



Ziraat Katılım Bankası A.Ş.

Sustainable Sukuk Framework

February 2024

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1- About Ziraat Katılım

Background

Ziraat Katılım Bankası A.Ş. (“Ziraat Katılım” or the “Bank”), the first public participation bank of Türkiye, was incorporated in 2014 with a capital of 675.000,000 TRY paid entirely by the Treasury of the Turkish Republic.

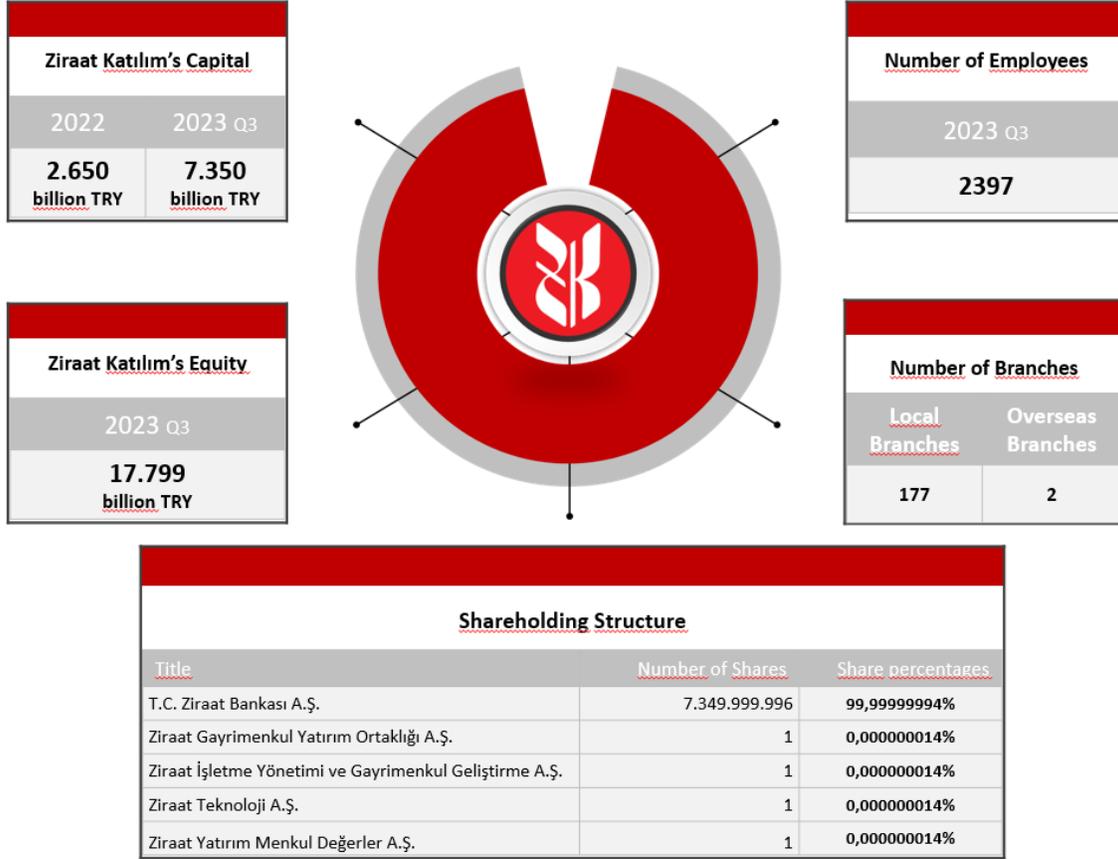
Since the Bank started its operations with the motto of “Achieving More by Sharing” as of 2015, Ziraat Katılım offers its customers high quality services and products in the fields of retail, commercial and private banking. The Bank has grown significantly within its mandate of providing services that comply with the principles of participation banking¹. In 2022 and at the end of third quarter 2023, Ziraat Katılım’s capital was increased respectively to 2.65 billion TRY and 7.35 billion TRY. The Bank also has a very healthy equity stack, reaching 17.79 billion TRY as the end of third quarter 2023, which provides the Bank with the financial strength required for continued sustainable growth.

Group Structure

Ziraat Katılım is a part of Ziraat Finance Group and its main shareholder is T.C. Ziraat Bankası A.Ş. (“Ziraat Bank”) with 99.99999994% share. Ziraat Katılım works in strong cooperation with Ziraat Bank, which has been the driving force of the Turkish banking sector for 160 years, within the framework of its correspondent agreement. In addition to this, Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş., Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş., Ziraat Teknoloji A.Ş. and Ziraat Yatırım Menkul Değerler A.Ş. are other shareholders, each holding %0.000000014 of the Bank’s shares.

