

# Second-Party Opinion

## Ziraat Bank Green, Social and Sustainable Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Ziraat Bank Green, Social and Sustainable Finance Framework aligns with the Green Bond Principles (GBP) 2018, Sustainability Bond Guidelines 2018, Social Bond Principles (SBP) 2020 and the Green Loan Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Energy Efficiency, (v) Environmentally Sustainable Management of Living Natural Resources and Land Use, (vi) Sustainable Water and Wastewater Management, (vii) Pollution Prevention and Control, (viii) Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (ix) Employment Generation, (x) Access to Essential Services and (xi) Affordable Housing - are aligned with those recognized by both the GBP and SBP. Sustainalytics considers that the eligible categories generate positive impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 8, 11, 12 and 15.



**PROJECT EVALUATION / SELECTION** Ziraat Bank's internal process for evaluating and selecting loans is managed by the Sustainable Finance Working Group (the "Group"). Eligible loans must comply with Eligibility Criteria. In addition, Ziraat Bank's internal policy framework ensures minimum environmental and social requirements. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Ziraat Bank's management of proceeds is handled by the Sustainable Finance Working Group. Proceeds of the Sustainable Finance Instruments issued under the Framework will be managed in a portfolio approach. Unallocated proceeds will be held temporarily in Ziraat Bank's treasury liquidity portfolio, in cash or other short term liquid instruments. This process is in line with market practice.



**REPORTING** Ziraat Bank intends to report on the allocation of the net proceeds on its website<sup>1</sup> on an annual basis until full allocation, on a portfolio basis. The allocation reporting will include the size of the identified Eligible Sustainable Finance Portfolio, the total amount of proceeds allocated, the balance (if any) of unallocated proceeds, the share of new financing and refinancing and the geographic location of the assets at the country level. In addition, Ziraat Bank is committed to reporting on relevant impact metrics. Sustainalytics views Ziraat Bank's allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	August 7, 2020
<b>Issuer Location</b>	Ankara, Turkey

### Report Sections

Introduction.....	2
Sustainalytics' Opinion .....	3
Appendices .....	13

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Evan Bruner (Amsterdam)**  
Project Manager  
evan.bruner@sustainalytics.com  
(+31) 20 205 0027

**Charles Cassaz (Amsterdam)**  
Project Support  
charles.cassaz@sustainalytics.com  
(+31) 20 205 02 09

**Jean-Claude Berthelot (Amsterdam)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

<sup>1</sup> Via its Annual Report and / or via a separate Sustainable Finance Reporting document.

## Introduction

Ziraat Bank (“Ziraat”, or the “Bank”) is a state-owned bank that provides commercial, SME and retail banking services. Ziraat has 24,563 employees, spread across 108 locations in 18 countries. Founded in 1863, Ziraat is headquartered in Ankara, Turkey.

Ziraat has developed the Ziraat Bank Green, Social and Sustainable Finance Framework (the “Framework”) under which it intends to issue Green, Social and Sustainability Finance Instruments,<sup>2</sup> including bonds, private placements and loans, and use the proceeds to finance and refinance, in whole or in part, existing and future loans that advance the transition towards a low carbon economy and / or have a positive impact on society. The Framework defines eligibility criteria in eleven areas:

1. Renewable Energy
2. Green Buildings
3. Clean Transportation
4. Energy Efficiency
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Sustainable Water and Wastewater Management
7. Pollution Prevention and Control
8. Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
9. Employment Generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the Potential Effect of SME Financing and Microfinance
10. Access to Essential Services
11. Affordable Housing

Ziraat engaged Sustainalytics to review the Ziraat Bank Green, Social and Sustainable Finance Framework, dated August 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (or “GBP 2018”),<sup>3</sup> Sustainability Bond Guidelines 2018 (or “SBG 2018”),<sup>4</sup> Social Bond Principles 2020 (or “SBP 2020”)<sup>5</sup> and the Green Loan Principles 2020 (or “GLP 2020”).<sup>6</sup> This Framework has been published in a separate document.<sup>7</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>8</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The Framework’s alignment with the Green Loan Principles 2020, as administered by LMA;
- The credibility and anticipated positive impacts of the use of proceeds;

---

<sup>2</sup> This also includes ‘Theme bonds’, whose proceeds will be used to (re)finance loans/projects falling within one or more Eligible Categories as set out in this Framework, focused on specific themes. This definition is in accordance with the definition of ‘Theme Bonds’ included in the ICMA Guidance Handbook 2020 edition, available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Guidance-Handbook-April-2020-050620.pdf>

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>4</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>5</sup> The Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>6</sup> The Green Loan Principles are administered by the Loan Market Association and are available at: [https://www.lma.eu.com/application/files/1815/8866/8537/Green\\_Loan\\_Principles\\_V03.pdf](https://www.lma.eu.com/application/files/1815/8866/8537/Green_Loan_Principles_V03.pdf)

<sup>7</sup> The Ziraat Bank Green, Social and Sustainable Finance Framework is available on the Investor Relations section of Ziraat’s website at: <https://www.ziraatbank.com.tr/en/investor-relations>

<sup>8</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

## Ziraat Bank Green, Social and Sustainable Finance Framework

---

- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Ziraat's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Ziraat representatives have confirmed (1) they understand it is the sole responsibility of Ziraat to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Ziraat.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bonds', private placements' and loans' proceeds, but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Ziraat has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Ziraat Bank Green, Social and Sustainable Finance Framework

Sustainalytics is of the opinion that the Ziraat Bank Green, Social and Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP 2018, SBG 2018, SBP 2020 and GLP 2020. Sustainalytics highlights the following elements of Ziraat's Framework:

- Use of Proceeds:
  - The eligible categories – (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Energy Efficiency, (v) Environmentally Sustainable Management of Living Natural Resources and Land Use, (vi) Sustainable Water and Wastewater Management, (vii) Pollution Prevention and Control, (viii) Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (ix) Employment Generation, (x) Access to Essential Services and (xi) Affordable Housing – are aligned with those recognized by GBP 2018, SBG 2018, SBP 2020 and GLP 2020. Sustainalytics is of the opinion that the loans financed and refinanced under this Framework may contribute to positive environmental and social impacts, including the transition to a low-carbon economy in Turkey.
  - Concerning Renewable Energy, Ziraat may provide loans to finance and refinance manufacturing of components, development, construction, operation and maintenance of power generation from renewable energy sources, including on and off-shore wind, solar, hydro, and geothermal, as well as electricity grids. The manufacture of components is eligible for facilities wholly dedicated to renewables components, or if the proceeds are allocated on a pro-rata basis (% of revenue from renewable energy components). For the grid-related projects, Ziraat will only select

## Ziraat Bank Green, Social and Sustainable Finance Framework

the portion of the electricity grid assets aimed at increasing the share of renewables in the Turkish electricity grid.<sup>9</sup> In case of solar thermal/CSP projects, Ziraat commits to source more than 85% of the electricity generated from solar sources. Hydropower plants are limited to small-scale facilities (<25MW). Sustainalytics notes that geothermal and hydropower are limited to facilities with life-cycle emissions of less than 100gCO<sub>2</sub>/kWh.

