

ENVIRONMENTAL AND SOCIAL IMPACT MANAGEMENT IN LENDING POLICY

1- PURPOSE

This policy aims to embed sustainable banking at the core of VakıfBank's business strategy by ensuring that environmental and social impacts are systematically addressed throughout the credit allocation, evaluation, and monitoring processes. Aligned with sustainable development principles, the policy establishes an institutional framework in accordance with international sustainability standards across environmental, social, and governance (ESG) domains. VakıfBank is committed to creating lasting value for all its stakeholders, the community, and the environment, while positioning itself as a globally competitive financial institution driven by sustainable profitability and growth.

2- SCOPE

VakıfBank evaluates the environmental and social risks of financed projects not only for regulatory compliance, but also in accordance with international best practices, sustainability principles, and global environmental and human rights agreements to which Türkiye is a party. In this regard, integrating environmental and social risk assessments into credit decision-making is a fundamental principle of this policy.

As part of this policy, VakıfBank has established an Environmental and Social Risk Management System (ESMS) designed to identify potential environmental and social impacts of financed projects and ensure that appropriate mitigation measures are implemented. Under the ESMS, all project finance loan applications of USD 10 million or more are subject to a comprehensive assessment of environmental, social, and governance (ESG) risks.

As part of this assessment, the following criteria are considered:

- **Environmental Criteria:** Evaluation of the customer and financed activities in terms of climate change, natural resource use, biodiversity, energy and water efficiency, waste management, environmental pollution, and impacts on ecosystems.
- **Social Criteria:** Assessment of the customer and financed activities regarding occupational health and safety, human rights, labor rights, gender equality, local communities, and cultural heritage.
- **Governance Criteria:** Review of the customer and financed activities for transparency, anti-corruption measures, adoption of ethical business practices, compliance with applicable laws and regulations, stakeholder engagement, and adherence to accountability principles.

The purpose of this assessment is to identify and manage the project's non-financial risks and their potential impacts, both prior to loan disbursement and throughout the financing period. Based on the assessment, the customer and the financed project are assigned a risk category of A (High), B+ (Medium-High), B- (Medium-Low), or C (Low). If, as a result of the assessment, the project is classified as Category A (High Risk), an independent consultant is appointed in order to enable a more detailed evaluation of the project. In other cases, the evaluation and monitoring activities of the project are carried out by our Bank.

Additionally, under the ESMS, tailored environmental and social assessment models are applied to working capital loans extended to retail, SME, commercial, and corporate segments—as well as to Bank-developed products—within the framework of agreements signed with international development institutions such as the World Bank, European Investment Bank, Agence Française de Développement (AFD), and the Asian Infrastructure Investment Bank (AIIB).

3- PRINCIPLES AND COMMITMENTS

VakıfBank adopts the following principles to ensure effective environmental and social impact management throughout its lending processes:

1. Acts as a responsible financial institution by prioritizing the financing of projects that generate positive environmental and social outcomes, in line with its sustainable banking approach.
2. As an institution aware of the challenges of climate change, considers climate-related risks within its loan portfolio and actively monitors global developments related to climate-related financial risks and opportunities.
3. Ensures that the environmental and social impacts of loans are thoroughly assessed and integrates environmental, social, and governance (ESG) criteria into its credit evaluation processes through the Environmental and Social Risk Management System (ESMS) established within the Bank.
4. Under the ESMS, prior to the extension of project finance loans with an investment amount of USD 10 million or more, the Bank conducts an environmental and social risk assessment in compliance with local regulations and the IFC Performance Standards for the customer and the project to be financed.
5. In multi-lender loan structures, takes into account the expectations of participating banks and ensures alignment with international environmental and social policies, standards, and goals (such as the Equator Principles and EBRD Performance Requirements).
6. Prior to the environmental and social risk assessment conducted under the ESMS, the Bank performs the necessary screening to ensure that activities included in VakıfBank's Exclusion List of Non-Financeable Activities are not financed under any circumstances.
7. Where deemed necessary, a detailed environmental and social assessment process is carried out with the support of independent consultants.
8. Conducts site visits to directly observe and evaluate the environmental and social impacts associated with the project.
9. Carries out a risk analysis on the project's potential impact on biodiversity, and where necessary, requires the client to develop a Biodiversity Action Plan, which is then monitored throughout the loan lifecycle.
10. Assigns a risk category to each financed project based on the outcome of the ESG risk assessment and develops corresponding action plans.
11. Reaches agreement with clients on the required action plans and obtains formal commitments to ensure ongoing implementation and tracking of those actions.

