

# Sustainable Debt Allocation and Impact Report 2022



DEDICATION  
TO DELIVER  
FOR A SUSTAINABLE  
FUTURE.

 **YapıKredi**  
Dedication to deliver.



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## OVERVIEW

As one of the leading financial institutions in Turkey, Yapı Kredi believes it has a role to play in low carbon transition and a sustainable future for the society. Sustainable finance, climate crisis and environment, risk management and corporate governance, and human and society are four of the major pillars of Yapı Kredi's sustainability strategy. In this respect, guided by the United Nations Sustainable Development Goals (SDGs), Yapı Kredi aims to increase and expand its sustainable product portfolio, strengthen green industries and manage its environmental and social impacts. Yapı Kredi supports its clients with its financial solutions to facilitate implementation of sustainable business models and transition strategies.

Yapı Kredi believes that economic sustainability cannot be achieved without social and environmental sustainability, therefore its sustainability approach is integral and comprehensive. While managing its impact on environment and society, Yapı Kredi also aims to contribute to sustainable development of society and transition to a low carbon economy.

Yapı Kredi embraces a distinctive business model that aims at sustainable profitability and the long-term social and economic benefit of communities it serves, striving to create value for all stakeholders in line with its sustainability approach.

In 2021, Yapı Kredi published its Sustainable Finance Framework that outlines its issuances of sustainable finance instruments aligned with 2021 version of green and social bond principles of International Capital Markets Association (ICMA) and Loan Market Association (LMA). By releasing the Sustainable Finance Framework, Yapı Kredi demonstrated its aim to create a positive impact on sustainable development.

# YAPI KREDİ SUSTAINABLE FINANCE FRAMEWORK

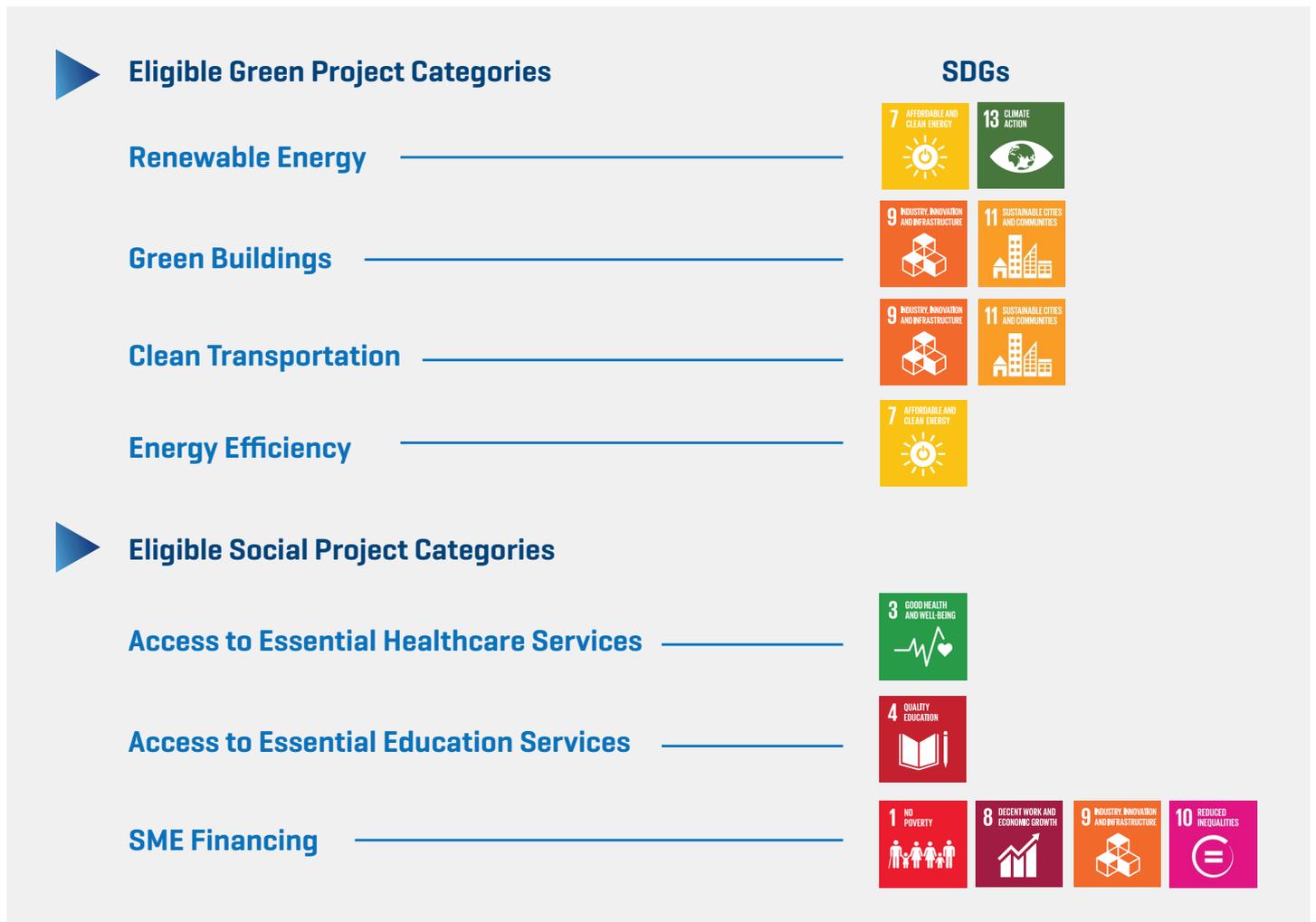
Yapı Kredi believes that sustainable financing instruments are an effective tool to channel investments to projects that have demonstrated climate and social benefits and thereby contribute to the achievement of the Sustainable Development Goals set out by the United Nations. By issuing sustainable financing instruments, Yapı Kredi intends to align its funding strategy with its mission, sustainability strategy and targets.

