

AKBANK

**AKBANK ENVIRONMENTAL AND SOCIAL
FRAMEWORK**

SEPTEMBER 2022

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Abbreviations

AZE	Alliance for Zero Extinction
BPP	Bioenergy Power Plant
CITES	Convention on the International Trade in Endangered Species of Wild Flora and Fauna
EBRD	The European Bank for Reconstruction and Development
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management Systems
ESR	Environmental and Social Risk
FATF	Financial Action Task Force
FSC	Forest Stewardship Council
GAP	Good Agricultural Practices
GPP	Geothermal Power Plant
HEPP	Hydroelectric Power Plant
ICMM	International Council on Mining and Metals
IFC	International Finance Corporation
ILO	International Labour Organization
IUCN	The International Union for Conservation of Nature
MSC	Marine Stewardship Council
ODS	Ozone Depletion Substances
OECD	The Organization for Economic Cooperation and Development
PCB	Polychlorinated Biphenyls
PV	Photovoltaic Power Station
RSPO	Roundtable on Sustainable Palm Oil
TCFD	Taskforce for Climate Related Financial Disclosures
TPP	Thermal Power Plants
WHO	World Health Organization
WPP	Wind Power Plants

Vision

Within the framework of our responsible banking approach and sustainability vision, we work to increase our positive impact on nature and society while reducing our environmental footprint in all our activities. We continue to support our customers and other stakeholders without slowing down for the transition to an inclusive and green economy. As a financial institution, we are aware that the effects of the activities we lend are much higher than the effects that we create with our own activities. For this reason, while supporting the economic development of all our customers, we evaluate the environmental and social risks of our customers regarding their commercial activities and work with them to continuously improve their environmental and social performance.

Purpose of the Framework, Related Policies and Systems

Akbank has a governance structure that will enable effective communication among all units and with customers regarding potential environmental and social risk issues.

Akbank Environmental and Social Risk Framework ('ESR Framework' or 'Framework') aims to proactively evaluate and manage the activities financed by our bank in terms of environmental and social risks. The framework primarily aims to comply with national legislation, international agreements to which our country is a party, and environmental and social principles and criteria that reflect good practices published by international organizations.

We examine our customers' environmental and social risks in terms of environmental and social impacts in their fields of activity, climate risks, production processes, product and service quality, governance structure and relations with stakeholders. We aim to support the management of environmental and social risks based on local laws, international standards and best practices regarding all these issues.

While reducing the results of transactions with high negative environmental and social impacts in lending with appropriate management plans, we pay attention to prioritize projects with positive environmental and socioeconomic impacts such as renewable energy investments, environmentally friendly technology projects, circular economy investments, resource efficiency, waste management, gender equality, access to basic social services and investments that provide employment.

While we carry out responsible lending processes in the financing of our customers' commercial activities, we also attach great importance to financial inclusion in retail loan transactions. We focus on simple and understandable, innovative digital solutions in loan processes. We take care to make rational risk grading based on data, inclusive and free from any discrimination in credit decisions. We are aware of our obligation to market our products responsibly in line with the expectations of our customers and society. In this context, we establish principles and processes throughout the bank in line with the "Clean Banking" principles and continuously improve our capacity.

Our Bank applies the Environmental and Social Management System (ESMS) and Environmental and Social Impact Assessment (ESIA) System in order to identify the environmental and social risks and/or opportunities that may arise as a result of the financing provides and to manage them effectively. The ESMS, which is the basic process for the management of environmental and social risks in credit processes, is applied to all customers with whom our bank has a credit relationship, except for the cases specified in the relevant scope section. In addition, some of the very high-risk

projects mentioned in this document, all project finance¹ loans in industries² with high environmental and social risks and new investment loan requests³ with an investment amount of more than USD 10 million are subject to special review through the ESIA system in more detail than the ESMS.

1. Global Policies and Standards Referenced in the Framework

We pay attention the necessary sensitivity to the implementation of the following global environmental and social policies, standards and objectives in the Framework by the customers with whom we have a credit relationship.

- United Nations Sustainable Development Goal
- United Nations Global Compact
- EBRD Performance Requirements
- IFC Performance Standards
- Equator Principles
- OECD Directory of Multinational Companies
- United Nations Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- International Labor Organization (ILO) Declaration of Fundamental Principles and Rights at Work
- National legislation and international conventions to which our country is a party

¹ Project Financing Definition: Project Financing is a type of financing that is designed by associating the cash flow and value of the related project as the basis of the transaction and the ability of the borrower to pay with the revenues of the project. This type of financing is generally designed to make and develop large, complex and costly investments such as power plant, production facility, mine, transportation infrastructure, environment and telecommunications infrastructure, or to match them with financing models suitable for changing project dynamics. In this type of financing, payments are made with the revenues generated by the relevant project. Selling the electricity produced in power plants and repaying the loan is an example of this. The borrower is a party that is generally a Special Purpose Entity (SPE) established for the relevant project. SPE cannot take any action other than the completion of the investment and operation of the project. As the focus is on the project, it is critical to correctly estimate cash flow projections, evaluate all risk factors and take necessary precautions in terms of realizing these cash flows and protecting the value of the project. In this context, all cash flow and value created are included in the transaction framework, and the collateral structure is designed accordingly. It requires constant monitoring, risk monitoring and adapting to changing dynamics. Because the payback should mainly depend on the cash flow of the project and the value of the project assets.