12. Prepares an Environmental and Social Due Diligence Report that includes project-related documents, findings from site visits, ESG action plans, and photographic documentation.
13. Monitors the environmental and social performance of financed projects throughout the loan term and prepares Environmental and Social Monitoring Reports based on the findings.
14. Shares annual updates on the evaluation and monitoring activities of project loans assessed under the ESMS with relevant departments and senior management within the Bank.
15. Participates in trainings and conferences organized by relevant stakeholders on environmental and social topics.
16. Coordinates with relevant business units to plan training programs for relationship managers and Bank employees on the environmental and social risk assessment processes conducted under the ESMS.
17. As part of agreements signed with international development institutions (such as the World Bank, European Investment Bank, Agence Française de Développement [AFD], Asian Infrastructure Investment Bank [AIIB], etc.), evaluates environmental, social, and governance (ESG) risks in working capital loans extended to disadvantaged groups (including women-led businesses, businesses in developing regions, startups, and businesses in earthquake-affected areas).
18. Promotes stakeholder engagement on environmental and social matters, ensuring effective communication and incorporating their views, needs, and expectations into decision-making.

4- DUTIES and RESPONSIBILITIES

The implementation and execution of the Environmental and Social Impact Management in Lending Policy is carried out by the Environmental and Social Impact Analysis Department. The Sustainability Committee is responsible for defining the Bank's sustainability strategy and policy and for ensuring that the necessary actions are taken accordingly. The Committee serves as the highest decision-making body within the Bank in matters related to sustainability.

5- OVERSIGHT / AUDIT

The implementation of the Environmental and Social Impact Management in Lending Policy is overseen by the Sustainability Committee and carried out by the relevant Head Office departments responsible for areas impacted by the policy. Each unit operates within the scope of its responsibilities and through the systems, policies, and business processes it has established.

Monitoring and evaluation of compliance with this Policy are conducted as part of the Bank's internal audit activities, within the framework of related policies and procedures. Any non-compliance or areas identified for improvement during audits are followed up under the supervision of the Sustainability Committee.

6- REVIEW

The Environmental and Social Impact Management in Lending Policy is reviewed at least once a year, or as needed in response to emerging developments, by the Environmental and Social Impact Analysis Department. Oversight of the policy's implementation, revision, improvement, and execution is the responsibility of the Sustainability Committee. Updates and changes are proposed by the Committee and come into effect following the approval of the Board of Directors.

The Environmental and Social Impact Management in Lending Policy is publicly disclosed on the Bank's corporate website in line with the principles of transparency and accountability. It is also published and regularly updated on the Bank's internal intranet system to ensure easy access for employees.

Anyone with knowledge of, evidence of, or suspicion about any action or situation that may violate this Policy is required to report it via the Bank's Ethics Hotline.

7- EFFECTIVE DATE

This Policy was approved by the Board of Directors on January 8, 2026 and entered into force as of that date.

