

## **AKBANK ENVIRONMENTAL AND SOCIAL CREDIT POLICIES**

Akbank has adopted the following commitments to implement its environmental policy:

1. The Bank shows the necessary attention to the implementation of all elements included in the United Nations Global Compact (UN Global Compact) and the Sustainable Development Goals by the customers with whom it has a credit relationship.
2. The Bank supports the inclusion of information on risks and opportunities caused by climate change in environmental and / or technical reports<sup>1</sup>.
3. The Bank prioritizes the lending of projects that improve environmental and social conditions such as renewable energy investments, eco-friendly technology projects, waste recycling investments, investments that reduce carbon emissions, increase efficiency, access to basic services and provide employment.
4. The Bank supports the borrower when the latter has to make improvements in projects with negative unforeseen environmental impact, encourages the efficient use of natural resources.
5. The Bank supports sustainable production and consumption, innovative and social initiatives.
6. The Bank attaches importance to the elimination or reduction of potential negative impacts on disadvantaged / vulnerable groups and gender equality in the projects it finances.
7. The Bank aspires to identify and effectively manage the environmental and social risks and/or opportunities that may arise as a result of the financing it provides. The Bank has developed an Environmental and Social Risk Assessment System. Accordingly, project finance<sup>2</sup> loans with total investment

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<sup>1</sup> All A and B category large-scale infrastructure projects, especially those deemed appropriate by the ESIA Team, will be supported to include information on physical risks related to climate change as defined by Task Force on Climate Related Financial Disclosure (TCFD) in the Environment and / or technical reports in independent consultant reports.

<sup>2</sup> Project finance definition: Project Finance is a type of financing where the cash flow and value to be created by the relevant project are seen as the basis of the transaction and the payment ability of the borrower is directly related to the income of the project. This type of financing is generally designed to make and develop large, complex and costly investments such as power plants, production facilities, mines, transportation infrastructure, environment and telecommunication infrastructure, or to match these with financing models suitable for the changing project dynamics. In this financing type their payments are made with the revenues generated by the related project. An example is the sale of electricity generated in power plants for a loan repayment. The borrower is generally a Special Purpose Vehicle (SPV) and is a party established for the relevant project. SPV cannot take any actions other than the completion and operation of

amount of **USD10 million and over**, and new commercial loan requests with total investment amount of **USD10 million and over**, shall be subject to an Environmental and Social Risk Assessment.

8. The Bank applies the following criteria as part of its Environmental and Social Risk Assessment System<sup>3</sup>:
- *New investment projects (or loan requests) with financing requests are classified as low-, medium-, and high risk based on the potential environmental and social impact.*
  - *Additional assessment criteria vary according to the industry, and they are applied for the industries with high environmental and social risks.<sup>4</sup>*
  - *The assessment takes, the environmental and social risks associated with the current operations of the potential borrower, and the methods applied for environmental and social risk management, also into consideration. An Environmental and Social Assessment Report by an independent consultant shall be requested for medium<sup>5</sup>- and high-risk projects and loan requests. The company applying for a loan and/or project financing is asked to provide an Environmental and Social Action Plan, and an Environmental and Social Commitments list.*
  - *The Environmental and Social Action Plan, and the Environmental and Social Commitments list are also added to the contract with the customer.*

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the investment of the project. Since the focus is on the project, when designing the financing structure, it is critical to correctly estimate the cash flow projections, to evaluate all the elements that will pose a risk in terms of realization of these cash flows and the protection of the project value and to take the necessary measures. 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 adaptation to changing dynamics, because the repayment is mainly dependent on the cash flow of the project and the value of the project assets.

<sup>3</sup> The system does not apply to the loans that were extended before the effective date of the Environmental and Social Credit Policies, updated with this document, and/or for loan deferment/restructuring requests.

<sup>4</sup> Some of the industries identified to have high environmental and social risk are mining, manufacturing (machinery, equipment, food, fishing), chemicals (including petrochemicals), infrastructure and transportation, and energy

<sup>5</sup> In the mid-risk category, the review and action plan and the planning plan for the independent consultant for project management or new investment loans are determined by the Environmental and Social Impact Assessment Team.

- *The Bank shows due diligence to ensure the following matters are considered in proposed measures for managing environmental and social risks in medium- and high-risk projects:*
  - *Possible environmental impacts that may arise during the construction and operation period of the project (air emission, noise, waste, impacts on water resources, soil, flora, fauna and other impacts that can be evaluated on a project specific basis)*
  - *Stakeholder participation and complaint mechanism processes*
  - *Compliance with the Occupational Health and Safety (OHS) regulations during both the company's operations and investment activities*
  - *Proximity to wetlands according to the project's RAMSAR<sup>6</sup> Convention*
  - *Presence of the "Resettlement Action Plan" in projects with physical or economic resettlement due to land acquisition*
  - *Minimizing project-related deforestation, and where deforestation is inevitable, the presence of a plan for the number of trees to be cut and for a recovery plan for the deforested area*
  - *Amount of additional greenhouse gas emissions that will be created during the operation period of high-risk projects, and the projected carbon cost*
  - *Assessment processes of the impact on biodiversity*
  - *The customer's current or in-development Environmental and Social Management System<sup>7</sup>*

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<sup>6</sup> The convention regarding the important site for preservation and reproduction of waterfowl.

<sup>7</sup> Establishing an Environmental and Social Risk Management System, which is implemented by the company management in order to evaluate and effectively manage the environmental and social risks and

9. The Bank provides convenience for customers to enable the necessary conditions in order to achieve environmentally and socially sustainable results.
10. The activities Akbank will not finance regardless of limit and without requiring an environmental and social risk assessment, which include the operations that are prohibited by the national legislation and international treaties Turkey is party to, particularly United Nations Universal Declaration of Human Rights and International Labor Organization Declaration on Fundamental Principles and Rights at Work, are stipulated in Annex 1.

Furthermore;

11. In all MSME (small and micro) segment loans,
  - Environmental and social risk criteria are taken into consideration. No financing is provided for activities that are determined to have serious adverse effects on the environment. Loans are granted within limits to the sectors listed in Article 2 in Annex 1.
  - The compliance of the relevant financing with Akbank Environmental and Social Credit Policies and the preparation of the necessary action plans are under the responsibility of the Branch Manager and the Regional Environmental and Social Management System (ESMS) Team.
12. All parties of the lending decision shall conform with the Akbank Environmental and Social Credit Policies.
13. The Akbank Environmental and Social Credit Policies comply with the Bank's Ethical Principles, Complaint Management, Clean Banking and Business Continuity Management.

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impacts of the projects, and includes the participation of customers, employees, the local community directly affected by the project and, if any, other stakeholders.