Ziraat Katılım’s services align with its customers’ needs with the help of its experienced and dynamic work force, widespread branch network and advanced alternative distribution channels. As of the third quarter of 2023, the Bank, which has 2,397 employees who are specialized in their fields, a total number of 177 local branches and 2 overseas branch as well as headquarters in İstanbul, continues to expand its geographical coverage year on year. Moreover, Ziraat Katılım offers high value-added products, services and solutions to its customers via 108 ATMs as well as internet banking and renewed mobile banking channels.

¹ The concept of participation is an approach based on sharing both during the financing and raising of funds. Participation banks operate to raise funds through special current and participation accounts and use the funds collected by means of methods that comply with the principles of interest-free banking.



The Bank's Vision and Mission

Ziraat Katılım's vision is to become a universal, well-respected and leading participation bank that strengthens participation banking practices not only in Türkiye but also in the region, offering more to its customers. Ziraat Katılım endeavours to add value not only to its customers and shareholders but also to the society and all its stakeholders.

The Bank's mission is to become a participation bank that understands the needs and expectations of customers and offers them the most convenient solutions via the most appropriate channels. Ziraat Katılım is focused on operating with sustainable profitability and efficiency to international standards and facilitating financial access by considering customer satisfaction, being aware of the principles of participation banking, and the Bank's ethical values and social responsibility.

Ziraat Katılım continues its operations with the aim of becoming a distinctive participation bank that aims to accelerate Türkiye's economic development by providing the optimal financial solutions to both individuals and businesses.

Behind Ziraat Katılım's continuously improving business model lies an approach focused on customer satisfaction, digitalization and efficiency. The Bank has an ethos of taking confident action without compromising its asset quality, creating added value in line with its disciplined and sustainable growth strategy.

2- Ziraat Katılım's Sustainability Approach

Ziraat Katılım attaches importance to addressing issues that are compatible with participation banking policies and evaluated with an ethical banking and sustainability approach through corporate sustainability practices. With the corporate sustainability practices implemented within Ziraat Katılım, one of the main goals is to further improve the bank's position and competitiveness in the sector in a way that will contribute to the economy, environment and society.

Ziraat Katılım's sustainability strategy is in line with Türkiye's national goals, in particular the country's Net Zero target for 2053 and the Green Deal Action Plan. Ziraat Katılım is in an important position with its sustainability approach in line with the roadmap set out by Türkiye to achieve these goals within this direction, Ziraat Katılım has a "Sustainability Policy" that defines its approach.

The Bank's Sustainability Policy² includes its vision, objective, approach, structure and attitude towards environmental and social sustainability. The Bank manages the environmental impact of its operations within the framework of the Environment and Climate Change Policy³ to control direct and indirect environmental impacts, mitigate them with the appropriate strategies and technologies, and continuously improve its approach. The Bank is committed to continuously improving its sustainability performance through transparency, accountability, compliance, ethics and risk management.

Ziraat Katılım's comprehensive sustainability mission and key sustainability objectives are aligned with the following project categories:

- **Fostering Rural Advancement:** By actively participating in agricultural initiatives, Ziraat Katılım not only bolsters the growth of rural regions but also plays a pivotal role in securing Türkiye's food supply. Simultaneously, it empowers farmers and significantly contributes to the overall societal development.
- **Championing Women's Empowerment:** Through a range of projects specifically tailored for women, Ziraat Katılım is dedicated to enhancing gender equality and women's empowerment within the community.
- **Supporting Renewable and Clean Energy:** Ziraat Katılım is deeply engaged in providing financial support for renewable energy solutions. This proactive involvement aligns with Türkiye's pursuit of achieving its net-zero emissions goal by 2053.
- **Financing of Green Buildings:** Ziraat Katılım finances various projects to contribute to the green transformation process of residential, public and commercial buildings. It supports sustainable urbanisation by focusing on issues such as resource and energy efficiency.
- **Promoting Energy Efficiency:** Ziraat Katılım supports projects aimed at increasing the efficiency of energy consumption and reducing or minimizing energy losses. In this way, it aims to reduce greenhouse gas emissions and green growth.
- **Increasing Financing for Clean Transport:** In today's world, where low-carbon vehicles are preferred, Ziraat Katılım is also one of the leading banks in Türkiye in supporting the construction,

² <https://www.ziraatkatilim.com.tr/sites/default/files/2023-09/Sustainability%20Policy.pdf>

³ <https://www.ziraatkatilim.com.tr/sites/default/files/2023-09/Environment%20and%20Climate%20Change%20Policy.pdf>

maintenance and operation of infrastructure, as well as vehicle financing. It plays an active role in financing domestic and national car (TOGG) production and sales.

