Sources

Türkiye Vakıflar Bankası TAO Environmental and Social Impacts Management Policy in Lending Processes, released March 2022

### E.3.1.11 - Responsible Asset Management

10	17.50%	1.8
Raw Score	Weight	Weighted Score

It is not disclosed whether the company has assets under management that could be categorized as "responsible investment"

### E.3.1.15 - Sustainable Financial Initiatives

50	7.50%	3.8
Raw Score	Weight	Weighted Score

The company has an adequate programme

In terms of responsible financing, VakıfBank has several initiatives in place. The company offers an "Organic Agriculture and Greenhouse Loan" to support farmers in modernizing their production methods, and also an "Agricultural Equipment Loan" to support its customers in saving labor and energy. Moreover, in FY2022, the bank allocated over TL 3.6 billion to support 80 renewable energy projects. While the company intends to prioritize financing energy-efficient and renewable energy initiatives, it has not disclosed a specific target or timeframe for this focus.

#### Sources

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### S.4.2.3 - Financial Inclusion

50	7.50%	3.8
Raw Score	Weight	Weighted Score

The company has an adequate programme

The bank has implemented initiatives to ensure accessibility of its products for customers with disabilities. It provides basic contracts in braille and audio formats for such customers. Additionally, the bank has a number of ATMs designed to accommodate visually impaired and physically disabled individuals.

#### Sources

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### G.1.3.1 - PRI Signatory

0	7.50%	0.0
Raw Score	Weight	Weighted Score

The company is not a signatory to the UN Principles for Responsible Investment

#### Sources

UN Principles for Responsible Investment, [www.unpri.org](http://www.unpri.org); accessed 26 September 2023

### G.1.3.2 - Responsible Investment Policy

25	7.50%	1.9
Raw Score	Weight	Weighted Score

The company has a general statement addressing this issue

#### Criteria

- Commitment to engage with companies on ESG issues
- Commitment to exclusion based on the companies' activities
- Commitment to integrate ESG factors or select best-in-class companies according to ESG factors

#### Sources

Türkiye Vakıflar Bankası TAO Sustainability Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

# Appendix



## Management Details

### G.1.3.3 - UNEPFI Signatory

0	2.50%	0.0
Raw Score	Weight	Weighted Score

The company is not a signatory to the UNEP Finance Initiative

#### Sources

UNEP FI, [www.unepfi.org](http://www.unepfi.org); accessed 26 September 2023

### G.1.3.5 - Equator Principles Signatory

0	2.50%	0.0
Raw Score	Weight	Weighted Score

The company is not a signatory to the Equator Principles

#### Sources

Equator Principles, [www.equator-principles.com](http://www.equator-principles.com); accessed 26 September 2023

### G.1.3.6 - Responsible Investment Programme

25	12.50%	3.1
Raw Score	Weight	Weighted Score

The company has a weak programme

#### Criteria

- Active ownership
- Best-in-class investments based on ESG factors
- Continuous monitoring of ESG risks
- Investment exclusions based on ESG factors
- Managerial responsibility for responsible investment
- Objectives and targets related to responsible investment
- Other initiatives to promote responsible investment
- Prior ESG risk assessment of investment
- Reporting on RI implementation and performance
- Requirements for investment managers to integrate ESG issues into investment strategies

#### Sources

Türkiye Vakıflar Bankası TAO CDP Climate Change 2023 (FY2022)  
Türkiye Vakıflar Bankası TAO Sustainability Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

### G.1.3.7 - Corporate Finance - ESG Integration

50	20.00%	10.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Client engagement on ESG issues
- Engagement with transaction stakeholders
- Enhanced due diligence or avoidance of high-risk industries
- Environmental and social risk assessment and categorization
- Managerial responsibility
- Monitoring of environmental and social risks
- Regular internal audits of the company's programme
- Reporting of high-risk loans as percentage of total portfolio
- Training of relationship managers on ESG risk identification

#### Sources

Türkiye Vakıflar Bankası TAO Corporate Website, Environmental and Social Risk Management System, [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023  
Türkiye Vakıflar Bankası TAO Corporate Website, Sustainable and Responsible Finance, [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

# Appendix



## Exposure Details



## Data Privacy and Security

### EA.E.27 - Data Privacy and Security

0.00

Beta Signal

No evidence of relevant controversies

### EA.F.1 - Operating Performance

0.00

Beta Signal

The company has an average net income margin.

