

# **Kuveyt Türk Katılım Bankası A.Ş. Sustainable Finance Framework**

**August 2021**

## 1. Introduction

### 1.1 Background

Kuveyt Türk Katılım Bankası A.Ş. (the “Company”) was incorporated with the approval of the Central Bank of the Republic of Turkey and has been operating in the interest-free finance sector since 31 March 1989. Its headquarter is situated in Istanbul, Turkey. Kuveyt Türk contributes to the development of participation banking with its dynamic corporate governance approach, innovative products and its global expansion. Kuveyt Türk, offering its select set of financial products and services efficiently to the savings holders and investors, maintains its leading position in the sector with customer-oriented approach, techno-innovative activities and digital transformation efforts. Kuveyt Türk ranks first among the participation banks in terms of funds collected, funds extended and asset size. Furthermore, in terms of gold banking, Kuveyt Türk ranks first among participation banks and third in banking sector.

The Bank operates through its business segments: Retail Banking; Small Business Banking; Commercial Banking; Corporate Banking; Treasury, International and Investment Banking. Kuveyt Türk is a subsidiary of Kuwait Finance House. Celebrating its 31st year in 2020, Kuveyt Türk maintained its solid capital structure and took strong leaps in digital transformation, thus managing numerous risks - Covid-19 in particular - effectively and running successful business processes. The Bank has a total of 435 branches and more than 6,000 employees as of the end of 2020

Kuveyt Türk pioneers the development of participation banking instruments and offers a number of innovative products and services to its clients. Having the largest product range in gold banking, Kuveyt Türk started its gold sales service in grams as the first and only participation bank listed in Istanbul Gold Exchange in 2007 and has since introduced many innovations at home and abroad in gold banking. A number of products or services such as the Gold Days, Gold Participation Account or ATM gold vending machines have all been introduced to the market by Kuveyt Türk.

After being listed in the Istanbul Gold Exchange in 2007 and London Bullion Market Association in 2011, Kuveyt Türk has recently scored a major success by becoming the first corporation to be listed in Shanghai Gold Exchange from Turkey as of January 2019. Kuveyt Türk, which offers its customers gram gold account service and gram gold withdrawal service from ATMs, has brought over more than 20 tons of gold to the country’s economic use so far.

Kuveyt Türk is ever increasing its support for projects that contribute to the development of the country. It is the first and the leading Islamic bank in the local market participating in PPP (Public Private Partnership) projects. The Bank provided financing amounting to 200 million Euros for Çanakkale 1915 Bridge, 100 million Euros for Ankara-Niğde Motorway and 200 million Euros for Kuzey Marmara Motorway as well as increasing its total funding to 740 million dollars in the renewable energy market.

## 1.2 Kuveyt Türk's Commitment to Sustainability<sup>1</sup>

Kuveyt Türk undertakes various sustainability efforts, from sustainable improvement of service infrastructure and continuous training courses to efficient use of natural resources.

Kuveyt Türk conducts all its activities by observing its impact on the environment. Accordingly, the Bank has opened the Banking and Life Base in Şekerpinar in line with the BREEAM environmental standards.

- Environmental Sustainability Courses for All Employees
- BREEAM “Very Good” Certification for Kuveyt Türk Banking and Life Base

Kuveyt Türk allocates a considerable degree of sources for social responsibility activities every year, with a corporate social responsibility policy predicated upon preserving national and moral values.

### **Our Responsibility to the Environment<sup>2</sup>**

Describing itself as a responsible corporate citizen, Kuveyt Türk considers minimization of environmental impact caused by its operations an indispensable element of its sustainability approach.

A member of the Kuwait Finance House (KFH) family, which carries out operations by taking the environmental impact into consideration, Kuveyt Türk follows a strategy aimed at efficient use of natural resources. In addition to its Head Office in Istanbul and Banking and Life Base in Şekerpinar, Kocaeli, the Bank manages all its activities at 435 branches within the framework of efficient use of natural resources to guarantee environmental protection. Commencing recycling and waste management activities in parallel with its strategy aimed at efficient use of natural resources, the Bank has also made significant progress in saving paper through digital transformation successfully launched for all business processes.