- Ziraat has indicated to Sustainalytics that, within the renewable category, the eligible loan portfolio is largely composed of solar assets (photovoltaic) and wind assets (on and off-shore).
- For Green Buildings, Ziraat may provide loans to finance and refinance the acquisition, construction of new or existing commercial, public and residential buildings as well as refurbishments. To be considered eligible for acquisition or construction the building must meet one of the two following eligibility criteria: (1) the energy performance of buildings must be rated B or above, as determined by the Energy Performance Certificate (BEP-TR) or (2) certified against the following schemes and minimum certification levels: LEED “Gold”, BREAAAM “Very Good”, DNGB “Gold” and ÇEDBİK. Sustainalytics positively notes the establishment of minimum certification levels and for Sustainalytics’ assessment of green building certification schemes, please refer to Appendix 1. Sustainalytics notes that refurbishments must achieve a 30% improvement in energy consumption. The fact that Ziraat may provide financing and refinancing for new and existing commercial, public and residential buildings belonging to the top 15% in the Turkish context and refurbished buildings that have achieved a 30% energy efficiency improvement, is in line with the CBI Low-Carbon Buildings Standards.<sup>10</sup> Sustainalytics notes that the activities financed in this category may improve the energy performance of the Turkish commercial, residential and public buildings.
- Within the Clean Transportation category, the Bank may provide loans to finance and refinance low carbon vehicles and related infrastructure. Public transportation includes fully electrified or other low carbon vehicles such as busses, trains, trams and ferries that meet the direct emission threshold of 50gCO<sub>2</sub>/p-km. Passenger and freight vehicles include fully electrified, plug-in hybrid electric or hydrogen vehicles, such as cars, trucks and vessels with direct emissions below 50gCO<sub>2</sub>e/p-km. In addition, Sustainalytics notes that infrastructure includes electrified railways, charging stations for electric vehicles and bicycle paths. Sustainalytics notes that the activities financed in this category could contribute to the decarbonization of the transportation sector and support public transportation.
- Energy Efficiency projects and activities may include renovation of non-fossil fuel based technologies, energy efficiency improvements and replacement in the power grid, and smart grids, storage facilities<sup>11</sup> and metering systems, as follows:
  - The refurbishments of non-fossil fuel based technologies must result in a 15% reduction of energy consumption or associated GHG emissions, which Sustainalytics views positively.
  - Ziraat’s Framework allows for allocation to “smart grid” investments. While noting the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Ziraat to select projects that are clearly anticipated to deliver tangible efficiency improvements.
- In the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Ziraat may provide loans to certified agricultural practices, conservation agriculture techniques, sustainable agriculture, certified forestry activities and urban greening projects. Certified agricultural practices are subject to the following schemes: EU Organic, Global G.A.P.<sup>12</sup>, and any equivalent national or international certification. Forestry activities must be certified to Forest Stewardship Council (“FSC”), Programme for the Endorsement of Forest Certification (“PEFC”), or any equivalent standard. For Sustainalytics’ assessment of the aforementioned schemes, please refer to Appendices 2 and 3. Sustainable agriculture activities also includes

<sup>9</sup> In order to isolate the portion of assets advancing Renewable Energy, Ziraat intends to use a pro-rata approach to determine the eligible value of the loans by applying the renewable power generation capacity ratio in the Turkish electricity grid.

<sup>10</sup> At this point in time there is not yet official CBI baseline for the top 15% low-carbon residential and commercial buildings in the Turkish context. Only 10% to 15% of total Turkish building stock is rated in accordance with the energy performance certificate. It is very likely that buildings with EPC B belong to the top 15% in Turkey.

<sup>11</sup> Power-to-hydrogen is excluded at this point of time.

<sup>12</sup> Livestock/poultry production is not eligible under this category.

## Ziraat Bank Green, Social and Sustainable Finance Framework

the implementation of conservation agriculture techniques, which include no-till farming systems, soil recovery and restoration of degraded pasture, biological nitrogen fixation, minimal or no use of synthetic fertilizers and pesticides, biogas production, crop rotation for carbon sequestration and nitrogen accumulation purposes. Sustainalytics notes that Ziraat intends to focus on soil remediation, thus removing contaminants and revitalizing soil. Sustainalytics encourages Ziraat to promote holistic deployment of conservation agriculture practices<sup>13</sup> through its lending criteria for agriculture projects. Urban greening projects may include park development and restoration and green areas development within the Turkish cities. Sustainalytics is of the opinion that Ziraat's financing of environmentally sustainable management of living natural resources and land use can contribute to improved agriculture practices and sustainable forestry in Turkey.

- In the Sustainable Water and Wastewater Management category, Ziraat may provide loans aimed at financing and refinancing the development, construction, operation and maintenance of water and wastewater facilities and technologies, which include water treatment facilities, upgrades to wastewater treatment plants and technologies that increase water-use efficiency, water recycling and reuse, water saving systems, and water metering. Sustainalytics highlights that the aforementioned activities could improve wastewater treatment and water use efficiency in Turkish regions where water scarcity is an increasing issue.
- As for the Pollution Prevention and Control category, Ziraat may select loans aimed at financing or refinancing waste prevention, reduction and recycling activities. Waste treatment activities include development, operation and upgrade of recycling plants and recycling activities such as for metals, plastic and paper. The Issuer is committed to ensuring appropriate segregation of non-recyclable and hazardous materials to ensure its alignment with the waste hierarchy. Sustainalytics positively views financing of improved waste management and considers the loans provided under this category could contribute to improved waste management infrastructure in Turkey.
- In the Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes category,<sup>14</sup> Ziraat may select loans aimed at financing or refinancing the following: solutions that extend products' lifecycle, such as applying modular design or design for disassembly, take-back schemes and redeploying products, reuse, repair and/or products regeneration/refurbishment; production of material that uses renewable or recycled resources, such as products that substitute materials with bio-based materials;<sup>15</sup> production of renewable or compostable products<sup>16</sup> that use recycled or waste feedstocks as inputs. Sustainalytics notes that projects and activities financed under this category could further help the transition to a circular economy.
- Employment Generation may include providing financing to Small and Medium-sized Enterprises (SME), micro-enterprises, and start-ups experiencing financial hardship in the face of natural disasters and/or pandemics. Sustainalytics notes that SMEs must be either located in areas that have lower income than the country GDP average,<sup>17</sup> or women-owned,<sup>18</sup> or owned and/or operated by vulnerable groups such as migrants. Loans to small and micro enterprises owned and/or operated by young people<sup>19</sup> are included within the scope of the Framework. Loans to SMEs, micro-enterprises and start-ups experiencing natural disasters, such as earthquakes or floods, or health disasters, such as COVID-19, may be granted via dedicated governmental schemes.