² Energy, Mining, Chemistry (including petrochemistry), Production, Infrastructure & Transportation, Agriculture, Food, Livestock and Fisheries, Marine Tourism.

³ Definition of Investment Loans: These are installment loans for smaller-scale workplace renovation, factory/warehouse construction and machinery equipment financing, which are not covered by project financing.

2. Akbank Environmental and Social Management System (ESMS)

2.1 Objective

Environmental and Social Management System is the basic application of Akbank Environmental and Social Risk Framework. The system was created to increase transparency and awareness of the environmental and social risks of financed activities, and to systematically manage the traceability of risks and the necessary action plans.

Akbank Environmental and Social Management System (ESMS):

- It has been created for the purpose of evaluating them from an environmental and social point of view, ensuring that the necessary actions are taken for customers who are considered risky, controlling the validity of the identified risks and the effectiveness of the activities created, identifying possible new risks, evaluating the environmental and social compliance of the activities that are credited throughout the loan term and monitoring the compliance with the action plans, if any, before entering into a loan relationship with customers in order to minimize the negative environmental and social impact of our bank.

2.2 Scope

Akbank ESMS is applied to our loan customers, with commercial activities, regardless of any amount limit.

The scope of the ESMS is not limited to the assessment of the environmental and social risks of customers and transactions, but action plans are created and followed up in order to improve the environmental and social performance of our customers according to the evaluation made for each customer and transaction (offer). Due diligence procedures within the scope of the ESMS carried out are completed by taking into account information such as customer declaration, publicly disclosed information, submitted documents, and field visit impressions.

2.3 Roles and Responsibilities

Implementation

Akbank Environmental and Social Credit Policy Unit is responsible for the execution of the Akbank Environmental and Social Risk Framework. E&S Credit Policies Unit; It ensures the efficiency of the systemic processes developed for the implementation of the Framework, organizes trainings for the relevant employees, and creates the necessary tools and supporting documents for the implementation of the system.

All employees involved in credit processes and decision mechanisms are responsible for the implementation of the Akbank Environmental and Social Management System (ESMS).

Audit

The processes and practices determined within this framework are monitored and controlled by the bank's internal audit teams (Internal Control Department), as in other loan processes.

Branches and Regional/Head Office Credit Allocation Teams

Branch definition includes Branch Manager, Credit Analysis Managers (CAM), Customer Relationship Managers (CRM) and Branch Marketing Managers. Branches are responsible for evaluating customers and transactions within the framework.

Akbank Environmental and Social Impact Assessment (ESIA) Team

The ESIA Team is the technical team of the Environmental and Social Credit Policy Unit, consisting of experts in their fields. Responsibilities of the Akbank ESIA Team:

- Conducting the Due Diligence Process to understand the end-to-end environmental and social impacts of project or investment activities covered by the ESIA⁴, establishing the appropriate risk management method and/or appointing an Independent Consultant⁵ by evaluating the risk level of the transaction and the maturity and management capability of the customer in environmental and social issues, reviewing and following the reports submitted by the consultant, making site visits and ensuring that the action plans of the project/activity are completed throughout the loan term;
- Giving an opinion on the environmental and social risk of the transaction to the Allocation and Credit Committee, which is the top approval authority, when deemed necessary;
- Responding to specific situations and questions raised by the Branches for Medium and High-Risk transactions.

2.4 ESMS Implementation Principles

2.4.1. Non-financing and Limited Activity Control

Offers made through the branch channel are subject to detailed inquiries; while limits created through automatic approval and non-branch channels are subject to inquiries made according to their activity code. A detailed examination is made for potential activities that may fall within the scope of a prohibited activity, and in cases of unclarity, Environmental and Social Credit Policy Unit and/or the Regional ESMS Teams provide an opinion.

⁴ All project finance loans and new investment loan requests with an investment amount of more than 10 million USD in the activities included in the Category A list and in industries with high environmental and social risks

⁵ Depending on the management capacity and maturity of the client's E&S matters, different monitoring and reporting methods appropriate to the client and the transaction may be considered, rather than the appointment of an Independent Consultant with the opinion of the ESIA Team.

Limited Allocated Operations Control for SME Segment⁶

The following activities are subject to limits for the SME portfolio⁷:

- Production or trade of alcoholic beverages, excluding beer and wine,
- Tobacco production or trade,
- Activities of casinos and equivalent enterprises,
- Production and trade of forest products other than log/wood products obtained from sustainably processed forests,

Additional clauses to be applied in micro segment loans are as follows:

- Production, trade, storage or transportation of significant quantities of hazardous chemicals or use of hazardous chemicals on a commercial scale (sizes). (Hazardous chemicals include gasoline, kerosene or other petroleum products).
- Production or activities on land owned or claimed by indigenous people or without the full documented consent of indigenous people.

2.4.2. Category A Project Activity Control

Some projects and activities are projects and activities whose potential environmental and social impacts are significantly negative/irreversible and the measures to be taken to reduce their effects should be followed with great care. As Akbank, projects and/or activities that can be evaluated within this scope in the light of international standards are marked as “Very Risky” in the system, independently of the risk score matrix, and all necessary processes are carried out by the ESIA Team.