In 2021, Yapı Kredi published its Sustainable Finance Framework based on the Green Bond Principles [GBP], Social Bond Principles [SBP] and Sustainability Bond Guidelines [SBG] of International Capital Markets Association [ICMA] and Green Loan Principles [GLP] and Social Loan Principles [SLP] of Loan Market Association [LMA]. Under this Framework, Yapı Kredi intends to issue green, social, sustainability finance instruments, which may include bonds [including private placements], commercial paper, loans and promissory notes to finance and/or refinance green and social loans with a positive environmental and social benefit.

Yapı Kredi's Sustainable Finance Framework has four core components. For each sustainable finance instrument issued, Yapı Kredi asserts that it will adopt (i) Use of Proceeds (ii) Process for Project Evaluation and Selection (iii) Management of Proceeds and (iv) Reporting, as set out in this Framework. The Yapı Kredi Sustainable Finance Framework also follows the recommendations of the Green and Social Bond Principles regarding External Review.

Yapı Kredi allocates an amount equal to the net proceeds of the sustainable finance instruments to an eligible loan portfolio of new and existing green and social loans [Eligible Loan Portfolio] in accordance with its Sustainable Finance Framework. The eligible loans are to be funded in whole or in part by an allocation of an amount equal to the proceeds from the sustainable finance instruments.

For further information, Yapı Kredi's Sustainable Finance Framework and its Second Party Opinion can be found [here](#).



# SUSTAINABLE DEBT ISSUANCE

As of December 31, 2022, Yapı Kredi has issued one green bond and four sustainable future flow transactions under our Diversified Payment Rights program. Approximately USD 382 million of the proceeds is dedicated to support green, social and sustainable assets in accordance with the Bank's Sustainable Finance Framework.