### **Our Responsibility to Society**

Kuveyt Türk's corporate social responsibility approach is based on the motto 'We Grow Through Our Values'. Accordingly, the Bank undertakes broad social responsibility projects to preserve, improve and maintain the local and national values Turkey boasts.

### **Kuveyt Türk's Sustainable Projects<sup>3</sup>:**

---

<sup>1</sup> <https://www.kuveytturk.com.tr/medium/document-file-4532.vsf>

<sup>2</sup> <https://www.kuveytturk.com.tr/medium/document-file-2816.vsf>

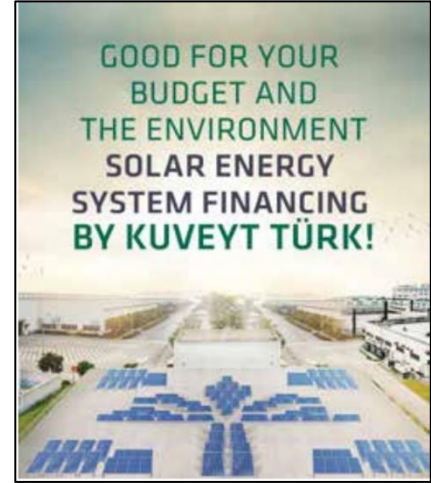
<sup>3</sup> <https://www.kuveytturk.com.tr/en/about-us/about-kuveyt-turk/news/kuveyt-turk-and-generalsolar-enerji-enter-into-cooperation-in-roof-spp>

### **Rooftop solar power plant project financing**

Kuveyt Türk and Generalsolar Enerji, one of the leading companies in the energy sector entered into a cooperation protocol that allows for the investors to get easy access to rooftop solar power plant project financing intended for self-consumption.

Increasing its financing support in the field of renewable energy, Kuveyt Türk continues to sign cooperation protocols with the leading companies in the energy sector. Kuveyt Türk recently cooperated with Generalsolar Enerji which has been operating in the energy sector for more than 10 years and has implemented successful projects by undertaking the project development, design and installation of solar power plants, in the field of Roof Solar Power Plant (Roof SPP).

With the protocol signed in an effort to provide financing support for Roof SPP projects, investors will be able to access financing more easily and contribute to the renewable energy generation of our country. As part of the cooperation, customers who demand financing for the Roof SPP installation will be directed to Kuveyt Türk by Generalsolar Enerji in order to apply for financing.



### **1010 Kaşif (Explorer)” project**

The “1010 Kaşif (Explorer)” project, a joint collaboration between Kuveyt Türk Participation Bank and Turkish Red Crescent, continues its outreach across Turkey. Under the 1010 Kaşif effort, where coding and robotics training is provided, participants are able to start learning and teaching their friends right away, thanks to the coding and software courses they take.

### **An Exemplary Facility for Environmental Sustainability**

Kuveyt Türk Banking and Life Base in Şekerpınar, Kocaeli obtained the BREEAM Certification, which scores smart buildings across the world as per environmental and humanitarian standards, with a score of 57.8 and a degree of “very good.” The energy infrastructure of the Base is equipped with Regel transformers enabling energy savings. The Effe Roof System maximizes energy efficiency enabling maximum utilization of sunlight. All the motor and air pressure tank systems have been designed with frequency inverters to maximize energy efficiency.