2.4.3. Due Diligence

It is the responsibility of our bank employees who carry out the loan application process (who performs the transaction) to obtain accurate and up-to-date information from customers within the scope of the Obligations Regarding “Know Your Customer” included in the Law No. 5549 and its related legislation. These issues are defined in detail in our bank's policy and implementation principles. Evaluation of compliance risks of our customers against financial crime risks (Laundering, Terrorism Financing), international sanctions/embargoes, bribery and corruption risks, analyzing these risks periodically and making risk assessments are carried out and coordinated by Akbank Compliance Department within the scope of our bank's corporate policies and procedures. In this process, risks related to environmental and social crimes are also taken into account in the monitoring and control processes of the Compliance Department in the light of the national and international regulations related to Law No. 5549 and its related legislation, and it is the responsibility of the business unit that has the Policy to inform the Compliance Department about the changing and developing processes in this policy.

⁶ Company and Micro segments

⁷ The total financing of the following activities does not exceed 13% of our SME segment total loan portfolio.

Due Diligence within the scope of ESMS is an integral part of our Bank's Credit Allocation and Risk Management processes and is carried out to determine the compliance of the loans granted with the environmental and social approach, policies and standards specified in the Akbank Environmental and Social Risk Framework. Compliance of all customers with legal regulations is essential for the validity of the due diligence process. Regardless of the ESMS process, companies and transactions are considered by branches under the relevant FATF⁸ recommendations for illegal logging, forestry and land acquisition, illegal mining and waste smuggling included in the Environmental Money Laundering Report⁹ published by the FATF.

The ESMS is carried out as a part of the allocation process during loan offer transactions for loan requests made through the branch channel. The scope or analysis method of the conditions or sanctions sought for compliance with the E&S criteria in the Framework may differ. However, some transactions may be exempted completely from the due diligence process if it is not a high-priority area for impact and/or there are significant constraints on access to data and the applicability of analysis.

Provided that the basic principles are as above, the compliance status of each customer in terms of the criteria in this Framework is evaluated with reasonable effort in the light of the available data during the due diligence process. If no inconsistency is detected as a result of this determination, no action is taken. In case of non-compliance, the instructions in the 'Monitoring Process' section are followed.

The method to be used in due diligence may include visiting the customer in the field where the activity is carried out, as well as requesting information through digital channels, scanning analysis in data pools, media and news channels, or performing on-site audits. Due diligence analysis is updated annually for customers

The E&S Risk score and other components of the matrix, as well as due diligence questions and approval processes, will be regularly reviewed by the ESIA Team and revised with the decision of the Credit Committee, according to changing conditions and sectoral experiences.

Transaction E&S Risks of all customers requesting a loan in our system are classified as "C - low", "B2 - medium" or "B1 - high" risk according to the customer's general risk classification is made by evaluating the environmental and social risks together.

The risk of sectors/activities included in the 'Category A Activities List' in this Framework is directly assigned as "A - very high". A detailed question set and environmental and social risk monitoring throughout the loan term are carried out by the Akbank ESIA Team in person, with the evaluations of independent consultants when deemed necessary.

⁸ Financial Action Task Force (FATF) is an intergovernmental organization established in 1989 at the Paris meeting of the G-7 countries (USA, Japan, Germany, France, England, Italy and Canada) in order to establish international standards in the fight against "laundering of assets resulting from crime, financing of terrorism and financing the proliferation of weapons of mass destruction" and to take legal and institutional measures in line with these standards and to encourage the effective implementation of these measures from an operational point of view.

⁹ <https://www.fatf-gafi.org/media/fatf/documents/reports/money-laundering-from-environmental-crime.pdf>

2.4.4. Agreement Process

The environmental and social requirements contained in the Framework apply to all loan customers covered by the Framework and are an integral part of the General Loan Agreements (GLA). It is committed to implement the action plans determined with environmental and social requirements in all loan agreements to be made since the entry into force of this Framework. The completion period of the corrective action plans in the contracts is a maximum of 12 months unless otherwise stated. For the actions that are not completed by the customers within the specified period, the provisions regarding the non-fulfillment of any of the commitments and obligations agreed in the Agreement¹⁰ or its annexes are applied, taking into account the written evaluation of the Akbank ESIA Team.

2.4.5. Monitoring Process

Actively working loan companies are visited by branches at least once a year. The action plans determined during the approval of the loan and the date assigned for the completion of the action and the outcome of the action are followed by the allocation teams¹¹ at the relevant branch and loan approval authority level. In addition, within the scope of the monitoring activity by the branches, if there are incompatibilities below, Akbank ESIA team is informed.

- Engaging in activities that violate the company's environmental and social obligations, and/or;
- Being aware of an accident that creates an environmental and social risk and/or occupational safety and health in a funded project

2.4.6. Grievance and Stakeholder Communication Management

All kinds of complaints and stakeholder communications regarding all issues within the scope of the Environmental Social Risk Framework are received through our bank's existing communication channels. In the Contact Us section of our website, there is a communication category in the "Sustainability/ Environmental and Social Risk Management" category.