## Green Bond

Issuer	Yapı ve Kredi Bankası A.Ş.
ISIN	XS2104914069
Listing	Euronext Dublin
Type	Green Bond
Issue Date	21.01.2020
Maturity Date	10.12.2024
Amount	USD 50,000,000
Allocation as of 31.12.2022	%100



## Sustainable DPR

Issuer	Yapı ve Kredi Bankası A.Ş.
ISIN	-
Type	Sustainable DPR <sup>1</sup>
Issue Date	17.12.2021
Maturity Date	Varying between 5 to 8 years
Amount	USD 331,610,000
Allocation as of 31.12.2022	%100



1. DPR transactions are unlisted and private and therefore have been included as a total.

# ELIGIBLE LOAN PORTFOLIO AND ALLOCATION SUMMARY

As of December 31st, 2022, Yapi Kredi's eligible green loan portfolio comprise of renewable energy and green building projects amounted to USD 226.9 million, while its social loan portfolio consist of SME financing amounted to USD 2,170 million. Green Bonds issued by Yapi Kredi in 2020 have been entirely allocated to the renewable energy projects in alignment with the Yapi Kredi's Sustainable Finance Framework.

Eligible Green Project Category	Number of Loans	Eligible Portfolio (million USD)
<b>Renewable Energy</b>	<b>47</b>	<b>200</b>
<i>Solar</i>	<i>20</i>	<i>48.2</i>
<i>Wind</i>	<i>5</i>	<i>22.7</i>
<i>Hydro</i>	<i>18</i>	<i>101.4</i>
<i>Biomass</i>	<i>3</i>	<i>16.4</i>
<i>Geothermal</i>	<i>1</i>	<i>11.3</i>
<b>Green Buildings</b>	<b>1,845</b>	<b>26.9</b>
Eligible Social Project Category	Number of Loans	Eligible Portfolio (million USD)
<b>SME Financing</b>	<b>44,751</b>	<b>2,170</b>
<i>SMEs owned by women</i>	<i>4,130</i>	<i>366.4</i>
<i>SMEs affected by natural &amp; health disasters</i>	<i>7,656</i>	<i>514.9</i>
<i>SMEs in cities with lower income than the average GDP</i>	<i>32,965</i>	<i>1,288.7</i>
<b>Total Eligible Portfolio</b>		<b>2,396.9</b>



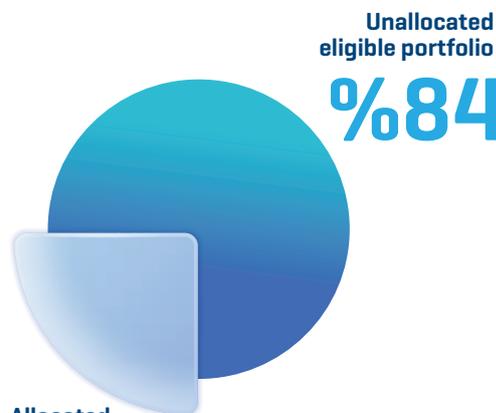
Percentage of Green Bond allocated to Eligible Green Loan Portfolio

**%100**



Percentage of Sustainable DPR allocated to Eligible Green and Social Loan Portfolio

**%100**



Unallocated eligible portfolio

**%84**

Allocated eligible portfolio<sup>2</sup>

**%16**

<sup>2</sup>The total amount of USD 50 million Green Bond and USD 331.6 million Sustainable DPR which represents the 16% of the eligible portfolio is fully allocated to the eligible green and social projects.