### **Increased support for the real economy**

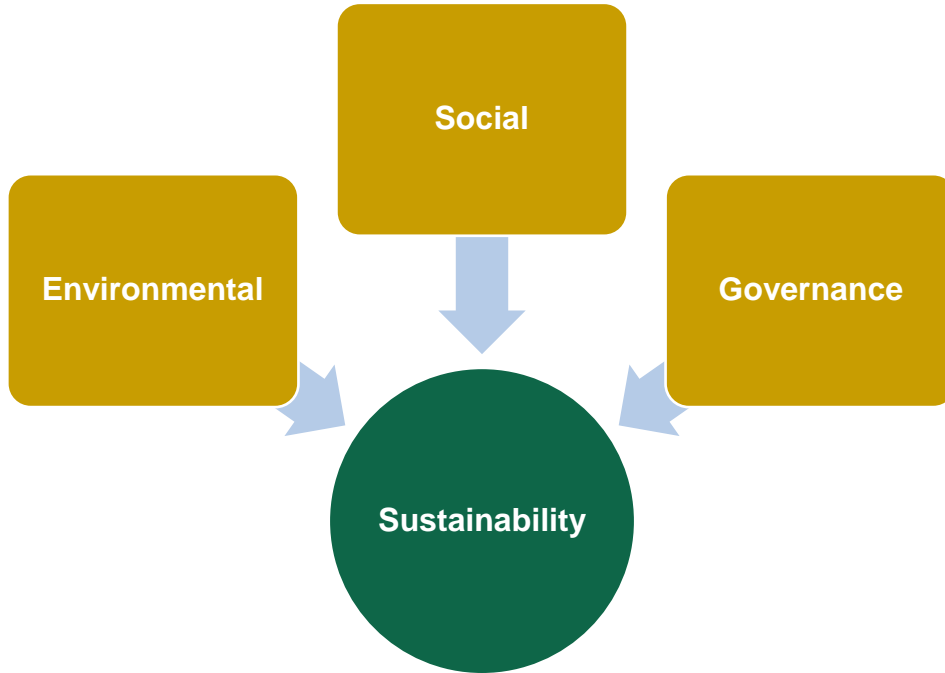
In response to the pandemic, Kuveyt Türk lowered the financing rate of housing, vehicle and general purpose loans to support the real economy and help individuals obtain finance easily. In addition, Kuveyt Türk signed an agreement with Emlak Konut REIC to participate in the "Don't Postpone Your Dreams, Turkey" campaign in order to help individuals who want to become homeowners, while boosting the housing sector and Turkey's economy. Kuveyt Türk also provides a 10% discount and a payment-free period of 24 months to its customers with up to 180-month installments.

## **1.3 Sustainability Governance**

Kuveyt Türk, since the day of its establishment, maintains a strategy contributing to the development of Turkey. Adopting this approach, Bank has been acting with the social responsibility of long term improvement of all aspects of the country. In order to achieve this, Kuveyt Türk supports projects in various areas from retail initiatives and SMEs to large scale constructions such as hospitals, power plants, industrial facilities, bridges and highways.

Kuveyt Türk’s sustainability strategy is driven around its mission “We grow with our values”. Our values are in harmony with Turkey’s deepened culture and are shaped to contribute to the country’s social and economic development. In that regard, Kuveyt Türk as a participation bank, adopts sustainability for its practices not only targeting company-level gain but also a wider achievement. With this larger view, it embraces an inclusive approach comprising all its stakeholders and targeting national economic growth in a broader perspective.

Kuveyt Türk constitutes its Sustainability Policy (approved by the Board of Directors) with its values and long term development vision. To assure sustainability in all parts of its business, Bank structures its activities based on 3 main pillars that are aligned with its Sustainability Policy. Backed by a strong support from its shareholders and senior management, 3 pillars are:



To effectively apply the Bank’s approach that is structured in its Sustainability Policy and coordinate its sustainability practices, the Sustainability Committee has been established with the members and committee structure below:

<b>Chairman of the Committee:</b>	CEO (BOD Member)
<b>Members:</b>	Executive VP, Strategy Executive VP, Treasury and International Banking Executive VP, Credits Executive VP, Banking Services Group Executive VP, CRO
<b>Secretary:</b>	Strategy and Innovation Group Head

Committee structure:



With its decision making mechanism powered by Board of Directors, Sustainability Committee assures that Kuveyt Türk puts Sustainability Policy as well as 3 pillars above into practice.