Average Net Income Margin (Trailing 3 Years): 24.43%  
Subindustry Median (Trailing 3 Years): 24.43%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

### EA.F.5 - Solvency - Banking

0.02

Beta Signal

The company has a weak Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.38%  
Subindustry Median (Trailing 3 Years): 14.77%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

### EA.F.6 - Asset Performance - Banking

- 0.02

Beta Signal

The company has a strong non-performing asset ratio.

Average Non-Performing Assets (Trailing 3 Years): 0.03%  
Subindustry Median (Trailing 3 Years): 0.71%  
Source: Morningstar, December 2021. All Rights Reserved.,  
FactSet, December 2021. All Rights Reserved.

### EA.F.7 - Financial Flexibility - Banking

0.03

Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 1.02  
Subindustry Median (Trailing 3 Years): 0.8  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

### EA.G.1 - Headquarters Location

0.00

Beta Signal

The location of the company's headquarters does not indicate higher or lower exposure to this issue.

Turkey: Average exposure  
Source: Sustainalytics Country Risk Rating, November 2023.

# Appendix

## Exposure Details

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### EA.G.3 - Sales Location

0.00  
Beta Signal

The location of the company's sales does not signal higher or lower exposure to this issue.

Turkey 100% (Average exposure)  
Other: 0%  
Source: Sustainalytics Country Risk Rating, November 2023.  
Morningstar, November 2023. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### S.3.1.3 - Data Privacy & Security Policy

50	20.00%	10.0
Raw Score	Weight	Weighted Score

The company has an adequate policy

#### Criteria

- Clear terms involving the collection, use, sharing and retention of user data including data transferred to third parties
- Commitment to collect and process user data that is limited to the stated purpose
- Commitment to implement leading data protection standards
- Commitment to notify data subjects in a timely manner in case of policy changes or data breach
- Commitment to obtain user data through lawful and transparent means, with explicit consent of the data subject where required
- Commitment to require third parties with whom the data is shared to comply with the company's policy
- The company has a formal policy but it applies to less than 50% of the operations
- There is a statement addressing the issue but it does not qualify as a policy as per Sustainalytics guidelines

#### Sources

Non-public documentation shared with Sustainalytics on 29 Dec 2022

Non-public documentation shared with Sustainalytics on 29 Dec 2022

Prior to research start, the company sent documents on 26 September 2023

### S.3.1.3.1 - Data Privacy Programme

50	40.00%	20.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Clear and accessible mechanisms for data subjects to raise concerns about data privacy
- Data subjects can access their accounts to erase, rectify, complete or amend personal information
- Governance structures in place for privacy management
- Regular employee training on data privacy management
- Regular privacy risk assessments or audits on the company's technologies and practices affecting user data

#### Sources

Non-public documentation shared with Sustainalytics on 29 Dec 2022

Prior to research start, the company sent documents on 26 September 2023

Türkiye Vakıflar Bankası TAO Information On The Protection Of Personal Data Law, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### S.3.1.3.3 - Cybersecurity Programme

100	40.00%	40.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

The bank aligns to industry best practice as it has received the ISO 27001 certification.

#### Criteria

- Governance structures in place for cybersecurity management
- Management system certified to ISO 27001 standards
- Operational measures to monitor and respond to data breaches and cyberattacks
- Regular employee training on cybersecurity issues
- Regular external security audits or vulnerability assessments of the company's systems, products and practices affecting user data
- Regular internal security audits or vulnerability assessments or penetration testing of the company's systems, products and practices affecting user data

#### Sources

ISO 27001:2013 Certification, valid until 14 January 2025

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

# Appendix

## Exposure Details



### Business Ethics

#### EA.E.2 - Accounting and Taxation

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.4 - Anti-Competitive Practices

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.6 - Bribery and Corruption

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.7 - Business Ethics

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.23 - Lobbying and Public Policy

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.30 - Sanctions

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

0.00  
Beta Signal

The company has an average net income margin.

Average Net Income Margin (Trailing 3 Years): 24.43%  
Subindustry Median (Trailing 3 Years): 24.43%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

0.02  
Beta Signal

The company has a weak Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.38%  
Subindustry Median (Trailing 3 Years): 14.77%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

# Appendix



## Exposure Details

### EA.F.6 - Asset Performance - Banking

- 0.02

Beta Signal

The company has a strong non-performing asset ratio.