# IMPACT REPORTING

Environmental and social impacts of renewable energy, green buildings and SME financing projects financed by Yapı Kredi have been calculated and reported according to the impact reporting metrics in Yapı Kredi's Sustainable Finance Framework.<sup>3</sup>

## a) Eligible Green Loan Portfolio Impact

	GHG Avoided [tons of CO <sub>2</sub> eq/year]	Annual Energy Generated [MWh]
<b>Renewable Energy</b>	<b>922,640</b>	<b>2,301,381</b>
Solar	133,476	315,593
Wind	269,364	621,943
Hydro	348,038	967,257
Biomass	87,116	201,146
Geothermal	84,646	195,442
<b>Green Buildings</b>	<b>169,702</b>	<b>n/a</b>
<b>Total</b>	<b>1,092,342</b>	<b>2,301,381</b>



Number of financed renewable energy projects

**47**



Annual avoided GHG emissions by financed renewable energy projects

**922,640**  
tons of CO<sub>2</sub>eq



Number of financed green building projects

**1,845**



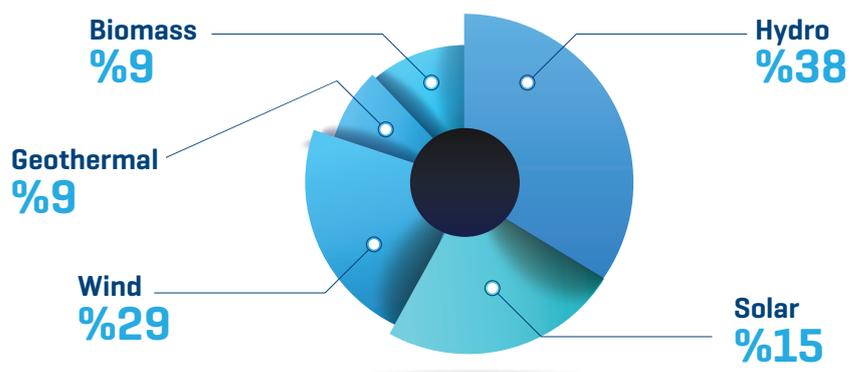
Annual avoided GHG emissions by financed green building projects

**169,702**  
tons of CO<sub>2</sub>eq

Distribution of financed renewable energy projects by energy source



Avoided GHG Emissions by Energy Source

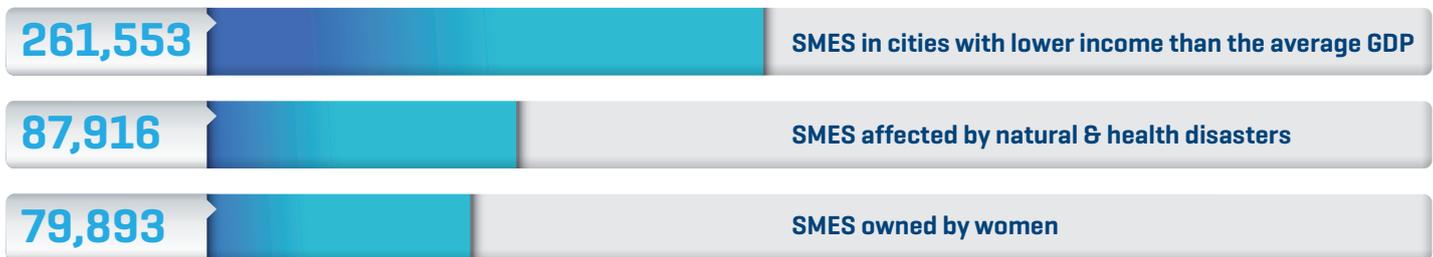


3. Yapı Kredi has moved to a portfolio basis impact reporting from this report onwards, subject to the requirements related to borrowings.

## b) Eligible Social Loan Portfolio Impact

SME Financing <sup>4</sup>	Number of Beneficiaries
SMEs owned by women	79,893
SMEs affected by natural & health disasters	87,916
SMEs in cities with lower income than the average GDP	261,553
<b>Total</b>	<b>429,362</b>

### Number of beneficiaries from SME Financing



<sup>4</sup>To be identified as an SME, the end client should have fewer than 250 employees and a turnover or total assets below TRY 250m.