Annex: VakıfBank Exclusion List of Non-Financeable Activities

VakıfBank commits not to finance any of the following projects or activities, to the best of its knowledge:

- 1) The production or trade of any product or activity deemed illegal under the laws and regulations of the Republic of Türkiye or under international conventions and agreements to which Türkiye is a party.
- 2) Activities carried out in critical habitats, including those protected under international conventions related to the protection of biodiversity or cultural heritage—such as the RAMSAR Convention (wetlands), the Bonn Convention, the Convention Concerning the Protection of the World Cultural and Natural Heritage, the Convention on Biological Diversity, and the Kunming–Montreal Global Biodiversity Framework—that result in, or require, the destruction or degradation of such habitats.^{1 2 3 4 5}
- 3) The use of explosives or hazardous substances in fishing activities, or drift net fishing with nets longer than 2.5 kilometers; as well as maritime or coastal fishing practices that harm large numbers of vulnerable or protected species, or pose a threat to marine biodiversity and habitats.⁶
- 4) Activities that fall under the prohibited practices defined by the CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).⁷
- 5) The production or trade of any product or activity involving or containing PCBs (Polychlorinated Biphenyls).⁸

- 6) Transboundary trade of waste or residues that does not comply with the Basel Convention and applicable regulations. ⁹
- 7) Production or trade of timber or other forest products sourced from areas that are not sustainably managed forests
- 8) Production or trade of any product or activity subject to international bans, including but not limited to medical drugs, pesticides, or herbicides.
- 9) Activities that violate human rights, including those carried out by individuals or legal entities involving forced labor or harmful and exploitative forms of child labor, contrary to national and international labor legislation. ^{10 11}
- 10) The production or trade of unbound asbestos fibers (this exclusion does not apply to the purchase and use of bonded asbestos cement sheets containing less than 20% asbestos).
- 11) The production or trade of radioactive materials (this exclusion does not apply to the use of radioactive sources for energy generation, medical equipment, quality control (measurement) equipment, or the purchase of any equipment assessed by the Bank as containing negligible and/or adequately shielded radioactive sources).
- 12) The production or trade of ozone-depleting substances deemed illegal under the laws and regulations of the Republic of Türkiye or under international conventions. ¹²
- 13) Activities in the gambling sector, excluding dealers and public institutions.
- 14) Activities related to pornography or prostitution
- 15) Activities that pose a threat to sites listed on the UNESCO World Heritage List or to areas of critical cultural heritage. ¹³
- 16) Production or trade of weapons, weapons of mass destruction, ammunition, and landmines, except where financed or supported by a government
- 17) Use of diamond mines or engagement in diamond trade originating from countries not participating in the Kimberley Process. ¹⁴
- 18) Any sector or service under United Nations sanctions in a given country, regardless of absolute or relative quantitative restrictions
- 19) Production and distribution activities that are racist, anti-democratic, or intended to discriminate against any segment of the population

8- REFERENCES

- 1- For RAMSAR sites: [Ramsar-Sites-annotated-summary-T-rkiye.pdf](#)
- 2- For Bonn Agreement: [S:_Basic_Docs\CMS_Conv_Text\English\CMS-text.en.wpd](#)
- 3- Convention Concerning the Protection of the World Cultural and Natural Heritage: [UNESCO Türkiye National Commission](#)
- 4- Convention on Biological Diversity: [Microsoft Word - biyo.doc](#)
- 5- Kunming-Montreal Global Biodiversity Framework: <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>
- 6- For Fisheries Regulations: resmigazete.gov.tr/eskiler/2024/08/20240811-3.htm
- 7- For details on species: [Appendices | CITES](#)
- 8- For PCB Scope and Trade: [Official Gazette of the Republic of Türkiye \(resmigazete.gov.tr\)](#)
- 9- For Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal: [Basel_Tr.pdf \(csb.gov.tr\)](#)
- 10- For Principles and Procedures on Child and Young Workers: [GeneratePdf \(mevzuat.gov.tr\)](#)

- 11- *For ILO Convention No. 105 on the Abolition of Forced Labour: ILO Convention No. 105 – Abolition of Forced Labour* (ilo.org)
- 12- *For Ozone-Depleting Substances: Prime Ministry Directorate General of Legislation Development and Publication* (resmigazete.gov.tr)
- 13- *For Updated List of Cultural Heritage Sites: Turkey - UNESCO World Heritage Convention*
- 14- *For Kimberley Process Certification Scheme: International Agreement* (resmigazete.gov.tr)