External Customer Access Channels:

- <https://www.akbank.com/en-us/> - Contact Us – Contact Form- Sustainability / Environmental and Social Risk Management
- Individual and Corporate Internet Branch - e- Suggestion - Contact Form
- Mobile Branch - 444 25 25
- Mail - Akbank Bankacılık Merkezi Cumhuriyet Mah. Plevne Cad. No:1 Şekerpinar, Çayırova, Kocaeli

3. Akbank Environmental and Social Impact Assessment (ESIA) System

Our bank operates a detailed Environmental and Social Impact Assessment (ESIA) system in order to determine the environmental and social impacts that may arise as a result of financing, to identify risks and opportunities and to manage them effectively for all project finance loans and new

¹⁰ Special contracts signed under GKS and/or PF loans

¹¹ Branch, District Loans and/or GM Allocation Teams

investment loan requests with an investment amount of more than 10 million USD in sectors¹² known to have high environmental and social risks. These limits are determined according to the investment amount, regardless of the loan amount. Requests within the scope of the ESIA are taken directly into the ESIA process conducted by the Akbank ESIA Team, without being included in the ESMS due diligence process.

Transaction E&S risks of projects covered by the ESIA are assigned from the system, but the risk rating may change as a result of a detailed assessment by the ESIA Team.

The Akbank ESIA Team, which is responsible for the execution of the ESIA, effectively evaluates the lending processes by working closely with the branches, Corporate, Commercial, Retail, Investment Banking and Credit Allocation Business Units. The main responsibility of the team is to evaluate the environmental and social impacts of the projects and investments to be financed in detail from the very beginning and to manage them in accordance with the Akbank E&S Risk Framework. The following criteria are followed in the ESIA System:

- New investment projects (or loan requests) for which financing is requested are classified as Very High (A)¹³, High (B1), Medium (B2) or Low Risk (C) as a result of the assessment to be made in light of their potential environmental and social impacts.
- For industries that are known to have high environmental and social risks, additional evaluation criteria that differ according to each industry are applied.
- The environmental and social risks arising from the current activities of the company wishing to use a loan and the way these risks are managed are also taken into account in this assessment. An Environmental and Social Due Diligence Report to be prepared by the Independent Consultant for Very High (A), High (B1) and Medium (B2)¹⁴ risk projects and loan requests, and an Environmental and Social Action Plan including how to reduce or eliminate environmental and social impacts and potential risks (List of Environmental and Social Commitments) are requested.
- This Environmental and Social Action Plan (List of Environmental and Social Commitments) is also included in the contract with the customer.
- In the measures proposed for the management of environmental and social risks in Very High (A), High (B1) and Medium (B2) risk projects, due care is taken to consider the following:
 - Stakeholder engagement and grievance mechanism processes,
 - Compliance of the company with the legislation on Occupational Health and Safety (OHS) during both its current and investment activities,
 - The proximity of the project to the wetlands determined within the scope of the RAMSAR¹⁵ Convention,
 - Existence of “Resettlement Action Plan” in projects with physical or economic resettlement within the scope of land acquisition,

¹² Energy, Mining, Chemistry (including petrochemistry), Production, Infrastructure & Transportation, Agriculture, Food, Livestock and Fisheries, Marine Tourism

¹³ Project or investment activity within the scope of Category A Project/Activity List

¹⁴ The requirements for working with an Independent Consultant and preparing an action and monitoring plan for project financing or new investment loans in the medium risk category are determined by the Environmental and Social Impact Assessment Team.

¹⁵ Convention on Wetlands of International Importance as Waterfowl Habitat.

- The existence of a plan to minimize the cutting of trees in the projects, if it is unavoidable, the number of trees to be cut and the forest area to be destroyed,
- The amount of additional greenhouse gas emissions to be created during the operation period of projects with high risk in terms of greenhouse gas emissions and the carbon cost to be incurred,
- Evaluation processes of impacts on biodiversity,
- The Customer's existing or developing Environmental and Social Management System.

In all project finance/investment loans financed by our Bank regardless of the sector:

- If there is a lawsuit regarding environmental and social issues,
- If there is strong community objection due to adverse effects on local people,
- If there are impacts to critical habitat,
- If large-scale resettlement/expropriation has taken place,
- If it is close to sensitive and protected areas

the project financing/investment activity in question should be considered as risky.

Subjects (but not limited to) in the activities section regarding the projects or investment activities included in the Category A Project/Activity List and within the scope of the ESIA due to the investment amount limit are important headings that are addressed in the evaluation of the environmental and social impacts of the project/investment.

4. Akbank's Approach to Priority Sustainability Issues

4.1 Climate Change

According to the United Nations Intergovernmental Panel on Climate Change (IPCC) 2021 report, it is predicted that the temperature increase will reach 1.5 degrees in 2030. The climate crisis is considered by many authorities as one of the greatest threats to the future of humanity. The importance of strategies and action plans for climate change and its devastating effects is increasing for companies. Our bank has positioned the issue of climate change as one of its strategic focus areas.

In this direction, while aiming to zero the impact of our loan portfolio on climate change by 2050, we also aim to increase the amount of financing we give to projects that reduce renewable energy, energy efficiency and greenhouse gas emissions.

Within the scope of Akbank Environmental and Social Risk Management System, we carry out processes for industries and transactions that have a high impact on climate change and the potential to be affected by the physical and transition risks of climate change.

- We have announced that we will not finance new coal-fired thermal power plant projects (TPP) in all segments starting from 2021. We also undertake that we will not finance capacity increases for coal-fired TPPs and new coal mining investments as of the publication date of this framework.