<sup>13</sup> Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

<sup>14</sup> Virgin plastic based solutions are excluded from this category.

<sup>15</sup> Ziraat has committed to ensuring these production processes are powered exclusively by renewables.

<sup>16</sup> Recyclable or compostable products where the input feedstock is represented by virgin raw material are excluded.

<sup>17</sup> Ziraat will select regions and provinces considered economically underperforming based on governmental sources.

<sup>18</sup> Eligible SMEs where (i) more than 50% shares belong to women or (ii) the company has at least 20% female ownership and women occupy at least one managerial role or (iii) the overall operational management responsibility is held by a woman (or women).

<sup>19</sup> Financing of this category is limited strictly to small and micro-enterprises. Entrepreneurs up to 35 years old are considered eligible. In Turkey, the average age of micro and small enterprises entrepreneurs is close to 36.8 years old. Ozar, S., (2016), "Micro and Small Enterprises in Turkey: Uneasy Development", ERF Research Report, at: <https://erf.org.eg/wp-content/uploads/2016/04/PRR0420.pdf> and

## Ziraat Bank Green, Social and Sustainable Finance Framework

- Regarding Access to Essential Services, Ziraat may select loans aimed at financing or refinancing healthcare, education and vocational training infrastructure and services. Healthcare services and facilities, such as hospitals, elderly care, specialized treatment centers, nursing homes or rehabilitation centres are accessible to the general population. The loans provided in the event of a pandemic may include financing medical supplies, equipment production and R&D.<sup>20</sup> Regarding education infrastructures and services, Ziraat may provide financing to public and subsidized schools, universities and vocational training centers, as well as technologies and programs to improve public education and training. Sustainalytics notes that the healthcare and education-related activities are public and subsidized, which is viewed positively. As such, financing provided under this category can contribute to an improved healthcare system with greater access as well as education-related services accessible to the general population.
- As for the Affordable Housing category, Ziraat may select loans aimed at providing social housing mortgages to disadvantaged groups. Disadvantaged groups are defined according to the Turkish Government criteria such as income level and number of family members.<sup>21</sup> Sustainalytics acknowledges the importance of targeting populations for such expenditures and positively notes that the financing provided in this category could help disadvantaged groups in accessing affordable housing.
- In accordance with the exclusionary criteria set out in the Framework, the proceeds of the Sustainable Finance Instruments will not be used to finance loans linked to fossil energy generation, nuclear energy generation, weapons and defense, mining, gambling, alcohol<sup>22</sup> or tobacco.
- Project Evaluation and Selection:
  - Ziraat's internal process for evaluating and selecting loans is handled by the Sustainable Finance Working Group (the "Group"), which includes members of Investor Relations, Treasury, Enterprise Architecture, Corporate Communications, SME Banking and Corporate Banking, Financial Reporting, Lending Policies and Procedures and other parties to be nominated as subject matter experts from the various sectors of allocated assets. Eligible loans are selected in accordance with the Eligibility Criteria defined in the Framework and comply with official standards and national regulations. In addition, Ziraat's internal policy and risk management framework ensures minimum environmental and social requirements. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Ziraat's processes for management of proceeds is handled by the Group. Net proceeds of the Sustainable Finance Instruments issued under the Framework will be managed in a portfolio approach. The Bank intends to allocate the proceeds to a portfolio of loans (the 'Eligible Sustainable Finance Loan Portfolio') that meet the Eligibility Criteria. Ziraat will strive to achieve a level of allocation of the Eligible Sustainable Finance Loan Portfolio which matches or exceeds the balance of Sustainable Finance Instruments' net proceeds issued under this Framework. Unallocated proceeds will be held temporarily in Ziraat's treasury liquidity portfolio, in cash or other short term liquid instruments. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Ziraat intends to report on the allocation and the impact of Sustainable Finance Instrument net proceeds on an annual basis until full allocation, on a portfolio basis. The allocation reporting will include the size of the identified Eligible Sustainable Finance Loan Portfolio, the total amount of proceeds allocated to this Portfolio, the balance (if any) of unallocated proceeds, the share of new financing and refinancing and the assets' geographic location, at the country level. In addition, Ziraat is committed to reporting on relevant impact metrics, such as the added capacity of renewable energy (in MW) and estimated annual CO<sub>2</sub> emissions avoided (in tCO<sub>2</sub>eq), for assets belonging to the Renewable Energy category. For a full list of relevant impact indicators

<sup>20</sup> Excluding early-stage expenditures.

<sup>21</sup> The requirements are set by the Turkish Government and loans include financings to TOKI (Toplu Konut İdaresi Başkanlığı), a public enterprise of the Government of the Republic of Turkey in charge of the construction of social housing.

<sup>22</sup> In accordance with the IFC Exclusion List, production or trade in alcoholic beverages (except for beer and wine) is excluded. Link to IFC Exclusion List: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist).

please see Appendix 4. Allocation and impact reporting will be made available to investors and stakeholders via Ziraat's Annual Report and / or via a separate Sustainable Finance Reporting document at the Investor Relations section of the Bank's website and the Sustainability Section of the Bank's website. Sustainalytics considers this process to be in line with market practice.

### **Alignment with the Green Bond Principles 2018, Sustainability Bond Guidelines 2018, Social Bond Principles 2020 and Green Loan Principles 2020**

Sustainalytics has determined that the Ziraat Bank Green, Social and Sustainable Finance Framework aligns with the four core components of the GBP 2018, SBG 2018, SBP 2020 and GLP 2020. For detailed information please refer to Appendix 4: Sustainability Bond/Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of Ziraat**

### **Contribution of Framework to Ziraat's sustainability strategy**

Ziraat adopted its Sustainability Policy in 2014 and has a sustainability structure in place to guide the Policy's implementation. The policy is focused on providing environmentally and socially impactful financing based on the following four pillars: (i) long-term environmental and social perspectives, (ii) financing climate change action and the transition to a low carbon economy, (iii) approach decision-making considering environmental and social issues and associated potential risks, and (iv) continuous development and integration of universally-accepted sustainability principles into the Bank's business model.<sup>23</sup> Ziraat's sustainability structure is led by the Bank's Board of Directors, while the General Manager guides the implementation of sustainability practices and the Enterprise Architecture Department monitors sustainability activities.<sup>24</sup>

The Bank has demonstrated a commitment to create positive social and environmental impact from its core business through the following efforts:

- Ziraat has introduced green loan products directed to the retail market: (i) Energy Efficiency Management Loan, (ii) Personal Energy Efficiency Loan and (iii) Green House Housing Loan.<sup>25</sup> For example, energy efficiency loans were financed in collaboration with the World Bank for a total of EUR 58.15 million.
- Ziraat focuses on expanding access to finance, as such it is the sole provider of financial services in 400 towns across Turkey.<sup>25</sup> As a State-owned bank, Ziraat has a geographical reach where it is typically not feasible for commercial banks to operate due to logistic, low population, or security characteristics of the regions.
- Ziraat has partnerships with International Financial Institutions (IFIs) to expand funding to SMEs and large enterprises with both environmental and social objectives. These partnerships have provided credits totalling EUR 1,47 billion. In 2013, Ziraat and the World Bank signed the "SME Access to Funding Project" to finance general funding needs of its SME customers along with energy efficiency investments totalling EUR 322.06 million. In partnership with the European Investment Bank (EIB) Ziraat financed EUR 700 million for SME and large enterprise projects that contributed to increasing employment; in 2018, the EIB also facilitated financing for rural development projects under IPARD<sup>26</sup> totalling EUR 100 million. An agreement for EUR 100 million with the French Development Agency (AFD), has made financing available for the modernization of SMEs working on agriculture and food processing. A loan programme was initiated in collaboration with the German Bank for Reconstruction (KfW) for rural development and improving access to finance for SMEs operating in underdeveloped regions, totalling EUR 150 million. The loan agreement with the Council of Europe Development Bank for EUR 100 million is aimed at enhancing SMEs' job creation and retention.<sup>25</sup> These efforts will be further enhanced by Ziraat Bank's Green, Social and Sustainable Finance Framework via which the Bank intends to finance or refinance renewable energy and energy efficiency projects, sustainable agriculture and SMEs' access to finance, next to the other Green and Social Eligible Category outlined above.

<sup>23</sup> Ziraat, "A Sustainable Future", (2020), at: <https://www.ziraatbank.com.tr/en/our-bank/sustainability/a-sustainable-future>

<sup>24</sup> Ziraat, "Sustainability Policy", (2020), at: <https://www.ziraatbank.com.tr/en/Investor-Relations-ZB/Corporate-Governance/Documents/Sustainability-Policy.pdf>

<sup>25</sup> Ziraat, "Sustainability Report 2018", (2019), at: <https://www.ziraatbank.com.tr/en/Our-Bank-ZB/Sustainability/Documents/sustainabilityreport2018eng.pdf>

<sup>26</sup> EU's Instrument for Pre-accession Assistance for Rural Development.

## Ziraat Bank Green, Social and Sustainable Finance Framework

- Following the global pandemic outbreak, the Bank commenced a series of initiatives via loan packages, aimed at increasing the economic resilience of its commercial and retail customers. These include restructuring opportunities, payment holidays, grace periods, providing vulnerable groups with favorable lending conditions in order to meet their immediate financing needs as well as other advantages. In the second phase of these initiatives, the Bank started a number of social support loan programmes for retail customers including advantageous mortgage and auto loans. The total amount of loans extended through such programmes exceed EUR 6.5 billion.

Sustainalytics is of the opinion that the Ziraat Bank Green, Social and Sustainable Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities. Sustainalytics notes that the Bank has not established publicly available quantitative, time-bound targets for sustainable financing and encourages the establishment of such targets.

### Well positioned to address common environmental and social risks associated with the loans

Sustainalytics acknowledges that the Framework will be directed towards eligible loans that have positive environmental and social impact. However, Sustainalytics is aware that some environmental and/or social risks might be associated with such eligible loans. Some key environmental and social risks potentially associated with the eligible loans, could include occupational health and safety, community relations, land use change and biodiversity issues.

Sustainalytics is of the opinion that Ziraat is able to manage and/or mitigate potential risks through implementation of the following:

- In 2017, Ziraat began the process to establish an "Environmental and Social Risk Management System" (ESRMS) for certain investment loans (above EUR 25.83 million). As of 2020 the ESRMS is in the board approval stage prior to Bankwide adoption. The Bank will supplement the ESRMS with the establishment of the "Environmental and Social Impact Management Policy in Lending Activities". Ziraat aims to implement and integrate the Policy into lending activities in 2020.<sup>27</sup>
- Ziraat has various deals agreements with IFIs; loans financed through those credit lines must include agreements with special provisions on environmental and social criteria, and require compliance with the environmental legislation in Turkey, as expected by the respective IFI.<sup>25</sup> Sustainalytics is unable to assess the rigor of the provisions because they are not publicly available.
- Project financing for renewable energy and infrastructure is subject to an environmental and social risk assessment. The Bank regularly monitors the clients' social and environmental risk management commitments through periodic reports.
- Public and private companies operating in Turkey must abide by national health and safety legislation. Namely, all workers and employees in Turkey are protected by the Occupational Safety and Health Law, which requires employers to perform risk assessment and ensure occupational safety and health.<sup>28</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Ziraat has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All eleven use of proceeds categories are aligned with those recognized by GBP 2018, SBG 2018, SBP 2020 and GLP 2020. Sustainalytics has focused on three below where the impact is specifically relevant in the Turkish context.

<sup>27</sup> Ziraat, "2019 Integrated Annual Report", (2020), at: [https://www.ziraatbank.com.tr/en/Investor-Relations-ZB/Financials/Documents/ziraat\\_bankasi\\_entegre\\_faaliyet\\_raporu\\_2019-eng.pdf](https://www.ziraatbank.com.tr/en/Investor-Relations-ZB/Financials/Documents/ziraat_bankasi_entegre_faaliyet_raporu_2019-eng.pdf)

<sup>28</sup> ILO, "Occupational Safety and Health Profile. Turkey", (2016), at: [https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-ankara/documents/publication/wcms\\_498829.pdf](https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-ankara/documents/publication/wcms_498829.pdf)



### **Increasing Renewable Energy Sources in Turkey's Electricity Generation**

In 2016, Turkey's GHG emissions accounted for 496.1 Mt of CO<sub>2</sub> eq., which was 135.4% higher than 1990.<sup>29</sup> The Country's emissions represented the twentieth largest source of global GHG emissions and are expected to continue rising, potentially tripling in the next decade.<sup>30</sup> However, Turkey has pledged to restrain the growth rate of emissions, targeting a reduction up to 21% compared to Business-As-Usual by 2030.<sup>29</sup> It is estimated that the current set of policies are unlikely to achieve the reduction target by 2030.<sup>31,32</sup> The energy sector is key to achieving the emissions reduction target as it is the largest emitter of GHG with a share of 72.8%.<sup>29</sup> In 2016 the energy sector emitted 361 Mt of CO<sub>2</sub>eq, with power generation accounting for 136.2 Mt of CO<sub>2</sub>eq.<sup>29</sup>