- Supporting SMEs, Entrepreneurs and Disadvantaged Groups: Ziraat Katılım supports commercial enterprises and entrepreneur to create jobs and prevent and reduce the impact of unemployment caused by socio-economic crises. It focuses on stable, inclusive and sustainable economic growth, productive employment and decent work.
- Facilitating Access to Essential Services: Ziraat Katılım focuses on improving access to basic services and meeting the basic needs of the needy and poor. To this end, it supports the financing of infrastructure and construction investments.
- Ensuring Access to Affordable Housing: Ziraat Katılım offers a range of housing finance products for low-income individuals and disadvantaged groups. These are designed to help ensure that everyone has access to decent, safe and affordable housing.
- Protecting Food Safety: Ziraat Katılım manages the financing processes for projects that extend the life of food products by supporting local producers and small-scale facilities in the supply chain. The aim is to improve access to good food, ensure food safety and support sustainable agriculture.

ESG Governance

Ziraat Katılım has established a sustainability governance structure by prioritising environmental, social and governance risks with the aim of sustainable banking. The sustainability plan, structured under the auspices of the Bank's Board of Directors, has been implemented within a lean and effective organisational structure. Sustainability practices are carried out under the leadership of the General Manager.

The Sustainability Committee (the “Committee”) plays an active role in coordinating the Bank's sustainability practices and in setting the sustainability strategy and objectives. The processes for setting, monitoring and, where necessary, reviewing the Bank's sustainability priorities are carried out by the Committee.

The Committee is also responsible for monitoring the impact of environmental and social activities, ensuring compliance of projects and monitoring other identified priorities within the established sustainability management system. The “Department Of Strategy Planning” is responsible for the follow-up and coordination of sustainability activities.

Working groups have been set up to follow up on sustainability activities and projects comprising of representatives from across the business as well as functional teams including Risk, Legal and Compliance. These are:

- Corporate Governance Group
- Corporate Social Responsibility and Education Group
- Operational Environmental Impacts Group
- Indirect Environmental Impacts and Portfolio Analysis Group
- Sustainable Sukuk Working Group
- Sustainable Banking Products and Services Group

ESG Risk Management

Ziraat Katılım aims to protect the environment while supporting economic development and creating value for all its stakeholders, including its customers, employees, shareholders and society as a whole. The Bank is aware that the financial products and services offered in line with the principles of participation banking have an impact on the environment and society, and therefore attaches importance to managing the environmental and social impacts of its financing activities.

Ziraat Katılım is pursuing a systematic approach to managing indirect environmental and social impacts arising from its financing activities as part of its corporate sustainability journey to improve its position and competitiveness in the sector. The approach to managing indirect environmental and social impacts includes the identification, assessment and monitoring of potential risks.

As part of this approach, the Bank has established the Environmental and Social Risk Management (“**ESRM**”) system to manage potential negative impacts that may arise from environmental and social (“**E&S**”) risks. The Bank has a policy on the Management of Environmental and Social Impacts in Financing Activities⁴, which defines the assessment criteria and the ESRM process. As part of the ESRM process, a comprehensive E&S risk assessment is carried out for all corporate lending transactions (project finance, corporate, commercial and entrepreneurial segment loans) exceeding USD 20 million. In addition, the Bank screens all nonretail loans for alignment with Bank’s Environmental and Social Policy, national laws and compliance with the Exclusion List.

Ziraat Katılım does not finance activities within the scope of the Exclusion List (see Policy for the Management of Environmental and Social Impacts in Financing Activities - Annex1), which has been drawn up taking into account the activities prohibited and/or restricted by national legislation, international conventions to which Türkiye is a party and the principles of participation banking, in accordance with the Bank’s corporate knowledge. The Bank conducts an E&S Risk Assessment on new and capacity expansion projects above USD 20 million that are not on the “Non-Financed Activities” and on the client requesting financing. This assessment classifies the environmental and social risks of the project and the client into three categories: low, medium and high.

As part of its responsible banking approach, the Bank assesses the potential E&S impacts of its financing activities within the framework of national and international laws, regulations and best practices. The Bank aims to regularly monitor the E&S performance of the activities it finances and to ensure the management of impacts. In this way, the Bank encourages its clients to ensure occupational health and safety, protect public health and welfare, support social development and preserve the natural environment and biodiversity in the activities it finances. The Bank also considers the E&S performance of suppliers in its procurement processes and involves them in the decision-making process.