- We also do not finance coal mining and coal transportation (such as port and railway operations that transport coal to power plants) for our SME customers.
- We do not finance the production or trade of wood and other forestry products from forestry activities that are not sustainably managed.
- We question the existence of a plan to minimize tree cutting in projects, if unavoidable the number of trees to be cut and the forest area to be destroyed, and the amount of additional greenhouse gas emissions that will occur during the operation period of high-risk projects in terms of greenhouse gas emissions and the carbon cost that will occur.

Especially for our customers who are in industries that have a high impact on climate change and cause intense greenhouse gas emissions¹⁶, and who are evaluated by the ESIA Team, we question:

- Senior management responsibility for issues related to climate change,
- Commitments on climate change,
- Short, medium and long-term strategic goals for reducing greenhouse gas emissions,
- Reports on targets and
- The existence of various emission control mechanisms with the emission data of the last three years and we follow the emission amounts of customers and projects.
- We question our customers' awareness of the acute-chronic physical effects of climate change as well as the transitional effects. For all category A and, as appropriate, category B large-scale projects included in our ESIA process, we take care to include information on the physical and transition risks of climate change, as defined by the Task Force for Climate Related Financial Disclosures (TCFD), in independent consultant reports. In addition, we want customers and projects that have a high potential to be affected by the physical and transitional risks of climate change to create action plans to combat climate change, and we follow these processes closely.

4.2 Biodiversity

As Akbank, we strive to reduce the negative environmental impacts of all the activities we finance. The environmental and social licenses of all the projects we finance are extremely important to us. We declare that the protection of flora and fauna in the areas where our customers operate or in the immediate vicinity is a priority, and we support the conduct of environmental assessment studies, using internal and external experts, to ensure that biodiversity issues are identified and appropriate conservation measures are taken. We expect our customers to continue their activities by protecting wildlife, ecology, flora, fauna, waterways, woodlands, and historical structures.

We question the procurement of natural resources from suppliers operating within the framework of a certification program (e.g., FSC, MSC certifications, etc.).

We evaluate all financing activities within the scope of the ESMS within the scope of international best practice requirements for biodiversity conservation. Within the scope of the ESMS, relevant information is requested from customers for industries and transactions that may have an impact on biodiversity, and action plans are created and monitored when deemed necessary.

¹⁶ Activity categories within the scope of Annex-1 of the Regulation on Monitoring of Greenhouse Gas Emission dated 17.05.2014.

The ESIA examines the impact of Very High (A) and High (B1) risk category projects on biodiversity. Biodiversity Action Plans of projects are questioned when deemed necessary according to project locations and activities. In this context, the long-term negative effects of all existing projects on endemic species or living things in the immediate environment are taken into account. We require a variety of elements, including assessing project impacts in terms of biodiversity, monitoring impacts, setting targets, using performance indicators, reviewing impacts, and reporting results.

We support sustainable agriculture and forestry activities in order to prevent the loss of biodiversity.

4.3 Water Security, Protection of the Sea and Coasts

According to the United Nations, 2.3 billion people¹⁷ live in areas with high water stress. Water scarcity and access to clean water is one of the important problems that our country has faced recently. Preventing the pollution of fresh surface and underground water resources and ensuring their sustainable consumption in a way that does not prevent the resources from renewing themselves is among the priorities followed.

The protection of marine and coastal ecosystems, which are both important biodiversity resources and economically important, is one of the most important environmental and social issues for our country.

In the projects we finance, we pay attention to the evaluation of their effects on our water resources, especially for industries with high water needs. We demand various elements, including monitoring of water consumption, control of wastewater discharge limit values, monitoring and reporting of wastewater discharges, setting water efficiency and efficiency targets and reporting the results.

When deciding on the financing of hydroelectric power plant (HEPP) projects with significant environmental and social impacts, we take commitments on how to manage these impacts and closely monitor these projects throughout the financing process. We do not finance ship demolition activities due to their high pollutants and irreversible effects, caused by hazardous materials. We attach great importance to the issue of “blue financing”, which aims to protect marine and coastal ecosystems. In this context, we also take into consideration the activities¹⁸ in the Recommended Prohibited Activities list for the Financing of the Sustainable Blue Economy published by the United Nations Finance Initiative (UNEP-FI) in our evaluation processes.

4.4 Resource Efficiency and Circular Economy

As Akbank, we strive to reduce all components of our environmental footprint. In this context, we have been transparently reporting the impacts of our operations to our stakeholders since 2012, and we take care that the projects we finance use the best available technologies in terms of natural resource efficiency and circular economy.

We provide special financing resources to our customers who adopt recycling and effective waste management processes, operate with minimal use of natural resources, and want to improve their

¹⁷ According to United Nations Water July 2021 data.

¹⁸ <https://www.unepfi.org/publications/turning-the-tide-recommended-exclusions/>

natural resource efficiency and circular economy studies with projects focused on reuse/industrial symbiosis.

4.5 Human Rights

Akbank respects and supports international human rights defined in the Universal Declaration of Human Rights. Our bank is the first Turkish bank to sign the United Nations Global Compact. As Akbank, people and society are among the most important issues within the framework of our vision of being the leading bank that carries our country to the future. We ensure full compliance with all human rights issues defined by human rights and global conventions to which our country is a party. In this context, we pay particular attention to the human rights requirements of the United Nations Universal Declaration of Human Rights, the eight fundamental conventions of the International Labor Organization (ILO) and the OECD Guidelines for multinational companies.