To address its energy related challenges, Turkey developed its "2019-2023 Strategic Plan for Energy", which sets a target to increase installed electrical capacity from renewable sources by 33.8% by 2023.<sup>33</sup> As of 2019, electricity production in Turkey is almost evenly sourced from fossil fuels (51.4%) and renewables, namely hydropower (31.4%), wind (8%), solar (6%), and geothermal (1.5%).<sup>34</sup> However, the Strategic Plan also considers a large expansion of coal power plants to reduce the Country's dependence on imports.<sup>33</sup> Currently, Turkey has around 18 GW of operating coal plants, making it the 13<sup>th</sup> largest fleet in the world.<sup>30</sup> Nonetheless, Turkey has one of the largest renewable expansion potentials among European countries.<sup>34</sup> Hydropower has the highest renewable energy potential in the country, with technically usable potential of 216 bn kWh, and a production potential of 140 billion kWh/year.<sup>35</sup> Wind energy has an estimated 48,000 MW potential.<sup>36</sup> Biomass potential totals 8.6 million tonnes of equivalent petrol (MTEP).<sup>37</sup> Finally, 10% of Turkey's approximately 1,000 geothermal springs are suited for electricity production, while the rest is suited for direct use (heating and industrial purposes).<sup>38</sup>

It is estimated that a Paris-compatible electricity sector, would require Turkey to phase out coal by 2030, significantly increase the role of renewables, and fully decarbonise electricity generation by mid-century.<sup>31</sup> This is also key for decarbonising end-use sectors, like residential buildings, through electrification.<sup>31</sup>

Sustainalytics believes that Ziraat is well positioned to make a positive impact by financing equipment, manufacture of components, development, construction, operation and maintenance of power generation from renewable energy sources, including wind, solar, hydro, and geothermal. These investments will contribute to decarbonizing Turkey's electricity mix.

### **Supporting Employment Generation and Inequalities Reduction through SME and Micro Financing**

Regional disparities in economic development and unemployment are significant and have widened over the past two decades in Turkey.<sup>39</sup> The unemployment rate in the 20% best performing regions averages 5.9% while the bottom 20% regions average 15.8%.<sup>39</sup> Similarly, GDP per capita varied significantly across regions as of 2016, with Easter Anatoli reaching EUR 7,842 per capita, while Istanbul's GDP per capita was EUR 32,554. <sup>39</sup> SMEs are recognized as an important source of development and employment in underdeveloped regions in Turkey, which can contribute to reducing regional inequalities.<sup>40</sup> SMEs account for 99.8% of all businesses in Turkey and provide employment to 73.9% of the economic active population of the country.<sup>41</sup>

Despite the importance of SMEs to the Turkish economy access to financing remains limited, especially in less developed regions and a high proportion of small businesses are excluded from access to banking services.<sup>42</sup> Moreover, SME finance appears to be gender biased, as shown by an analysis finding that women

<sup>29</sup> Republic of Turkey Ministry of Environment and Urbanization, "Seventh National Communication of Turkey Under the UNFCCC", (2018), at: [https://unfccc.int/sites/default/files/resource/496715\\_Turkey-NC7-1-7th%20National%20Communication%20of%20Turkey.pdf](https://unfccc.int/sites/default/files/resource/496715_Turkey-NC7-1-7th%20National%20Communication%20of%20Turkey.pdf)

<sup>30</sup> Carbon Brief, "The Carbon Brief Profile: Turkey", (2018), at: <https://www.carbonbrief.org/carbon-brief-profile-turkey>

<sup>31</sup> Climate Action Tracker, "CAT Scaling Up Climate Action series", (2019), at: [https://climateactiontracker.org/documents/670/CAT\\_2019-11-29\\_ScalingUp\\_TURKEY\\_ExecSumm\\_ENG.pdf](https://climateactiontracker.org/documents/670/CAT_2019-11-29_ScalingUp_TURKEY_ExecSumm_ENG.pdf)

<sup>32</sup> Alkan, A., et al. (2018), "Achieving Turkey's INDC Target: Assessments of NCCAP and INDC Documents and Proposing Conceivable Policies", Sustainability, at: <https://www.mdpi.com/2071-1050/10/6/1722/pdf>

<sup>33</sup> Ministry of Energy and Natural Resources, "Strategic Plan 2019-2023", at: <https://www.enerji.gov.tr/File/?path=ROOT%2f1%2fDocuments%2fStratejik%20Plan%2f2019-2023%20Stratejik%20Plan%20Plan%20c4%b1.pdf>

<sup>34</sup> Ministry of Energy and Natural Resources, "Electricity", at: <https://www.enerji.gov.tr/en-US/Pages/Electricity>

<sup>35</sup> Ministry of Energy and Natural Resources, "Hydraulics", at: <https://www.enerji.gov.tr/en-US/Pages/Hydraulics>

<sup>36</sup> Ministry of Energy and Natural Resources, "Wind", at: <https://www.enerji.gov.tr/en-US/Pages/Wind>

<sup>37</sup> Ministry of Energy and Natural Resources, "Bio-Fuels", at: <https://www.enerji.gov.tr/en-US/Pages/Bio-Fuels>

<sup>38</sup> Ministry of Energy and Natural Resources, "Geothermal", at: <https://www.enerji.gov.tr/en-US/Pages/Geothermal>

<sup>39</sup> OECD, "Regions and Cities at a Glance 2018 – Turkey", (2019), at: <https://www.oecd.org/cfe/TURKEY-Regions-and-Cities-2018.pdf>

<sup>40</sup> Erdin, C. et al., (2020), "Contribution of small and medium enterprises to economic development and quality of life in Turkey," Helyon, at: <https://www.sciencedirect.com/science/article/pii/S2405844020300608>

<sup>41</sup> European Commission, "2019 SBA Fact Sheet. Turkey", (2019), at: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019\\_turkey.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_turkey.pdf)

<sup>42</sup> OECD, "Turkey Policy Brief", (2016), at: <https://www.oecd.org/policy-briefs/turkey-improving-the-framework-conditions-for-SMEs.pdf>

## Ziraat Bank Green, Social and Sustainable Finance Framework

receive loan amounts EUR 12,350 lower on average compared with men.<sup>43</sup> To address these challenges, the Turkish government has recently revitalized the Credit Guarantee Fund with the objective to ease access to finance for SMEs and to offer guarantees to SMEs via the banking system for this purpose.<sup>44</sup> Ziraat's financing of SMEs located in economically underperforming regions and/or owned or operated by women or vulnerable groups (such as youth or immigrants), can further contribute to SMEs' and micro-enterprises' access to financial services located in underperforming regions and owned/operated by certain target populations, in accordance with the recommendation of the Social Bond Principles 2020.

In addition, as a result of the COVID-19 pandemic, 80% of SMEs in Turkey report suffering substantial negative impacts like temporary suspension of activities and a decline in revenues, while 71% identify financial support as necessary for business continuity.<sup>45</sup> Ziraat intends to provide loans to SMEs, micro-enterprises and start-ups affected by natural disasters or facing socio-economic crisis due to health pandemics, including COVID-19. Loans granted via dedicated governmental guaranteed schemes are considered to be eligible

Based on the above, Sustainalytics believes that Ziraat's financing of SMEs, which is supported by well-defined target population and/or areas, will foster employment generation and prevent/alleviate unemployment stemming from socioeconomic crisis, while strengthening the capacity of women owned enterprises, helping to reduce regional disparities, and ensuring business continuity for SMEs affected by natural or health disasters, including COVID-19.

