

# Green Bond Allocation and Impact Report 2020



# Contents

1. Sustainability at Yapı Kredi	1
2. Yapı Kredi's Inaugural Green Bond	1
3. Allocation and Impact of Proceeds	2
4. Calculation Methodology	3
5. External Review	4

# 1. Sustainability at Yapı Kredi

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, and combatting climate change and environmental degradation are two of the four major pillars of Yapı Kredi’s sustainability strategy. In that 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, a founding signatory of the United Nations Principles of Responsible Banking, is committed to shaping the future of sustainable banking.

## Four Pillars of Yapı Kredi’s Sustainability Strategy



# 2. Yapı Kredi’s Inaugural Green Bond

Sustainable finance is an important component of Yapı Kredi’s business as it allows the financial sector to make a positive impact for people, planet and profit. In that vision, Yapı Kredi issued its inaugural Green Bond in line with International Capital Market Association [ICMA] Green Bond Principles (2018) and market practice in 2020. Yapı Kredi’s Sustainability Bond Framework outlines Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting process of Yapı Kredi’s green bond issuance. For further guidance, Yapı Kredi’s 2020 Sustainability Bond Framework and its Second Party Opinion can be found [here](#).

## Details of Yapı Kredi's inaugural Green Bond as of 31 December 2020

<b>Issuer</b>	<b>Yapı ve Kredi Bankası A.Ş.</b>
<b>ISIN</b>	<b>XS2104914069</b>
<b>Listing</b>	<b>Euronext Dublin</b>
<b>Issuance Type</b>	<b>Green Bond</b>
<b>Issue Date</b>	<b>21.01.2020</b>
<b>Maturity Date</b>	<b>10.12.2024</b>
<b>Amount</b>	<b>USD 50,000,000</b>
<b>Refinancing Ratio</b>	<b>95%</b>
<b>Allocation as of 31.12.2020</b>	<b>100%</b>

### 3. Allocation and Impact of Proceeds

Eligible Green Asset Category	Project Description	Project Region <sup>1</sup>	Outstanding Amounts [USD] <sup>2</sup>	Yapı Kredi Loan in Project Cost	First Disbursement Date	Project Capacity [MW] <sup>3</sup>	Annual Energy Generation [GWh] <sup>3</sup>	GHG Avoided [tCO <sub>2</sub> e] <sup>4</sup>
Renewable Energy	Solar Power Plant	Aegean, Central Anatolia and Mediterranean	6,978,408	11.8%	29.05.2017	40.3	65.3	3,579
	Solar Power Plant	SE Anatolia	8,980,683	51.3%	17.08.2017	14.5	22.9	5,473
	Solar Power Plant	SE Anatolia	8,654,974	48.3%	24.08.2017	15.4	22.6	5,073
	Solar Power Plant	Aegean	2,806,000	65.4%	29.05.2020	6.6	11.8	3,582
	Wind Power Plant	Aegean	7,883,896	19.3%	08.05.2018	30.0	120.9	10,857
	Solar Power Plant	Aegean	10,348,486	18.4%	27.12.2016	38.3	64.2	5,487
	Solar Power Plant	Central Anatolia and Mediterranean	10,540,713	23.5%	26.12.2016	31.6	47.2	5,139
<b>Total</b>			<b>56,193,162</b>			<b>176.8</b>	<b>354.8</b>	<b>39,190</b>

Green Bond proceeds are allocated in line with the Yapı Kredi Sustainability Bond Framework. As of 2020 yearend, allocation is made to six solar power plants and one wind power plant.

<sup>1</sup>All projects are located in Turkey.

<sup>2</sup>Yapı Kredi outstanding amounts as of 31 December 2020.

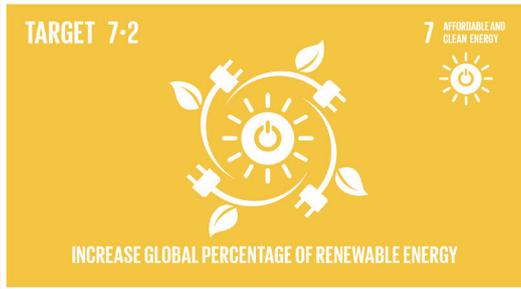
<sup>3</sup>Total project figures. Energy generation figures cover 2020 full year.

<sup>4</sup>Emission factor considered as 0.4645 kg CO<sub>2</sub>e/kWh and calculated for Yapı Kredi shares.

## Increase Global Percentage of Renewable Energy

Yapı Kredi aims to increase global percentage of renewable energy by further supporting the development renewable energy sector in Turkey.

Renewable energy projects financed by Yapı Kredi's inaugural Green Bond avoided a total of 39,190 tons of CO<sub>2</sub> emissions



## 4. Calculation Methodology

Emissions avoided from operational renewable energy projects financed with Yapı Kredi's green bond is calculated by multiplying annual electricity generation of operational renewable energy projects, Turkish electricity grid emission factor and Yapı Kredi loan in project cost.

### **Annual carbon emissions avoided from operational renewable energy projects under loan [tCO<sub>2</sub>e] =**

[Annual electricity generation of operational renewable energy projects under loan (kWh) x Turkish electricity grid emission factor<sup>5</sup> [0.4645 kg CO<sub>2</sub>e/kWh] x Yapı Kredi loan in project cost [%]] / 1,000 [t/kg]

<sup>5</sup> International Energy Agency Turkish electricity grid emission factor dated 2018

# 5. External Review



## Yapı ve Kredi Bankası A.Ş.

**Type of Engagement:** Annual Review

**Date:** January 20, 2021

**Engagement Team:**

Zach Margolis, [zach.margolis@sustainalytics.com](mailto:zach.margolis@sustainalytics.com), (+1) 647 695 4341

Daniel Sanchez, [daniel.sanchez@sustainalytics.com](mailto:daniel.sanchez@sustainalytics.com), (+1) 647 264 6644

### Introduction

In January 2020, Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) issued a green bond aimed at financing and/or refinancing renewable energy projects. In January 2021, Yapı Kredi engaged Sustainalytics to review the projects funded through the issued green bond and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Yapı Kredi Sustainability Bond Framework (the Framework).<sup>1</sup>

### Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 based on whether the projects financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework: and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs relevant.