Average Non-Performing Assets (Trailing 3 Years): 0.03%  
 Subindustry Median (Trailing 3 Years): 0.71%  
 Source: Morningstar, December 2021. All Rights Reserved.,  
 FactSet, December 2021. All Rights Reserved.

### EA.F.7 - Financial Flexibility - Banking

0.03

Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 1.02  
 Subindustry Median (Trailing 3 Years): 0.8  
 Source: Morningstar, January 2023. All Rights Reserved.,  
 Pitchbook, January 2023. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

0.00

Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

0.00

Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00

Beta Signal



# Appendix



## Management Details

### G.1.1 - Bribery & Corruption Policy

75	10.00%	7.5
Raw Score	Weight	Weighted Score

The company has a strong policy

#### Criteria

- Definition and prohibition of facilitation payments
- Definition of bribery or corruption
- Definition of conflicts of interest and commitment to minimize these
- Guidelines of what is considered acceptable behaviour
- Prohibition of bribery
- There is no evidence of a formal policy but the company has a general statement addressing the issue

#### Sources

Prior to research start, the company sent documents on 26 September 2023

The company provided feedback on 23 October 2023

The updated ESG Report was sent by email to Türkiye Vakıflar Bankası TAO on 09 October 2023

Türkiye Vakıflar Bankası TAO Anti-Bribery and Corruption Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Ethical Principles, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

### G.1.1.1 - Bribery & Corruption Programmes

75	15.00%	11.3
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Annual signoff of the policy on bribery and corruption by employees
- Internal monitoring system to detect corruption
- Managerial responsibility for bribery and corruption
- Mechanisms for employees to consult on ethical issues
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Regular bribery and corruption risk assessments
- Regular training on bribery and corruption

#### Sources

Non-public documentation shared with Sustainalytics on 21 Jun 2023

Prior to research start, the company sent documents on 26 September 2023

Türkiye Vakıflar Bankası TAO Anti-Bribery and Corruption Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### G.1.2 - Whistleblower Programmes

50	17.50%	8.8
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- An independent, reporting hotline available 24/7
- Available in local languages
- Available to suppliers, customers and other third parties
- Disclosure on the number of reports received, the types of misconduct and measures taken
- Non-retaliation policy
- Possibility for anonymous reporting and reports are treated confidentially
- Proactively communicated to employees
- Structures in place to process whistleblower reports

#### Sources

Türkiye Vakıflar Bankası TAO Ethical Principles, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### G.1.2.1 - Business Ethics Programme

50	22.50%	11.3
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Annual training of employees on the Code of Conduct
- Board responsibility for business ethics issues
- Commitment to address major business ethics risks
- Ethical risk assessments
- Incident investigation and corrective actions
- Managerial responsibility for business ethics
- Measures to deter non-compliance and reduce exposure to unethical opportunities
- Operating guidelines

#### Sources

Non-public documentation shared with Sustainalytics on 21 Jun 2023

Prior to research start, the company sent documents on 26 September 2023

Türkiye Vakıflar Bankası TAO Anti-Bribery and Corruption Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Ethical Principles, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

# Appendix



## Management Details

### G.1.4.1 - Money Laundering Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a strong policy on money laundering

The company set in place a comprehensive policy for the prevention of money laundering. Among others, it offers details on the determination, types and reporting of suspicious transactions, as well as practical examples. Furthermore, it has specific monitoring measures in place to detect the risk of money laundering.

#### Sources

Türkiye Vakıflar Bankası TAO Anti-Money Laundering Policy, released October 2014

### G.1.4.2 - Compliance Programme

50	15.00%	7.5
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Customer due diligence related to illegal activities before starting a relationship
- Enhanced customer due diligence for clients operating in high risk countries
- Incident investigation and corrective actions
- Managerial responsibility for compliance
- Monitoring existing business relationships
- Operating guidelines for reporting suspicious transactions
- Reporting of irregularities
- Training for employees on anti-money laundering and terrorist financing
- Training on avoiding tax evasion facilitation
- Training on international sanctions compliance

#### Sources

Türkiye Vakıflar Bankası TAO Anti-Money Laundering Policy, released October 2014

### G.3.1 - Political Involvement Policy

25	5.00%	1.3
Raw Score	Weight	Weighted Score

The company has a weak policy

#### Criteria

- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures
- Partially prohibits political involvement
- Prohibits political involvement of any kind on the company's behalf