## 2. Kuveyt Türk Sustainable Finance Framework

In order to meet the bank's mission, and finance projects that will deliver benefits to support Kuveyt Türk Bank's business strategy and vision, Kuveyt Türk has elected to create a Sustainable Finance Framework (the "Framework"), under which it can issue Green Certificate(s)/Financing(s) or Social Certificate(s)/Financing(s) or Sustainability Certificate(s)/Financing(s) (including Sukuk or any other financing instruments), to finance 'Eligible Green Projects' and/or 'Eligible Social Projects' as defined below.

This Framework is in accordance with the ICMA Green Bond Principles<sup>4</sup> (GBP) 2021, ICMA Social Bond Principles<sup>5</sup> (SBP) 2021, ICMA Sustainability Bond Guidelines<sup>6</sup> (SBG) 2021, the LMA Social Loan Principles (SLP) 2021<sup>7</sup> and the LMA Green Loan Principles (GLP) 2021<sup>8</sup>.

- (i) Green Certificate(s)/Financing(s) – certificates/financings where proceeds are used to finance 'Eligible green projects' as defined in section 2.1 'Use of Proceeds'
- (ii) Social Certificate(s)/Financing(s) – certificates/financings where certificates are used to finance 'Eligible social projects' as defined in section 2.1 'Use of Proceeds'

<sup>4</sup> Green Bond Principles (GBP) 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>5</sup> Social Bond Principles (SBP) 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

<sup>6</sup> Sustainability Bond Guidelines (SBG) 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

<sup>7</sup> Social Loan Principles (SLP) 2021 - [https://www.lma.eu.com/application/files/1816/1829/9975/Social\\_Loan\\_Principles.pdf](https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf)

<sup>8</sup> Green Loan Principles (GLP) 2021 - <https://www.lsta.org/content/green-loan-principles/>

- (iii) Sustainability Certificate(s)/Financing(s) – certificates/financings where proceeds are used to finance ‘Eligible green projects’ and ‘Eligible Social Projects’ as defined in section 2.1 ‘Use of Proceeds’



In alignment with these Principles, for each Green, Social or Sustainable Certificate(s)/Financing(s) issued, Kuveyt Türk asserts that it will adopt the following, as set out in this Framework:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

## 2.1 Use of Proceeds

An amount equivalent to the net proceeds raised from any Kuveyt Türk’s Green, Social or Sustainable Certificate/Financing issued under this Sustainable Finance Framework will be allocated, in part or in full, to finance or refinance<sup>9</sup> the following eligible projects:



### 1) Eligible Green Project Categories:

Alignment with GBP/GLP	Eligibility criteria	Alignment with the UN SDGs and Targets <sup>10</sup>
<b>Renewable energy</b>	<p>Financing and/or refinancing construction, operation and maintenance of:</p> <ol style="list-style-type: none"> <li>1. Renewable energy projects that sources from: <ul style="list-style-type: none"> <li>• Onshore and offshore solar power</li> <li>• Onshore and offshore wind power</li> <li>• Bio energy with a direct emissions treshold of =&lt;100gr CO2/kWh and waste feedstock</li> <li>• Hydro power with capacity &lt;25MW, emissions &lt;=100gr CO2/kWh and with the Environmental Impact Assesment Report<sup>11</sup> that proves minimum negative impact on the environment by the Republic of Turkey Ministry of Environment and Urbanisation</li> <li>• Geothermal power with a direct emissions treshold of =&lt;100gr CO2/kWh</li> </ul> </li> <li>2. Rooftop solar systems for households and facilities</li> <li>3. Production and supply chain finance of equipments for renewable energy sources of above category</li> <li>4. R&amp;D projects in the field of renewable energy</li> </ol>	 <p><b>7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p>  <p><b>13.1</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>

<sup>9</sup> Refinancing existing projects/expenditures which have been undertaken up to 36 months before the issuance of any Green, Social, or Sustainable Certificate/Financing

<sup>10</sup> UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

<sup>11</sup> Please see Environmental Impact Assesment (ÇED) Procedures of the Republic of Turkey Ministry of Environment and Urbanisation at: <https://ced.csb.gov.tr/ced-uygulamaları-i-85396>