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Financing or refinancing the acquisition, procurement, development, construction, operation, transmission and maintenance of new and/or existing renewable-energy power plants. Eligible renewable-energy power plants are as follows: <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>2</sup></li><li>• Geothermal Power: Geothermal power plants;<sup>3</sup></li><li>• Bio Power: Biofuel and/or biomass power plants.<sup>4</sup></li></ul>	<ul style="list-style-type: none"><li>• Installed renewable energy capacity (MW)</li><li>• Expected annual renewable energy generation (MWh)</li><li>• Estimated annual GHG emission avoided or reduced (tCO<sub>2</sub>e)</li></ul>

### Issuing Entity's Responsibility

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

<sup>1</sup>Yapı Kredi, "Sustainable Bonds", at: <https://www.yapikrediinvestorrelations.com/en/debt-capital-markets/list-document/Yapi-Kredi-Sustainability-Bond-Framework/571/1789/0>.

<sup>2</sup> Eligible hydropower projects are limited to those that are small-scale dam type (maximum generation capacity of 25MW or under) or run-of-river plants.

<sup>3</sup> Eligible geothermal projects are limited to those with direct emissions lower than 100 g CO<sub>2</sub>e/kWh.

<sup>4</sup> Eligible non-waste biomass energy projects are limited to feedstock obtained from sustainable sources for any kind of bio power projects.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Yapı Kredi's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Yapı Kredi employees and review of documentation to confirm the conformance with the Yapı Kredi Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by Yapı Kredi with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>5</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Yapı Kredi's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Yapı Kredi Sustainability Bond Framework. Sustainalytics has reviewed Yapı Kredi's methodology used to calculate the estimated GHG emissions avoided and found it to be in accordance with market practice based on accepted third party GHG emission calculation tools. Yapı Kredi has disclosed to Sustainalytics that 100% of the net proceeds of the green bond have been allocated as of December 31<sup>st</sup>, 2020.

## 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 seven projects funded by the green bond in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Yapı Kredi Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the seven projects funded by the green bond in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Yapı Kredi Sustainability Bond Framework and above in Table 1. For a list of KPIs reported, please refer to the Appendix.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>5</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Allocation and Impact by Eligibility Criteria

Yapı Kredi has disclosed to Sustainalytics the amount allocated to each eligible project from the Eligible Sustainability Asset Portfolio. 95% of proceeds from the green bond have been used for refinancing while the remainder has been used for new financing. Yapı Kredi has reported on the green bond share of financing per project to calculate the impact related to the green bond issuance. A summary of these allocations is provided below.

Use of Proceeds Category	Project Number	Type of Project	Project Region <sup>6</sup>	Yapı Kredi Share of Project Cost	Green Bond Outstanding Amounts in USD (31/12/2020)	Project Capacity (MW) <sup>7</sup>	Annual Energy Generation (GWh) <sup>8</sup>	Annual GHG Emissions Avoided (tCO <sub>2</sub> e) <sup>9</sup>
Renewable Energy	Project 1	Solar Power Plant	Aegean, Central Anatolia and Mediterranean	11.8%	6,978,408	40.3	65.3	3,579
	Project 2	Solar Power Plant	SE Anatolia	51.3%	8,980,683	14.5	22.9	5,473
	Project 3	Solar Power Plant	SE Anatolia	48.3%	8,654,974	15.4	22.6	5,073
	Project 4	Solar Power Plant	Aegean	65.4%	2,806,000	6.6	11.8	3,582
	Project 5	Wind Power Plant	Aegean	19.3%	7,883,896	30.0	120.9	10,857
	Project 6	Solar Power Plant	Aegean	18.4%	10,348,486	38.3	64.2	5,487
	Project 7	Solar Power Plant	Central Anatolia and Mediterranean	23.5%	10,540,713	31.6	47.2	5,139
	<b>Total:</b>					<b>56,193,162</b>	<b>176.8</b>	<b>354.8</b>

<sup>6</sup> All projects are located in Turkey.

<sup>7</sup> Total project capacity.

<sup>8</sup> Total annual energy generation.

<sup>9</sup> GHG emissions avoided from operational renewable energy projects under green loans are calculated as follows:

Annual electricity generation of operational renewable energy projects under loan (kWh) x Carbon Emission Factor (kg CO<sub>2</sub>e/kWh) x Percentage of Yapı Kredi's share in the project cost / 1,000 (t/kg). Where electricity generation data covers the year 2020, and real-time electricity generation was obtained from Energy Exchange Istanbul (EXIST). For unlicensed Solar Power Projects (SPP), electricity generation data is based on customer statements. The Carbon Emission Factor is calculated for Turkish Electricity Grid by the International Energy Agency (2018) as 0,4645 kg CO<sub>2</sub>e/kWh. Yapı Kredi share in Project Cost is considered as a multiplier in the calculation.

## Disclaimer

**Copyright ©2021 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.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm 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. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

### 5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified  
Climate Bonds of 2019

awarded to Sustainalytics



Climate Bonds  
AWARDS-2020 More information [conference.climatebonds.net/awards](http://conference.climatebonds.net/awards)



**GlobalCapital**  
**SRI Awards**

**Named**

2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019, 2020



**The**  
**Green Bond**  
**Principles**

 **YapıKredi**