#### Sources

Türkiye Vakıflar Bankası TAO Anti-Bribery and Corruption Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

### G.3.2 - Lobbying and Political Expenses

100	5.00%	5.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not make political contributions and is not involved in lobbying activities

#### Sources

LobbyFacts, [www.lobbyfacts.eu](http://www.lobbyfacts.eu); accessed 26 September 2023

OpenSecrets, [www.opensecrets.org](http://www.opensecrets.org); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

# Appendix



## Exposure Details



## Product Governance

### EA.E.1 - Access to Basic Services

0.00

Beta Signal

No evidence of relevant controversies

### EA.E.24 - Marketing Practices

0.00

Beta Signal

No evidence of relevant controversies

### EA.E.28 - Quality and Safety

0.00

Beta Signal

No evidence of relevant controversies

### EA.F.1 - Operating Performance

0.00

Beta Signal

The company has an average net income margin.

Average Net Income Margin (Trailing 3 Years): 24.43%  
 Subindustry Median (Trailing 3 Years): 24.43%  
 Source: Morningstar, January 2023. All Rights Reserved.,  
 Pitchbook, January 2023. All Rights Reserved.

### EA.F.5 - Solvency - Banking

0.02

Beta Signal

The company has a weak Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.38%  
 Subindustry Median (Trailing 3 Years): 14.77%  
 Source: Morningstar, January 2023. All Rights Reserved.,  
 Pitchbook, January 2023. All Rights Reserved.

### EA.F.6 - Asset Performance - Banking

- 0.02

Beta Signal

The company has a strong non-performing asset ratio.

Average Non-Performing Assets (Trailing 3 Years): 0.03%  
 Subindustry Median (Trailing 3 Years): 0.71%  
 Source: Morningstar, December 2021. All Rights Reserved.,  
 FactSet, December 2021. All Rights Reserved.

### EA.F.7 - Financial Flexibility - Banking

0.03

Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 1.02  
 Subindustry Median (Trailing 3 Years): 0.8  
 Source: Morningstar, January 2023. All Rights Reserved.,  
 Pitchbook, January 2023. All Rights Reserved.

### EA.G.1 - Headquarters Location

0.00

Beta Signal

The location of the company's headquarters does not indicate higher or lower exposure to this issue.

Turkey: Average exposure  
 Source: Sustainalytics Country Risk Rating, November 2023.

# Appendix



## Exposure Details

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### EA.G.3 - Sales Location

---

0.00

Beta Signal

The location of the company's sales does not signal higher or lower exposure to this issue.

Turkey 100% (Average exposure)

Other: 0%

Source: Sustainalytics Country Risk Rating, November 2023.

Morningstar, November 2023. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

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0.00

Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

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0.00

Beta Signal

### EA.S.3 - Exceptional Event Adjustment

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0.00

Beta Signal

# Appendix



## Management Details

### S.3.1.1 - Responsible Marketing Policy

100	40.00%	40.0
Raw Score	Weight	Weighted Score

The company has a strong and detailed policy statement

VakıfBank commits to informing its customers in a clear, comprehensible, accurate, and transparent manner, ensuring timely and complete communication. It commits to provide express information not only on the rights and benefits, but also on the liabilities and risks related to its products and services. Furthermore, the bank commits to assess its customers' financial capabilities, conditions and needs when suggesting products and services.

#### Sources

Türkiye Vakıflar Bankası TAO Customer Satisfaction Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 27 September 2023

Türkiye Vakıflar Bankası TAO Ethical Principles, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

### G.1.3.8 - Responsible Product Offering

50	60.00%	30.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Continuous monitoring of social impact and risks of current products and/or services
- Impact and risk assessment incorporated into product development
- Managerial responsibility for responsible product offering
- Mechanisms to receive and investigate complaints and implement corrective action
- Objectives to improve customer satisfaction
- Policy commitment on responsible products and services
- Provision to share risk information
- Regular training on responsible product offering and marketing
- Reporting on product and/or service quality

#### Sources

Türkiye Vakıflar Bankası TAO Corporate Website, Contact Us, [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Ethical Principles, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

# Appendix



## Exposure Details



### Human Capital

#### EA.E.22 - Labour Relations

0.00

Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

0.00

Beta Signal

The company has an average net income margin.