<p style="text-align: center;"><b>Pollution prevention and control</b></p>	<p>Financing or refinancing construction or development and expansion of:</p> <ol style="list-style-type: none"> <li>1. Recycling plants or projects for fundamental materials such as metals, plastic and paper ; plastic production plants where recycled plastic used as a raw material to comply with the following criteria: <ul style="list-style-type: none"> <li>• Production to be at least 90% recycled plastic</li> <li>• At least 90% of the products not to serve as single-use consumer products</li> <li>• All products manufactured to be recyclable</li> </ul> </li> <li>2. Waste management/waste treatment projects: <ul style="list-style-type: none"> <li>• that supports the segregation of waste at source</li> <li>• in case of E-waste projects, with the robust waste management processes to mitigate associated risks</li> </ul> </li> <li>3. Projects that reduce end-of-pipe air pollution with the exclusion of<sup>12</sup>: <ul style="list-style-type: none"> <li>• technologies/operation dependent of fossil fuel</li> <li>• operations where air pollution is caused by fossil fuel</li> <li>• operations that use fossil fuel as an energy source</li> </ul> </li> <li>4. Soil remediation<sup>13</sup>, waste prevention, waste reduction projects</li> </ol>	 <p><b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources</p> <p><b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
<p style="text-align: center;"><b>Energy efficiency</b></p>	<p>Financing or refinancing construction or development and expansion of:</p> <ol style="list-style-type: none"> <li>1. Projects improving energy efficiency at least by 15% and/ reducing consumption by at least 15%</li> <li>2. Smart grids, energy storage facilities, metering systems</li> <li>3. R&amp;D projects<sup>14</sup> focused on increasing energy efficiency</li> <li>4. Expenditures for households supporting energy saving measures</li> </ol>	 <p><b>7.1</b> By 2030, ensure universal access to affordable, reliable and modern energy services</p>

<sup>12</sup> Please also see Kueyit Turk's List of Unfunded Projects that is a part of Kueyit Turk Credit Policies and Implementation Procedures available at: <https://www.kueyitturk.com.tr/en/investor-relations>

<sup>13</sup> not applicable to those soil remediation projects specified in the below mentioned exclusion list and in those projects which seek finance belongs to the company that caused the contamination itself. However, if remediation/clean-up is being done by government, by a government agency, by an NGO or by a different company other than the one which caused contamination and wants to utilize the land after remediation, such projects are deemed eligible

<sup>14</sup> Any funding related to these projects will exclude technologies powered by fossil fuels.




<p><b>Green Buildings</b></p>	<p>Financing and/or refinancing construction, development, maintenance and renovation of both commercial and residential green buildings:</p> <p>1. that meets either of below eligible criteria:</p> <ul style="list-style-type: none"> <li>• BEP-TR<sup>15</sup> "B" or above energy label in the local market as determined via Energy Performance Certificate (BEP-TR) issued in accordance with Turkish regulation and/or via Turkish building Code; or belonging to the top 15% of the building in Turkey<sup>16</sup></li> <li>• LEED (Gold and above) Certificate</li> <li>• BREEAM (Excellent and above) Certificate</li> <li>• ÇEDBİK (Very Good and above) Green Building Certificate</li> </ul> <p>2. that adopts energy efficiency that reduce energy consumption by at least 30% as to ASHRAE 90.1 2010 or globally recognised equivalent schemes</p>	 <p><b>7.3</b> By 2030, double the global rate of improvement in energy efficiency</p>  <p><b>13.2</b> Integrate climate change measures into national policies, strategies and planning</p>
<p><b>Clean transportation</b></p>	<p>Financing and/or refinancing related to:</p> <ol style="list-style-type: none"> <li>1. fully electric vehicles</li> <li>2. hybrid vehicles with emissions below 50g CO<sub>2</sub>e/p-km,</li> <li>3. energy efficient public transport with alternative fuels such as electric, biofuel, hybrid and emissions below 50g CO<sub>2</sub>e/p-km</li> <li>4. fully electrified rail transportation with direct emission &lt;50gCO<sub>2</sub>e/p-km for passenger and &lt;25gCo<sub>2</sub>e/t-km for freight</li> </ol>	 <p><b>11.2</b> 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</p>
<p><b>Environmentally sustainable management of living natural resources and land use</b></p>	<p>Production and/or supply chain finance/refinance of projects:</p> <ol style="list-style-type: none"> <li>1. Certified agricultural practices by EU organic, Rainforest Alliance</li> <li>2. Projects of land restoration, reforestation on previously forested land and forest conservation. Projects would need to be FSC/PEFC certified</li> <li>3. Projects aiming sustainable agriculture such as drip irrigation and local seed projects that is in line with the local regulation</li> </ol>	 <p><b>15.1</b> By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>