We expect our customers to refrain from causing or contributing to human rights violations and to operate in accordance with universally defined human rights.

Child labor, forced/compulsory labor is never acceptable in any of our operations and customers. While we support projects for the employment and development of socioeconomically vulnerable groups of the society (e.g., children, the elderly, the disabled, gender-defined vulnerable groups, immigrant/seasonal workers, refugee groups), we do not support any activities that may negatively affect these groups socioeconomically.

We support freedom of association, collective bargaining and non-discrimination, and we expect our customers to internalize human rights policies and approaches (through regular trainings and awareness programs) for their employees.

We also support the commitment of our customers to comply with human rights policies in the agreements they make with their suppliers.

We expect our customers to be transparent about potential human rights impacts, try to compromise and negotiate solutions in cases of human rights violations, and support the implementation of actions and steps to prevent new violations in the future.

5. Activities

5.1 Non-financing Activity List

Our Bank is very sensitive about the implementation of environmental and social policy requirements and elements by customers with whom it has a loan relationship. Companies that are in the Very High (Category A), High (B1) and Medium (B2) risk categories as a result of the Environmental and Social Impact Assessment System, but do not agree to take actions to eliminate the identified risks, are not financed.

However, we do not credit the activities that we know are included in the list below, regardless of any amount limit and environmental and social impact assessment. The activities that we do not finance are as follows:

- Production or trade of any product or service deemed illegal in accordance with national legislation and international agreements to which our country is a party

- Production and trade of weapons of mass destruction¹⁹, land mines, and weapons that may endanger national/international security and violate human rights²⁰
- Arms trade activities in countries that pose a high risk for human rights violations²¹
- Activities involving illegal child labor and human rights violations
- Production or trading of chainless (prohibited) asbestos
- Production and trading of ozone²²-depleting products (products that are included in the Regulation on the Reduction of Ozone-Depleting Substances, entered into effect after being published on the Official Gazette No. 30031 dated April 7, 2017)
- Production and trading, regardless of industry, of products that contain PCBs²³ (polychlorinated biphenyls), a group consisting of highly toxic chemicals (products within the scope of Article 5 of the Regulation on the Control of Polychlorinated Biphenyls and Polychlorobiphenyls, entered into effect after being published on the Official Gazette No. 26739 dated December 27, 2007)
- Cross-border trade of wastes and waste products to comply with the Basel Convention on the Control of Transboundary Transport and Disposal of Hazardous Wastes and the relevant international conventions to which our country is a party
- Production or trade of any product or service subject to international prohibitions/sanctions, such as pharmaceuticals, insecticides, pesticides²⁴
- Fishing operations that involve use of drift nets longer than 2,5 km and/or explosives and toxic substances
- Project activities refusing to submit all Independent Consultant²⁵ reports required for construction projects such as excavation, embankment, flooding, canal or dam in an area greater than 25 km²
- Commercial activities using rainforests, trade in CITES²⁶-restricted wildlife elements and products
- Activities in regions defined by the Alliance for Zero Extinction (AZE)²⁷

¹⁹ Cluster munitions, nuclear, chemical and biological weapons.

²⁰ Includes activities related to arms trade in countries and groups under arms embargo by the United Nations, European Union and/or the USA, and companies that sell arms to these countries or groups.

²¹ It does not apply to affiliates of the Turkish Armed Forces, Ministry of National Defense and General Directorate of Security, public institutions and organizations providing services to these organizations, and organizations that provide goods and services to the armed forces or police forces of EU and NATO member countries.

²² Ozone Depleting Substances (ODS): Chemical compounds that react with ozone in the stratosphere, depleting ozone, causing the commonly referred to "ozone holes". The Montreal Protocol on Substances that Deplete the Ozone Layer lists ozone-depleting substances and their respective target reduction and phase-out dates. A list of chemical compounds regulated by the Montreal Protocol, including aerosols, refrigerants, foam spray agents, solvents and fire protection agents, is available from the United Nations Environment Program, with detailed information on signatory countries and phase-out target dates.

²³ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs can be found in oil-filled electrical transformers, capacitors, and switchgears from 1950 to 1985

²⁴ Reference documents are Council Regulation 2455/92/EEC on the Import and Export of Certain Hazardous Chemicals, as amended from time to time, the United Nations Consolidated List of Products whose Consumption and/or Sale is Prohibited, Withdrawn, Strongly Restricted or Not Approved by Governments; Rotterdam Convention on Prior Notification Acceptance for International Trade in Certain Hazardous Chemicals and Pesticides; the Stockholm Convention on Persistent Organic Pollutants and the World Health Organization (WHO) Classification of Pesticides by Hazard Level.

²⁵ The best international environmental and social impact consultants, known by our bank for their expertise

²⁶ CITES: Convention on Trade in Endangered Species. A list of CITES listed species is available from the CITES secretariat.

²⁷ As of the effective date of this framework, Güllük Mountain (Antalya), Bolkar Mountains (Konya, Niğde and Mersin) and Lower Orontes (Asi) Hydro Basin (Hatay).