# CALCULATION METHODOLOGY

Greenhouse gas (GHG) emissions avoided from renewable energy projects and green buildings are calculated based on PCAF (Partnership for Carbon Accounting Financials) methodology and Global GHG Accounting and Reporting Standard.

The annual amount of GHG emissions avoided by financed renewable energy projects has been calculated by multiplying the annual electricity generation of renewable energy projects, Turkish grid electricity emission factor and attribution factor that means share of the Yapı Kredi's investment in the project.

Annual avoided GHG emissions [tCO<sub>2</sub>eq] = Annual electricity generation of operational renewable energy projects under loan [kWh] x Turkish electricity grid emission factor<sup>5</sup> [kg CO<sub>2</sub>eq/KWh] x attribution factor [%] x [1 ton / 1000 kg]

For green buildings, as one of the eligibility criteria based on Yapı Kredi's framework is having "B" or above rated Energy Performance Certificate in accordance with the Turkish regulation, all "B" and "A" rated buildings in the mortgage portfolio of Yapı Kredi has been included to the avoided GHG emissions estimation.

Annual avoided GHG emissions from green buildings are estimated by classifying the locations of the buildings in the portfolio according to the quartet regional classification of the Turkish Ministry of Environment, Urbanization and Climate Change based on climate conditions and energy consumption amounts of cities. For the calculation of avoided emissions, reference average emission value designated by the ministry for each of the region multiplied by floor area of the building, Yapı Kredi's attribution factor and GHG emission index according to the Energy Performance Certificate.

For A class Energy Performance Certified Buildings:

Annual avoided GHG emissions [tCO<sub>2</sub>eq] = Reference Emission Value [REV] [kg CO<sub>2</sub>eq/m<sup>2</sup>.year] x Area of Building [m<sup>2</sup>] x Attribution factor [%] x [1-0.4] x [1 ton / 1000 kg]

For B class Energy Performance Certified Buildings:

Annual avoided GHG emissions [tCO<sub>2</sub>eq] = Reference Emission Value [REV] [kg CO<sub>2</sub>eq/m<sup>2</sup>.year] x Area of Building [m<sup>2</sup>] x Attribution factor [%] x [1-0.6]<sup>6</sup> x [1 ton / 1000 kg]

Reference Emission Value [REV] <sup>6</sup> [kg CO <sub>2</sub> eq/m <sup>2</sup> .year]	Energy Performance Certificate	GHG Emission Amount <sup>7</sup>
1.Region	A	Emission Amount < 0.4 x REV
2.Region	B	0,4 x REV < Emission Amount < 0,8 x REV
3.Region		
4.Region		

5. International Energy Agency's 2021 Turkish electricity emission factor is 0.4329 kg CO<sub>2</sub>eq/KWh

6. Emission of B class energy performance certified buildings changes between 40% and 80% of reference emission value. As an average 60% has been taken on the calculations.

7. Regulation on Energy Performance of Buildings published by Turkish Ministry of Environment, Urbanization and Climate Change on 5th of December, 2008. [webmenu4379.pdf \[csb.gov.tr\]](#)

**Type of Engagement:** Annual Review

**Date:** February 17, 2023

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## Introduction

Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) issued a green bond in 2020 aimed at financing and/or refinancing renewable energy projects. In 2021, Yapı Kredi originated sustainable diversified payment rights (DPR)<sup>1</sup> aimed at financing and/or refinancing renewable energy projects, green buildings and small and medium-sized enterprises (SMEs). In 2023, Yapı Kredi engaged Sustainalytics to review the projects funded with proceeds from the 2020 green bond and 2021 sustainable DPR issuances and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Yapı Kredi Sustainable Finance Framework.<sup>2</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 green bond and the 2021 sustainable DPRs based on whether the projects and financed companies:

1. Met the use of proceeds and eligibility criteria outlined in the Yapı Kredi Sustainable Finance Framework; and
2. Reported on at least one of the impact reporting metrics for each use of proceeds category outlined in the Yapı Kredi Sustainable Finance Framework.