### The Importance of Financing Public Education and Healthcare Facilities in Turkey

Turkey has well-established and extensive public education services<sup>46</sup> following government investments over the last decade.<sup>47</sup> The progress is most evident in the age group 15 to 19 with enrolment increasing 70% between 2005 and 2015.<sup>47</sup> In 2016, 49% of upper secondary students were enrolled in vocational programmes,<sup>47</sup> while in 2018, 33% of young adults (ages 25 to 34) had attained tertiary education.<sup>48</sup> Despite the progress, public expenditure in education remains low as a percentage of GDP and challenges remain with regards to the quality of schooling, large disparities in performance between regions and across different types of schools.<sup>47</sup> Ensuring access for vulnerable groups and successful transition to upper levels of education while reducing drop-out rates also continue to be a challenge.<sup>46</sup> For example, in 2015, a fifth of students had already left the school system before age 17.<sup>47</sup> Recognising those challenges Turkey's Education Vision 2023 Plan introduces a set of policy goals that target equity, inclusiveness, quality and effectiveness.<sup>49</sup> Ziraat's financing of educational infrastructure and technologies through the Framework can enhance the accessibility and quality of public education in Turkey.

In the early 2000s, Turkey underwent major health reforms, and with the support of the World Bank Group introduced universal health coverage, which is commonly referred to as the Universal Health Insurance system (UHI).<sup>50</sup> Under UHI, residents who are registered with the Social Security Institution (SGK) can receive medical treatment free of charge from hospitals that have a contract with the SGK. However, data from 2017 suggests that Turkey still has a relatively high level of unmet medical needs (6.9%) due to reasons such as cost, long waiting lists, distance and/or transportation problems.<sup>51</sup> Specifically, approximately 21% of the Turkey's population reported that unmet needs for healthcare were due to long waiting lists.<sup>51</sup> Sustainalytics is of the opinion that Ziraat financing for improvements in public healthcare, including construction, maintenance, modernization, equipment, operation of public healthcare services, will provide a meaningful contribution to Turkey's healthcare system by helping serve populations with unmet needs.

Additionally, as the COVID-19 pandemic reached Turkey, its healthcare system has felt a significant impact. Several key areas have experienced constraints and had to respond to a rapid increase in demand for personal

<sup>43</sup> World Bank, "Gender Bias in SME Lending Experimental Evidence from Turkey", (2019), at:

<http://documents1.worldbank.org/curated/en/244611577766368167/pdf/Gender-Bias-in-SME-Lending-Experimental-Evidence-from-Turkey.pdf>

<sup>44</sup> Yagci, M., (2018), "Credit Guarantee Scheme and Small and Medium-Sized Enterprise Finance: The Case of Turkey," ADBI Working Paper 885, at:

<https://www.adb.org/sites/default/files/publication/465361/adbi-wp885.pdf>

<sup>45</sup> UNDP, "Four in every five SMEs substantially impacted by COVID-19 crisis!", (2020), at:

<https://www.tr.undp.org/content/turkey/en/home/presscenter/pressreleases/2020/04/B4G-anket.html>

<sup>46</sup> UNICEF, "Turkey Education", at: <https://www.unicef.org/turkey/en/education>

<sup>47</sup> OECD, "Chapter 1. The Turkish education system", (2019), at: <https://www.oecd-ilibrary.org/sites/71ee93b4-en/index.html?itemId=/content/component/71ee93b4-en>

<sup>48</sup> OECD, "Education at a Glance 2019. Turkey", (2019), at: [https://www.oecd.org/education/education-at-a-glance/EAG2019\\_CN\\_TUR.pdf](https://www.oecd.org/education/education-at-a-glance/EAG2019_CN_TUR.pdf)

<sup>49</sup> Ministry of National Education, "Turkey's Education Vision 2023", (2018), at: [https://2023vizyonu.meb.gov.tr/doc/2023\\_VIZYON\\_ENG.pdf](https://2023vizyonu.meb.gov.tr/doc/2023_VIZYON_ENG.pdf)

<sup>50</sup> The World Bank, Turkish Health Transformation Program and Beyond: <https://www.worldbank.org/en/results/2018/04/02/turkish-health-transformation-program-and-beyond>

<sup>51</sup> EuroStat 2017, "Unmet health care needs statistics": [https://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet\\_health\\_care\\_needs\\_statistics#Unmet\\_needs\\_for\\_health\\_care](https://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet_health_care_needs_statistics#Unmet_needs_for_health_care)

[https://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet\\_health\\_care\\_needs\\_statistics#Unmet\\_needs\\_for\\_health\\_care](https://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet_health_care_needs_statistics#Unmet_needs_for_health_care)

## Ziraat Bank Green, Social and Sustainable Finance Framework

protective equipment, sampling and laboratory materials and other medical supplies.<sup>52</sup> By financing prevention, pharmaceuticals, medical supplies and equipment, Ziraat can help Turkey increase its capacity and access to affordable healthcare in disasters and pandemic response.

Overall, Sustainalytics is of the opinion that Ziraat's Framework can contribute to enhancing access to public education and healthcare institutions' ability to provide reliable and quality essential services in Turkey.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. These sustainability bonds, private placements and loans support the advancement of the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	11. Sustainable Cities and Communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Environmentally Sustainable Management of Living Natural Resources	15. Life on Land	15.A Increase financial resources to conserve and sustainably use ecosystem and biodiversity
Sustainable Water and Wastewater Management	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Employment generation including through the potential effect of SME financing and microfinance	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to

<sup>52</sup> WHO, "WHO reinforces COVID-19 response efforts in Turkey: millions of protective items distributed", (2020), at: <https://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-covid-19/news/news/2020/6/who-reinforces-covid-19-response-efforts-in-turkey-millions-of-protective-items-distributed>

## Ziraat Bank Green, Social and Sustainable Finance Framework

		financial services
Access to Essential Services - Health	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services – Education and Vocational Training	4. Quality Education	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

### Conclusion

Ziraat has developed the Ziraat Bank Green, Social and Sustainable Finance Framework under which it will issue Green, Social and Sustainable Finance Instruments and use the proceeds to finance or refinance loans that advance the transition towards a low carbon economy and/or contribute to positive social impacts. Sustainalytics considers that the projects and the activities funded by the Green, Social and Sustainable Finance Instruments proceeds will provide positive environmental and social impact.

The Ziraat Bank Green, Social and Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Ziraat Bank Green, Social and Sustainable Finance Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 7, 8, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Ziraat has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible loans funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Ziraat is well-positioned to issue Green, Social and Sustainable Finance Instruments and that that the Ziraat Bank Green, Social and Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020), Sustainability Bond Guidelines (2018) and Green Loan Principles (2020).