<sup>15</sup> enerjikimlikbelgesi.com

<sup>16</sup> At the release of this Framework, an official CBI (Climate Bond Initiative) baseline for the top 15% low carbon residential and commercial buildings has not yet been established in Turkey. Only 10% to 15% of the total Turkish building stock is rated in accordance with the Energy Performance Certificate labels system. It is very likely to assume that buildings with EPC label "B" belong to the top 15% low-carbon buildings in Turkey.

		<p><b>15.2</b> By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p>
--	--	--

## 2) Eligible Social Project Categories:




Alignment with SBP/SLP	Eligibility criteria	Alignment with the UN SDGs and Targets <sup>17</sup>
<p><b>SME financing / employment generation</b></p>	<p>Financing or refinancing all SMEs<sup>18</sup> micro enterprises or start-ups</p> <ol style="list-style-type: none"> <li>Owned (at least 51%) or led by women</li> <li>In case women ownership is between 20% and 50%, women to assume at least one of the managerial roles.</li> <li>Owned (at least 51%) or led by youth</li> <li>Incorporated (at least 20%) labor force of youth<sup>19</sup> or migrants</li> <li>That is established and operated in either of the listed underdeveloped cities<sup>20</sup> as per the Resolution of Supporting Investments within the Scope of Attraction Center Program.</li> <li>Facing the effects of natural disasters (including covid-19 pandemic, earthquakes, floods etc.)</li> </ol>	 <p><b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors</p> <p><b>8.3</b> 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 financial services</p>

<sup>17</sup> UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

<sup>18</sup> Bank's definition of SME is consistent with the official SME definition provided in the Official Gazette dated 18.11.2005 with No:25997 available at <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=20059617&MevzuatTur=3&MevzuatTertip=5>  
As per the official definition Medium Enterprises: with number of employees below 250 and turnover or asset size equal to or below TL 125 million; Small Enterprises: with number of employees below 50 and turnover or asset size equal to or below TL 25 million; Micro Enterprises: with number of employees below 10 and turnover or asset size equal to or below TL 3 million).

<sup>19</sup> UN defines youth, without prejudice to any other definitions made by Member States, as those persons between the ages of 15 and 24 years. <https://www.un.org/esa/socdev/documents/youth/fact-sheets/youth-definition.pdf>

<sup>20</sup> Resolution of Supporting Investments within the Scope of Attraction Center Programme (Official Gazette dated 02/01/2018 with the resolution no: 2018/11201 accessible at <https://www.resmigazete.gov.tr/eskiler/2018/01/20180125-2.pdf>) announces list of underdeveloped cities and aims increasing production, employment and export in these cities. Kuyeyt Türk referring to the underdeveloped cities in the Resolution, aims financing/refinancing SMEs, micro enterprises and start ups to contribute to the development of market and employment generation as part of the criteria of SME financing&employment generation.