- Activities related to diamond mines and diamond trade in countries not included in the Kimberley process²⁸
- Activities that do not comply with local legislation and international conventions on the protection of biodiversity resources and cultural heritage²⁹
- Activities that threaten the cultural heritage qualities of regions defined as UNESCO World Cultural Heritage
- Activities involving the production and trade of palm oil that do not hold a Certificate of Sustainable Palm Oil Formation (RSPO)
- The production or trade of wood and other forestry products from forestry activities that are not sustainably managed
- Production or trade of radioactive products (except for the purchase of medical equipment, quality control (measurement) equipment, or other equipment whose radioactive source is insignificant and/or adequately protected)
- Ship demolition operations
- Casinos or accommodation facilities with casinos
- Activities considered prohibited in the relevant legislation in the country of operation, such as pornography, prostitution, drug production and trafficking
- Activities carried out in areas designated as Ramsar areas within the scope of the Convention on Wetlands of International Importance (RAMSAR)³⁰
- New coal mining investments
- New coal-fired thermal power plant projects and projects that will increase the production capacity of existing coal power plants
- Activities that cause any forcible removal or displacement³¹
- Fur production and all activities related to fur production
- Activities involving force-feeding of geese and ducks
- Genetic engineering and genetic modifications in animals for non-medical reasons
- Illegal wildlife trade
- Animal fights
- Activities involving all kinds of tests and experiments on endangered creatures and non-human primates
- Whaling
- Shark fin trade

In addition, the following activities are not financed specifically for SME segment customers:

- Production or trade of weapons and ammunition
- Coal mining, coal transport (such as port and railway operations transporting to coal-fired power plants) and coal-fired power plants³²

²⁸ It is an international control system initiated to prevent the entry of conflict zone diamonds in African countries, to protect the legal diamond trade, and not to allow the import and export of rough diamonds by countries that are not involved in this process.

²⁹ Activities for flora and fauna species considered threatened by Convention on Biological Diversity, Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention-CMS), European Convention on the Conservation of Wildlife and Habitats (Bern Convention), Convention for the Protection of the World Cultural and Natural Heritage (Paris Convention) and IUCN.

³⁰ Ramsar Convention on Wetlands of International Importance, Especially as Waterfowl Habitat.

³¹ Except for expropriation processes

³² Production and trade such as heating and charcoal are not within this scope.

5.2 Category A Project/Activity List

It is essential that the projects and activities in the Category A project list are greenfield (newly built) and large-scale expansion, capacity increase and transformation projects or investments. The environmental and social impact assessment of loan requests³³ for the activities listed in the Category A project list is carried out end-to-end by the Akbank ESIA Team through independent consultants, bypassing the ESMS due diligence process. In determining the scale of the project or activities, the EIA Regulation Annex-1 List and the thresholds specified in international standards are taken into account.

5.3 Industrial Approach and Policies

All project finance loans in the following sectors and new investment loans with an investment amount of 10 million USD or more are evaluated by the Akbank Environmental and Social Impact Assessment Team. Detailed inquiries are made on the project or investment activities in these industries, and the projects are closely monitored during their financing by working with independent consultants during the financing of the projects.

In addition, in the independent consultant reports, local legislation, international standards (e.g.: IFC performance standards, EBRD performance requirements etc.), documents such as the “UNEP-FI Human Rights Guidance Tool” belonging to the relevant industry should be taken into account.

Energy

Sustainable energy supply is one of the most important issues for the development of societies. Additional control points are requested in the financing process of the energy industry, as the energy industry has high impacts on sustainability with many different priorities such as climate change, natural resource consumption, and biodiversity.

- Whether there is an ecosystem evaluation report in HEPP projects,
- Whether there are sensitive areas such as houses, fields, cultural assets that are likely to be under the water in the dam projects,
- The presence of air emissions in thermal power plant projects, the filtration systems used and the effects of these emissions on the public and ecology within the impact area. Akbank does not finance new coal-fired thermal power plant projects and capacity increases. Projects on efficiency, pollution control and renovation of existing coal power plants are carefully evaluated and can only be financed after the approval of Akbank Environmental and Social Impact Assessment Team.
- In order to support the coal exit plans of customers who currently operate coal plants, the financing of their activities in the field of energy efficiency and renewable energy is supported within the scope of the Akbank Sustainable Financing Framework.
- Whether WPP projects are on bird migration routes and bat habitats,
- Visual impact assessment in PV projects, whether the project is in agricultural land and whether it contains a Lightning Rod,
- Reinjection in GPP projects and greenhouse gas emissions that will occur during the life cycle of the project,
- Whether there is an ecosystem assessment report in oil and gas production projects,

³³ Investment Loans

- Type of waste used as energy source in BPP projects, emissions from land acquisition and land use processes

are questioned in detail.

Mining

The environmental and socio-economic impacts of the mining industry, which is of great importance for the production of resources and raw materials we need for development, are multi-layered and high. We expect our customers and projects in the mining industry to comply with the highest occupational health and safety, human rights and environmental standards and norms. In this context, we take into account the expectations of customers and projects in the safe, equitable and sustainable mining focus areas of the International Mining and Metals Council (ICMM).

In mining projects covered by the ESIA, in particular, the potential for acid rock drainage, potential impacts on groundwater and soil quality, management of mine waste, dust and noise emissions, traffic increase impact, land acquisition, impacts on the ecological environment (including tree felling), leakage and similar accidents that may occur during the cyanide use and the use and transportation of chemicals should be carefully monitored. In addition, in metal mining, it is necessary to use the best method in the recovery and enrichment of the ore and to implement an effective management plan. All financed mining projects must have a regional rehabilitation plan at the end of the project life cycle.