## Appendices

### Appendix 1: Sustainalytics's assessment of building certification schemes

	LEED <sup>53</sup>	BREEAM <sup>54</sup>	CEDBIK <sup>55</sup>	BEP-TR <sup>56,57</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.	CEDBIK (Turkish Green Building Council) is a rating system for residential and commercial buildings that is used in Turkey.	Building Energy Performance of Turkey (BEP-TR) Certification is a building energy performance calculation methodology that focuses on district heating and/or renewable energy for buildings above a certain threshold. BEP-TR was developed in alignment with Turkey's regulations and based on the EU's Energy Performance of Buildings Directive (EPBD).
<b>Certification levels/rating</b>	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Good Very Good Excellent	A B C D
<b>Areas of Assessment: Environmental Performance of the Building</b>	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy Efficiency Water Efficiency Land use Health and Comfort Materials and Resources Life on Property Operation and Maintenance Innovation	Outdoor climatic conditions of a building's location Minimum energy performance (MEPs) of retrofits for existing buildings
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points	Prerequisites depending on the levels of certification + Credits with associated points	Prerequisites (independent of level of certification) + additive Credits with associated points	BEP-TR calculates the maximum energy needed for heating, cooling hot water, ventilation and illumination of new existing

<sup>53</sup> USGBC, LEED: [www.usgbc.org/LEED](http://www.usgbc.org/LEED)




<sup>54</sup> BREEAM, Building Research Establishment LTD; <https://breeam.com/>

<sup>55</sup> Cedbik: <https://cedbik.org/>

<sup>56</sup> BEP, Energy Performance of Buildings: <http://www.bep.gov.tr/default.aspx>

<sup>57</sup> International Partnership for Energy Efficiency Cooperation, Building Code Implementation – Country Summary: [http://www.gbpn.org/sites/default/files/Turkey\\_Country%20Summary\\_0.pdf](http://www.gbpn.org/sites/default/files/Turkey_Country%20Summary_0.pdf)

## Ziraat Bank Green, Social and Sustainable Finance Framework



	<p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>This number of points is then weighted by item<sup>58</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>		<p>buildings using an hourly calculation.</p> <p>Building Energy Performance Certificates (EPCs) are granted under the "Regulation on Energy Performance in Buildings". An EPC will not be granted to buildings with less than a C rating.</p>
<b>Performance display</b>				N/A
<b>Accreditation</b>	<p>LEED AP BD+C LEED AP O+M</p>	<p>BREEAM International Assessor BREEAM AP BREEAM In Use Assessor</p>		<p>Aligned with EU EPRD</p>
<b>Qualitative considerations</b>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (fewer minimum thresholds) than LEED certifications.</p>	<p>There has been one CEDBIK-certified project in Turkey since CEDBIK's launch in 2016.<sup>59</sup></p>	<p>The application of BEP-TR is mandatory for all new buildings in Turkey except for industrial buildings, temporary buildings (used for less than 2 years), buildings with a total useful floor area of less than 50m<sup>2</sup>, greenhouses, workshops, and stand-alone buildings with no heating or cooling requirements.</p>

<sup>58</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

<sup>59</sup> DergiPark, Credit Success Rates of Certified Green Buildings in Turkey: <https://dergipark.org.tr/en/download/article-file/683057>

## Appendix 2: Sustainalytics' assessment of agriculture schemes

	GLOBAL G.A.P. Agriculture	EU Organic
<b>Background</b>	The GLOBAL G.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
<b>Clear positive impact</b>	Promoting sustainable agriculture practices.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
<b>Minimum standards</b>	The GLOBALG.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Compliance Criteria consists of 3 types of control points. To obtain certification the following are required: <i>Major Musts:</i> 100% compliance is compulsory <i>Minor Musts:</i> 95% compliance is required <i>Recommendations:</i> no minimum % required	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
<b>Scope of certification or programme</b>	1. Applies to farm crop base: (i) fruit and vegetables, (ii) flowers and ornamentals, (iii) combinable crops, (iv) tea, (v) plant propagation material, (v) hop. 2. Covers the certification of the whole agricultural production process of the product, from before the plant is in the ground (origin and propagation material control points) to non-processes product. - Food safety and traceability; Environment (including biodiversity); Workers' health, safety and welfare; Animal welfare; Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) 3. Waste, conservation (weak), water	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
<b>Verification of standards and risk mitigation</b>	GlobalGAP approves certification bodies, which can then in turn carry out audits and verification. Certification is valid for one year.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
<b>Third party expertise and multi-stakeholder process</b>	The standards are informed by FAO guidelines.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.

<p><b>Performance display</b></p>		
<p><b>Qualitative considerations</b></p>	<p>Widely recognized internationally, and strong assurance of overall quality. However, the environmental dimension, G.A.P. does not prohibit the use of pesticides beyond those permitted by national regulations. Furthermore, the certification includes no requirements for reducing, minimizing or substituting pesticides.</p>	<p>Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.</p>

### Appendix 3: Sustainalytics’ assessment of forestry certification schemes

	Forest Stewardship Council (FSC) <sup>60</sup>	Programme for the Endorsement of Forest Certification (PEFC) <sup>61</sup>
<p><b>Background</b></p>	<p>The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC’s standards.</p>	<p>Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.</p>
<p><b>Basic Principles</b></p>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> </ul>

<sup>60</sup> Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

<sup>61</sup> PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>



## Ziraat Bank Green, Social and Sustainable Finance Framework

		<ul style="list-style-type: none"> <li>Maintenance of socioeconomic functions and conditions</li> <li>Compliance with legal requirements</li> </ul>
<b>Types of standards and benchmarks</b>	<ul style="list-style-type: none"> <li>Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests)</li> <li>Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible)</li> <li>Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate)</li> <li>Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement</li> <li>Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification</li> <li>Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards</li> <li>Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products</li> <li>PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo</li> <li>Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement</li> </ul>
<b>Governance</b>	<p>The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p>
<b>Scope</b>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and</p>

## Ziraat Bank Green, Social and Sustainable Finance Framework

	<p>countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)<sup>62</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
<p><b>Chain-of-Custody</b></p>	<ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards</li> <li>• CoC standard includes procedures for tracking wood origin</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC</li> </ul>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC</li> <li>• Only accredited certification bodies can undertake certification</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody</li> </ul>
<p><b>Non-certified wood sources</b></p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> </ol>	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>- operations and harvesting, including land use conversion,</li> <li>- management of areas with designated high environmental and cultural values,</li> </ul> </li> </ol>

<sup>62</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

## Ziraat Bank Green, Social and Sustainable Finance Framework

	<ul style="list-style-type: none"> <li>c. Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>e. Wood from management units in which genetically modified trees are planted.</li> </ul>	<ul style="list-style-type: none"> <li>- protected and endangered species, including CITES species,</li> <li>- health and labor issues,</li> <li>- indigenous peoples' property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> <ul style="list-style-type: none"> <li>b. genetically modified organisms,</li> <li>c. forest conversion, including conversion of primary forests to forest plantations.</li> </ul>
<p><b>Accreditation/verification</b></p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
<p><b>Qualitative considerations</b></p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>63</sup> and both have also faced criticism from civil society actors.<sup>64,65</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

<sup>63</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>64</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>65</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

## Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Ziraat Bank
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	Ziraat Bank Green, Social and Sustainable Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August 7, 2020
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Clean Transportation, Energy Efficiency, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Employment Generation, Access to Essential Services and Affordable Housing - are aligned with those recognized by both the GBP and SBP. Sustainalytics considers that the eligible categories generate positive impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 8, 11, 12 and 15.