Average Net Income Margin (Trailing 3 Years): 24.43%  
Subindustry Median (Trailing 3 Years): 24.43%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

0.02

Beta Signal

The company has a weak Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.38%  
Subindustry Median (Trailing 3 Years): 14.77%  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

- 0.02

Beta Signal

The company has a strong non-performing asset ratio.

Average Non-Performing Assets (Trailing 3 Years): 0.03%  
Subindustry Median (Trailing 3 Years): 0.71%  
Source: Morningstar, December 2021. All Rights Reserved.,  
FactSet, December 2021. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

0.03

Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 1.02  
Subindustry Median (Trailing 3 Years): 0.8  
Source: Morningstar, January 2023. All Rights Reserved.,  
Pitchbook, January 2023. All Rights Reserved.

#### EA.S.1 - Qualitative Overlay

0.00

Beta Signal

Answer category for neutral beta signal adjustment

# Appendix



## Exposure Details

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### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

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0.00  
Beta Signal

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# Appendix



## Management Details

### S.1.1 - Freedom of Association Policy

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a strong policy on freedom of association

VakıfBank commits to respect unionization and collective bargaining agreement rights of its employees. Moreover, it commits to fulfill the principles of the United Nations Human Rights Universal Declaration and International Labor Organization.

#### Sources

Türkiye Vakıflar Bankası TAO Human Rights and Employee Rights Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

### S.1.2 - Discrimination Policy

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a strong policy

#### Criteria

- Commitment to ensure equal opportunity
- List of the types of discrimination the company is committed to eliminate
- Reference to the ILO conventions

#### Sources

Türkiye Vakıflar Bankası TAO Equal Opportunity Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

Türkiye Vakıflar Bankası TAO Human Rights and Employee Rights Policy, available online at [www.vakifbank.com.tr](http://www.vakifbank.com.tr); accessed 26 September 2023

### S.1.3 - Diversity Programmes

50	22.50%	11.3
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Diversity monitoring or audits
- Employee affinity groups, diversity councils, or networking groups
- Initiatives supporting a diverse workforce
- Initiatives to recruit from diverse talent
- Managerial or board level responsibility for diversity initiatives
- Mentorship programmes
- The company has a programme that applies to less than 50% of operations
- Training and guidance regarding diversity

#### Sources

Non-public documentation shared with Sustainalytics on 25 Oct 2022

Prior to research start, the company sent documents on 26 September 2023

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### S.1.3.1 - Gender Pay Equality Programme

0	10.00%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not have a programme

#### Criteria

- Commitment to gender pay equality
- Global gender pay gap audit or compensation review
- Initiatives to close the gender pay gap
- Monitoring and measurement
- Quantitative targets and deadlines

### S.1.3.2 - Gender Pay Disclosure

0	5.00%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not disclose related information

#### Criteria

- Disclosure of ratio of basic salary and remuneration of women to men for specific employment categories (level or function)
- Disclosure of the company's global mean (average) raw gender pay gap
- Disclosure of the company's global median raw gender pay gap

### S.1.4 - Collective Bargaining Agreements

100	5.00%	5.0
Raw Score	Weight	Weighted Score

75% or more of the company's employees are covered by collective bargaining agreements

In 2022, the ratio of employees working under a collective bargaining agreement was 84%.

#### Sources

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)



# Appendix



## Management Details

### S.1.5 - Employee Turnover Rate

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company's employee turnover rate is low

In FY2022, the employee turnover rate was 2.89.

#### Sources

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### S.1.5.2 - Human Capital Development

75	27.50%	20.6
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Formal mechanisms to promote an open feedback culture
- Initiatives for talent development
- Initiatives for talent recruitment
- Initiatives for talent retention
- Quantitative targets related to human capital development
- Regular formal performance reviews for all permanent employees aligned with career development
- Reporting on human capital development metrics
- Reporting on human capital risk assessment

#### Sources

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

### S.1.6.1 - Employee Training

50	5.00%	2.5
Raw Score	Weight	Weighted Score

Employees receive 5 to 9 days of training annually

In FY2022, VakıfBank offered an average of 46.54 training hours per employee, which means 5.8 days.

#### Sources

Türkiye Vakıflar Bankası TAO Integrated Annual Report 2022 (FY2022)

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

# Türkiye Vakıflar Bankası TAO

Regional Banks Turkey IST:VAKBN.E

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