Chemistry

While we support the adoption of sustainability principles in all industries in order to support sustainable development, we apply some special controls for the chemical industry, which has specific effects. Among the environmental and social risks in the chemical industry; employee health and safety, community health and safety, climate change, environment, biodiversity and impacts on water resources are located. In the chemical industry, particular attention is paid to the activities related to the production of chemical products whose production is prohibited or restricted by compliance with the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals³⁴ and international conventions³⁵ to which Turkey is a party.

We ensure that all legal permits and best control practices are in place in case of the use and production of hazardous materials. We expect that appropriate policies and permits are in place for the management and transportation of hazardous waste, and that business partners to be subcontracted for waste management have all necessary licenses. We expect our customers in the chemical industry, which has high greenhouse gas emissions due to production processes or product effects, to adopt ISO 14064 and similar emission measurement and monitoring standards and to create emission and energy consumption reduction strategies and targets.

Manufacturing

The environmental and social issues and risks in the production industry, which covers a very wide economic area, are also very broad. The amount of energy and water used in production processes, greenhouse gas emissions, waste water and waste management, employee health and safety,

³⁴ It is the Turkish Reach regulation prepared in accordance with the EU Reach regulation.

³⁵ Montreal, Stockholm and Rotterdam conventions.

product and community health and safety, biodiversity, human rights and environmental and social impacts in the supply chain can be given as examples.

Our Bank pays attention to the establishment of necessary management systems and control points in order to best manage potential environmental and social impacts in all production processes. In these processes, basic environmental and OHS management systems such as ISO 14001 and ISO 45001, and measurement and reporting standards such as ISO 14064 and ISO 14046 for industries with high climate and water impact are taken into account.

Infrastructure and Transportation

Large-scale infrastructure projects have the ability to affect different geographies and many stakeholders. We care about the management of environmental and socio-economic impacts during the provision of necessary infrastructure services for the development of humanity.

In large-scale linear projects such as highway construction, pipelines, railways, tram and metro lines and large-scale infrastructure projects such as bridges and airports, project routes are carefully examined, environmental and socioeconomic impacts that may occur on settlements, underground water resources and rivers, agricultural lands, bird migration routes and their impacts on biodiversity areas are carefully evaluated.

In ports, piers and similar coastal projects, we ensure that protective measures are taken for the criteria of air pollution and climate change, protection of marine life and ecosystems from pollution and extinction in a way that supports the Sustainable Blue Economy Finance Principles³⁶, and we expect from our projects and customers to take these measures. In particular, we ensure that criteria are fully compatible with the international maritime conventions to which Turkey is a party, for emissions that cause air pollution and climate change, and for the protection of marine life.

Agriculture, Food, Livestock and Fisheries

The agricultural industry, which provides a livelihood for many people in the world, provides input to many industries other than food production, which is the basic need of humanity. The food production requirements brought by the intense population growth and the environmental and socioeconomic impacts of the industrialized agricultural industry are also high. We expect our customers in these industries to follow the highest standards and norms in environmental and human rights management. We evaluate the completion of certification processes required for financing controversial and risky agricultural products with Good Agricultural Practices (GAP). In the financing of agricultural projects, we pay special attention to the use and acquisition of agriculture and other land, the use of fertilizers, pesticides, herbicides and other potentially harmful chemicals, water consumption and efficiency of irrigation systems, impacts on deforestation and biodiversity impacts.

We follow the guides included in the 'Turning the Tide: How to Finance a Sustainable Ocean Recovery' report published by UNEP-FI for environmental and social assessments related to fisheries, which supports the Sustainable Blue Economy Finance Principles and includes principles and recommendations for the protection and improvement of seas, coasts and oceans.

We do not finance agriculture, food and fishery activities in legally restricted areas (regions included in the RAMSAR or UNESCO World Heritage List, etc.). We require the necessary permits and licenses

³⁶ <https://www.unepfi.org/blue-finance/the-principles/>

to be obtained to finance these activities. We pay attention to the fact that carrying capacity analyzes are conducted in fishing activities, and harmful and prohibited chemicals, pesticides and microbes are not used in order to monitor water pollution and quality in agriculture, food and fishing activities.

We pay attention to the impacts on the living conditions of animals in all activities involving animals, and we never support the animal product-related and animal trade activities included in our non-financing activity list.

Sea and Coastal Tourism

Sea and coastal tourism is one of the most important economic activities in our country. Activities within the scope of this very important industry, besides their economic benefits, can lead to serious environmental and socioeconomic consequences if their effects are not managed well. While we avoid financing non-compliant activities in support of the Sustainable Blue Economy Finance Principles for the industry with multifaceted environmental and social impacts such as physical degradation of the environment and natural ecosystems, invasive species, greenhouse gas emissions, pollution, social impacts of development and construction activities as well as labor force, we expect the clients and projects we finance to manage these impacts in a way that appropriately manages and minimizes them.

6. Reviews and Revisions

This version of Akbank Environmental and Social Risk Framework entered into force on 07.09.2022 with the approval of the Board of Directors. The framework is reviewed every year, and when deemed necessary, it is revised in line with needs and stakeholder expectations with the approval of the Board of Directors.