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<sup>1</sup> DPRs are private transactions secured by future hard-currency incoming flows in a special purpose vehicle (SPV) located abroad.

<sup>2</sup> Yapı Kredi, "Yapı Kredi Sustainable Finance Framework", (2021), at:

[https://www.yapikrediinvestorrelations.com/en/images/pdf/sustainablebonds/surdurulebilir\\_tahvil\\_cercevesi\\_2021\\_v2.pdf](https://www.yapikrediinvestorrelations.com/en/images/pdf/sustainablebonds/surdurulebilir_tahvil_cercevesi_2021_v2.pdf)

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated Impact Reporting Metrics

Use of Proceeds Category	Eligibility Criteria	Impact Reporting Metrics
<b>Renewable Energy</b>	<p>Financing or refinancing the acquisition, procurement, development, construction, operation, transmission and maintenance of new and/or existing renewable energy power plants and transmission of energy from such renewable sources:</p> <ul style="list-style-type: none"> <li>• Solar Power: Solar photovoltaic (PV), Concentrated solar power (CSP) and solar thermal power plants;</li> <li>• Wind Power: On and off-shore power plants;</li> <li>• Hydro Power: Hydropower plants;<sup>3</sup></li> <li>• Geothermal Power: Geothermal Power Plants;<sup>4</sup></li> <li>• Bio Power: Biofuel and/or biomass power plants.<sup>5</sup></li> <li>• Transmission systems: Development of new, or improvement of existing, transmissions systems (or other infrastructure) to facilitate the integration of electricity from renewable energy sources to the grid. <ul style="list-style-type: none"> <li>○ Construction, renovation and refurbishment of electricity grids that transmit electricity generated by renewable power plants to the national grid</li> <li>○ Investments enhancing energy efficiency with respect to the distribution and transmission of electricity</li> <li>○ Smart grids, storage facilities, metering systems and other intelligent electricity systems that serve to increase the share of renewable energy in total energy consumption</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>• Estimated annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Expected annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> </ul>
<b>Green Buildings</b>	<p>Financing or refinancing new and/or existing commercial and/or residential buildings that meet one of the following criteria:</p> <ul style="list-style-type: none"> <li>• Commercial or residential green buildings belonging to top 15% low-carbon buildings in Turkey</li> </ul>	<ul style="list-style-type: none"> <li>• Level of certification by property</li> <li>• Estimated annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>

<sup>3</sup> Eligible hydropower projects are limited to those that are small-scale dam type (maximum generation capacity of 25 MW or under) or run-of-river type power plants.

<sup>4</sup> With life cycle emissions below 100 g/CO<sub>2</sub>e/kWh.

<sup>5</sup> With feedstock obtained from sustainable sources for any kind of bio power project (excluding using energy crop or non-waste feedstocks).

	<ul style="list-style-type: none"> <li>Buildings rated “B” or above in terms of energy performance in the local context, as determined via energy performance certificate (BEP-TR) issued in accordance with the Turkish regulation or via Turkish Building Code</li> <li>Buildings that meet at least any of the following external certifications for green buildings: <ul style="list-style-type: none"> <li>LEED (Gold or above)</li> <li>BREEAM (Very Good or above)</li> <li>ÇEDBİK Green Building certification (Very Good or above)</li> <li>Yes-TR (Çok İyi or above)</li> </ul> </li> <li>Refurbished commercial and residential building energy efficiency projects that reduce energy consumption by at least 30%</li> </ul>	
<b>Employment Generation</b>	<p>Providing financing or refinancing to SMEs. To be identified as an SME, the end client should have fewer than 250 employees and a turnover or total assets below TRY 125 mi.</p> <p>To be eligible for this category, any one of the following criteria should be met:</p> <ul style="list-style-type: none"> <li>SMEs where at least 51% of shares are owned by women or where the company has at least 20% women’s ownership with women occupying at least one managerial role, or where the overall operational management responsibility is held by one or more females,</li> <li>SMEs located in cities with lower income than the average GDP</li> <li>SMEs owned by migrants and/or displaced persons</li> <li>SMEs affected by natural Disasters</li> </ul>	<ul style="list-style-type: none"> <li>Number of target group-owned SMEs financed</li> <li>Number of SMEs financed that are located in cities with an income below average GDP</li> <li>Number of SMEs financed that are affected by natural disasters or health disasters</li> <li>Number of jobs created and/or retained</li> <li>Number of people benefited</li> </ul>