<p><b>Affordable Housing</b></p>	<p>Financing or refinancing social housing mortgages to disadvantaged groups by Housing Development Administration of Turkey (TOKI<sup>21</sup>) that falls within the category of (i) low income or (ii) middle income</p>	 <p><b>11.1</b> By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
<p><b>Access to essential services: Education &amp; Healthcare</b></p>	<p>Financing or refinancing construction, improvement, maintenance, expansion and operation of:</p> <ol style="list-style-type: none"> <li><b>Education:</b> public educational institutions including primary and secondary schools, high schools, universities, technical/vocational training centers</li> <li><b>Health:</b> public health institutions including hospitals, clinics, healthcare centers and aged care homes</li> </ol>	  <p><b>3.1</b> By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births.</p> <p><b>3.8</b> 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.</p> <p><b>4.1</b> By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes</p>

### Excluded Projects:

Any Green, Social or Sustainable Certificate/Financings or any sustainable finance instrument issued under this Framework will not be used to finance loans linked to the List of Unfunded Activities<sup>22</sup> as well as the loans that do not comply with the Bank’s Credit Policy, Sustainability Policy and minimum environmental and social requirements stipulated by national laws and regulations. In addition to this, funding of all coal related activities such as coal mining, coal-based transportation, coal fired plants and any other activity that is fed by coal will be in the exclusion list.

## 2.2 Project Evaluation and Selection Process

The eligible green and social projects will be subject to the following due diligence, which ensures that they meet the criteria set out above in section 2.1 (‘Use of Proceeds’).

<sup>21</sup> Brief on TOKI Program available at: <https://www.toki.gov.tr/en/housing-programs.html> Conditions to apply is available at: <https://www.toki.gov.tr/basvuru-sartlari>

<sup>22</sup> Kuveyt Turk List of Unfunded Projects is part of Kuveyt Turk Credit Policies and Implementation Procedures available at: <https://www.kuveytturk.com.tr/en/investor-relations>

Kuveyt Türk has developed its environment/social risk due diligence process in addition to its credit policy for all its lending activities. Any eligible green /social projects will undergo this environmental/social due diligence process.

Kuveyt Türk will set up a Sustainable Finance Working Group (SFWG), which will be made up of representatives from the below departments and will report to the Sustainability Committee which will oversee all the responsibilities of the SFWG:

- Treasury Group
- Corporate and Commercial Marketing Group
- SME Marketing Group
- Credits Group
- Risk Management Group
- Strategy and Innovation Group
- Financial Institutions
- Customer Analytics
- any other relevant departments that is further suggested by the Sustainability Committee

The SFWG will be chaired by the Group Head of SME Marketing and will meet semi-annually as well as on a demand basis by SFWG Secretary or any of the members.

SFWG maintains the following missions:

1. Constitutes the Sustainable Finance Framework in compliance with the Bank's Sustainability Policy, Credit Policy and as well as other related policies that are in force.
2. In communication with other departments, collates all recommendations related to eligible fundings and expenditures that have been or will be financed for the inclusion in the list of Eligible Use of Proceeds.
3. Review the recommended eligible projects for their compliance to Kuveyt Turk's Sustainability Policy in order to approve the allocation of proceeds.
4. Review the recommended eligible projects for their Compliance to Kuveyt Turk's Sustainable Finance Framework.
5. Projects that have passed through step 3 and step 4 are marked as eligible projects and are included in the list of Eligible Use of Proceeds.
6. Reviews the Allocated Eligible Use of Proceeds pool, examines the allocation in terms of eligibility and detects possible changes (i.e. projects cancelled, closed, sold, completed, or become ineligible,
7. Removes the ineligible projects from the Allocated Eligible Use of Proceeds pool; replace them with the new projects that are marked eligible and included in the list of Eligible Use of Proceeds as per step 5.
8. Reviews and carries out the responsibility of management of proceeds as per section 2.3 (Management of Proceeds) and facilitates reporting as per section 2.4 (Reporting)
9. When required, facilitates revisions of the Sustainable Finance Framework and corresponding Second Party Opinion.

### **2.3 Management of Proceeds**

The net proceeds of each Kuveyt Türk Green, Social or Sustainable Certificate/Financing will be earmarked towards eligible green and/or social projects as stated in section 2.1 Use of Proceeds of this Framework. In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with Kuveyt Türk's general liquidity guidelines until allocation to Eligible Green/Social Projects.