#### Use of proceeds categories as per GBP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                  | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input checked="" type="checkbox"/> Affordable housing  | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBP:

## Ziraat Bank Green, Social and Sustainable Finance Framework

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Ziraat's internal process of evaluating and selecting loans is managed by the Sustainable Finance Working Group (the "Group"). Eligible loans must comply with Eligibility Criteria. In addition, Ziraat's internal policy framework ensures minimum environmental and social requirements. Sustainalytics considers the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other (please specify):  |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Ziraat's management of proceeds process is handled by the Sustainable Finance Working Group. Proceeds of the Sustainable Finance Instruments issued under the Framework will be managed in a portfolio approach. The Bank intends to allocate the proceeds to a portfolio of loans that meet the Eligibility Criteria. Unallocated proceeds will be held temporarily in Ziraat's treasury liquidity portfolio, in cash or other short term liquid instruments. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainable Finance Instruments proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds             |
| <input type="checkbox"/> Other (please specify):  |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |

## Ziraat Bank Green, Social and Sustainable Finance Framework

- Disclosure of portfolio balance of unallocated proceeds  Other (please specify):

#### 4. REPORTING

Overall comment on section (if applicable):

Ziraat Bank intends to report on the allocation of the net proceeds on its website<sup>66</sup> on an annual basis until full allocation, on a portfolio basis. The allocation reporting will include the size of the identified Eligible Sustainable Finance Portfolio, the total amount of proceeds allocated, the balance (if any) of unallocated proceeds, the share of new financing and refinancing and the geographic location of the assets at the country level. In addition, Ziraat Bank is committed to reporting on relevant impact metrics. Sustainalytics views Ziraat Bank's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project  On a portfolio basis
- Linkage to individual bond(s)  Other (please specify):

#### Information reported:

- Allocated amounts  Sustainability Bond financed share of total investment
- Other (please specify):

#### Frequency:

- Annual  Semi-annual
- Other (please specify):

#### Impact reporting:

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (please specify):

#### Information reported (expected or ex-post):

- Energy Savings
- Number of beneficiaries

<sup>66</sup> Via its Annual Report and / or via a separate Sustainable Finance Reporting document.

---

Other ESG indicators (please specify):



## Ziraat Bank Green, Social and Sustainable Finance Framework

ICMA / LMA Green Eligible Category	Potential output and impact reporting indicators at category level
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Installed renewable energy capacity (in MW)</li> <li>Estimated annual CO2 emissions avoided (in TCO2eq.)</li> </ul>
<b>Green buildings</b>	<ul style="list-style-type: none"> <li>Level of certification, if applicable</li> <li>Level of Energy Performance Certificate (EPC), if applicable</li> <li>Estimated annual reduced and/or avoided emissions (in TCO2eq.)</li> <li>Estimated annual energy consumption (in KWh/m2)</li> </ul>
<b>Clean Transportation</b>	<p>Low carbon public transportation and vehicles</p> <ul style="list-style-type: none"> <li>Number of vehicles</li> <li>GHG savings (in TCO2eq.)</li> </ul> <p>Low carbon transportation infrastructure</p> <ul style="list-style-type: none"> <li>GHG savings (tonnes per year) due to the installed technology (direct), by transferring freight or passenger transport from road to e.g. railway (indirect) or both (as applicable)</li> <li>Number of EVs charging stations units installed, if applicable</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Distance of transmission (Km)</li> <li>Energy transmitted (MWh per year)</li> <li>Energy savings (MWh per year), if applicable</li> <li>GHG savings (tonnes per year)</li> <li>Number of smart meters installed, if applicable</li> </ul>
<b>Environmentally sustainable management of living natural resources and land</b>	<ul style="list-style-type: none"> <li>Sustainable agriculture land area (hectares)</li> <li>Sustainable agriculture / farming certification scheme, if available</li> <li>Type of crop and its proportion, if available</li> <li>Conservation agriculture techniques / practices and relative output figure, if available</li> <li>Land restored (hectares)</li> </ul>
<b>Sustainable Water Management</b>	<ul style="list-style-type: none"> <li>Annual absolute (gross) water savings (in m3 or in %)</li> <li>Annual absolute (gross) amount of wastewater treated, reused or avoided (in m3 or in %)</li> <li>No. of people with access to improved sanitation facilities</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>Type and annual amount of recycled waste (tonnes)</li> <li>Energy generation (MWh per year)</li> </ul>
<b>Eco-efficient and/or circular economy adapted products, production technologies and processes</b>	<ul style="list-style-type: none"> <li>Annual savings of relevant resources (e.g. tonnes raw material/year)</li> <li>Estimated annual GHG emission avoided or reduced (tCO2e) and/or energy savings (MWh per year), if applicable</li> </ul>
ICMA Social Eligible Category	Potential output and impact reporting indicators at category level
<b>Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic</b>	<ul style="list-style-type: none"> <li>Number of loans granted to SMEs located in underperforming areas in Turkey</li> <li>Split of loans per district's deprivation rate, if possible</li> <li>Number of loans granted to SMEs owned and / or operated by women, youth, migrants and other vulnerable groups</li> <li>Number of jobs created / preserved at SMEs, if possible</li> <li>Number of loans to SMEs, micro-enterprises and start-ups facing the effects of natural disasters and / or health pandemics</li> </ul>

## Ziraat Bank Green, Social and Sustainable Finance Framework

<b>crises, including through the potential effect of SME financing and microfinance</b>	
<b>Access to essential services</b>	<ul style="list-style-type: none"> <li>• Number of structures financed</li> <li>• Number of beneficiaries, patients</li> <li>• Number of enrolled students</li> <li>• Number of training program graduates successfully employed</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of social housing mortgages provided</li> <li>• Number of disadvantaged families housed in social housing</li> </ul>

### Frequency:

- Annual
  Semi-annual  
 Other (please specify):

### Means of Disclosure

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (please specify): Allocation and Impact reporting will be made available to investors and stakeholders at Ziraat's website.  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

### USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.ziraatbank.com.tr/en/our-bank/sustainability/a-sustainable-future>

### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

#### Type(s) of Review provided:

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (please specify):

#### Review provider(s):

#### Date of publication:

### ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its

## Ziraat Bank Green, Social and Sustainable Finance Framework

---

Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

**Copyright ©2020 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For over 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in the policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 600 staff members, including over 200 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