### Issuer’s Responsibility

Yapı Kredi is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from Yapı Kredi’s green bond and sustainable DPRs. The work undertaken as part of this engagement included collection of documentation from Yapı Kredi and review of said documentation to assess conformance with the Yapı Kredi Sustainable Finance Framework.

Sustainalytics relied on the information and the facts presented by Yapı Kredi. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Yapı Kredi.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>6</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Yapı Kredi Sustainable Finance Framework. Yapı Kredi has disclosed to Sustainalytics that the proceeds from the green bond and sustainable DPRs were fully allocated as of December 31st, 2022.

## Detailed Findings

**Table 2: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the 2020 green bond and the 2021 sustainable DPRs to determine if projects aligned with the use of proceeds criteria outlined in the Yapı Kredi Sustainable Finance Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	The definition of SME changed <sup>7</sup>
<b>Reporting Criteria</b>	Verification of the projects funded with proceeds from the 2020 green bond and the 2021 sustainable DPRs to determine if impact of projects was reported in line with the impact reporting metrics outlined in the Yapı Kredi Sustainable Finance Framework and above in Table 1. For a list of impact reporting metrics reported, please refer to Appendix 1.	All projects reviewed reported on at least one impact reporting metric per use of proceeds category.	None

<sup>6</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

<sup>7</sup> The use of proceeds criteria for eligible social projects initially defined SME with fewer than 250 employees and a turnover or total assets below TRY 125m – changed to SME with fewer than 250 employees and a turnover or total assets below TRY 250m. The Issuer has confirmed that the definition was changed in accordance with KOSGEB, a government's entity supporting SMEs. More details at: <https://en.kosgeb.gov.tr/site/tr/genel/detay/5667/definitions-and-regulations>

## Appendix

### Appendix 1: Reported Impact

#### Green Categories

Eligible Green Project Category	GHG Avoided (tonnes of CO <sub>2</sub> e/year)	Annual Energy Generated (MWh)	Number of Loans	Eligible Portfolio (USD million)	Allocation %
<b>Renewable Energy</b>	<b>922,640</b>	<b>2,301,381</b>	<b>47</b>	<b>200</b>	<b>88%</b>
Solar	133,476	315,593	20	48	
Wind	269,364	621,943	5	23	
Hydro	348,038	967,257	18	101	
Biomass	87,116	201,146	3	16	
Geothermal	84,646	195,442	1	11	
<b>Green Buildings</b>	<b>169,702</b>	<b>n/a</b>	<b>1,845</b>	<b>27</b>	<b>12%</b>
<b>Total</b>	<b>1,092,342</b>	<b>2,301,381</b>	<b>1,892</b>	<b>227</b>	<b>100%</b>

#### Social Categories

Eligible Social Project Category	Number of Beneficiaries	Number of Loans	Eligible Portfolio (USD million)	Allocation %
<b>Employment Generation</b>				
SMEs owned by women	79,893	4,130	366	17%
SMEs affected by natural or health disasters	87,916	7,656	515	24%
SMEs in cities with lower income than the average GDP	261,553	32,965	1289	59%
<b>Total</b>	<b>429,362</b>	<b>44,751</b>	<b>2,170</b>	<b>100%</b>

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