Kuveyt Türk intends to allocate the proceeds of a given Green, Social or Sustainable Certificates/Financing issuance to Eligible Green and/or Social Projects originated no more than three years prior to the issuance. The proceeds will be allocated within three years from the date of issuance.

Sustainable Finance Working Group that works under the Sustainability Committee will be responsible for the Management of Proceeds.

## 2.4 Reporting

On an annual basis, Kuveyt Türk will publish an allocation report and an impact report on its Green, Social or Sustainable Certificate(s)/Financing(s) issued, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Green, Social or Sustainable Certificate/Financing issued, or until the Kuveyt Türk Green, Social or Sustainable Certificate/Financing is no longer outstanding.

### 2.4.1 Allocation Reporting

Kuveyt Türk will provide information on the Eligible Green and/or Social Projects Portfolio on the Kuveyt Türk's website. The information will contain at least the following details:

- I. The total amount of proceeds allocated to the Eligible Green and/or Social Projects
- II. Breakdown of allocation by eligible project category
- III. Refinancing versus new financing
- IV. The balance of unallocated proceeds

### 2.4.2 Impact Reporting

Where feasible, Kuveyt Türk will provide reporting on relevant potential impact metrics for Eligible Green and Social projects including:

- Renewable Energy:
  - Amount of renewable energy generated or used (MWh)
  - Amount of energy saved (MWh)
  - Amount of CO<sub>2</sub> emissions avoided / reduced (tCO<sub>2</sub>e)
- Pollution prevention and control
  - Amount of waste prevented, reduced or recycled (in tons)
  - Number of circular economy projects
  - Greenhouse Gas (GHG) emissions reduced or avoided (tCO<sub>2</sub>e)
- Energy Efficiency
  - Amount of CO<sub>2</sub> emissions avoided / reduced (tCO<sub>2</sub>e)
  - Amount of energy saved (MWh)
- Green Buildings
  - Level of certification
  - Estimated annual energy consumption (in kWh/m<sup>2</sup>)
  - Estimated annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- Clean transportation
  - Number of vehicles
  - Estimated annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e)
- SME financing / employment generation
  - Number of SMEs financed, breakdown by target population
  - Amount of loans granted to SMEs, breakdown by target population
  - Number of jobs created / preserved
- Affordable Housing

- Number of housing mortgages to disadvantaged groups and to social housing organizations
- Number of beneficiaries
- Access to essential services: Education
  - Number of special education centres supported
  - Number of educational institutes financed
  - Number of educational or vocational programmes targeting young people at risk of exclusion financed
- Access to essential services: Healthcare
  - Number of hospitals financed
  - Number of beneficiaries in the target population with improved access to health

### **3. External Review**

#### **3.1 Second-Party Opinion**

Kuveyt Türk has appointed Sustainalytics to provide an external review on the Kuveyt Türk Sustainable Finance Framework, and confirm its alignment with the ICMA GBP, SBP, SBG, SLP & GLP. This Second Party Opinion document will be made available on Kuveyt Türk's website<sup>23</sup>.

#### **3.2 Post issuance external verification**

Kuveyt Türk's annual reporting may also be subject to external verification by an External Auditor. If appointed, the auditor will verify:

- The compliance of assets financed by the Green, Social or Sustainable Certificate/Financing proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible Green and/or Social projects financed by the Sustainable Bond proceeds
- The management of proceeds and unallocated proceeds amount

Any external auditor's report will be published on Kuveyt Türk's website<sup>24</sup>.

### **4. Amendments to this Framework**

Kuveyt Türk's Sustainable Finance Working Group will review this Framework on a regular basis, including its alignment to updated versions of the GBP/SBP/SBG/GLP/SLP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Kuveyt Türk and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on Kuveyt Türk website and will replace this Framework.

---

<sup>23</sup> <https://www.kuveytturk.com.tr/en/investor-relations>

<sup>24</sup> <https://www.kuveytturk.com.tr/en/investor-relations>