⁴ <https://www.ziraatkatilim.com.tr/sites/default/files/2023-09/Policy%20for%20the%20Management%20of%20Environmental%20and%20Social%20Impacts%20in%20Financing%20Activities.pdf>

3- Ziraat Katılım’s Rationale for Sustainable Sukuk

Sustainable sukuk represent a crucial innovation in the financial landscape, particularly within the MENAT region, enabling investors to align their financial objectives with societal and environmental well-being. Given its ethical and societal principles along with its foundation in tangible assets, sustainable sukuk presents a viable alternative avenue for addressing the substantial financial needs of sustainable development initiatives and projects within emerging economies. Notably, sustainable sukuk and ESG investing share fundamental values, creating a synergy for capital mobilization and investment strategies. While promoting sustainable development, sustainable sukuk aligns with the United Nation’s Sustainable Development Goals (“SDGs”) through:

- Introducing an extra governance dimension (participation bank principles) that guarantees the separation of funds generated from the issuance. This mechanism guides these funds towards initiatives that not only adhere to participation bank principles but also align with ESG criteria.
- Encouraging financial inclusion to ensure that individuals who may be deterred from participating in the financial realm due to religious constraints or limited accessibility are not marginalized. These hurdles pose significant obstacles to poverty alleviation efforts.
- The capacity to allure new resources of funding previously untapped by traditional green and sustainable financial approaches.

Moreover, subsequent to the endorsement of the Paris Agreement and the implementation of the Türkiye’s Green Deal Action Plan⁵, there arises an increase in the need for direct financial resources towards environmentally conscious and socially beneficial initiatives and resources. The concept of sustainable sukuk serves as a means to publicly indicate the Bank’s dedication to actively partake in the realization of both local and global sustainability goals.

Sustainable sukuk is a natural extension for Ziraat Katılım to incorporate ESG within its funding strategy, given its existing sustainability vision, ongoing environmentally-friendly and social equity oriented practices, and institutional focus on advancing the UN SDGs.

⁵ Please refer to: <https://ticaret.gov.tr/dis-iliskiler/yesil-mutabakat/yesil-mutabakat-eylem-plani-ve-calisma-grubu/eylem-plani>

4- Sustainable Sukuk Framework

Ziraat Katılım’s Sustainable Sukuk Framework (the “**Framework**”) outlines the methodology and associated environmental and social principles to be applied when issuing green, social and sustainable instruments (“Sustainable Financing Instruments”) which will finance activities contributing to sustainable economic objectives.

The Framework is prepared in alignment with:

- The International Capital Markets Association (ICMA) Green Bond Principles (“**GBP**”) ⁶ 2021, Social Bond Principles (“**SBP**”) ⁷ 2023, Sustainability Bond Guidelines (“**SBG**”) ⁸ (June 2021 version), LMA Green Loan Principles (“**GLP**”) ⁹ (February 2023 version) and LMA Social Loan Principles (“**SLP**”) ¹⁰ (February 2023 version)
- Capital Markets Board of Türkiye (CMB) Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates and Sustainable Lease Certificates ¹¹ (February 2022 version)

Ziraat Katılım commits to conducting issuances under the Framework in alignment with the guidelines set forth in the CMB Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates and Sustainable Lease Certificates.

Ziraat Katılım’s Sustainable Sukuk Framework is structured to reflect GBP/SBP/SBG/GLP/SLP/CMB Guideline’s four core Principles listed below on green/social/sustainable bond/sukuk instruments as well as recommendations on green/social/sustainable bond/sukuk frameworks and external reviews:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

Ziraat Katılım can issue multiple Sustainable Financing Instruments under this Sustainable Sukuk Framework. These may include debt instruments financing “Eligible Green Projects” and/or “Eligible Social Projects” as described in the Use of Proceeds section of this Framework, including but not limited to:

⁶ ICMA Green Bond Principles, June 2021 (with June 2022 Appendix 1), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁷ ICMA Social Bond Principles, June 2023, <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

⁸ ICMA Sustainability Bond Guidelines, June 2021 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁹ LMA Green Loan Principles, February 2023, [Green Loan Principles 23 February 2023.pdf \(lma.eu.com\)](https://www.lma.eu.com/~/media/2023/02/Green-Loan-Principles-23-February-2023.pdf)

¹⁰ LMA Social Loan Principles, February 2023, [Social Loan Principles 23 February 2023.pdf \(lma.eu.com\)](https://www.lma.eu.com/~/media/2023/02/Social-Loan-Principles-23-February-2023.pdf)

¹¹ Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates and Sustainable Lease Certificates aims to carry out green debt instrument, sustainable debt instrument and green lease certificate, sustainable lease certificate issuances in line with the best practices and standards in international financial markets, and to increase transparency, integrity, consistency and comparability in the financing of sustainability projects and green projects. For detailed and most up to date information about the Guidelines, please visit CMB website: <https://cmb.gov.tr/data/628165661b41c617eced0ff4/c271c36f7bbd4a9429b0d503626c43d1.pdf>

- Sustainable Sukuks issued where (i) an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects/Eligible Social Projects as set out in the Sustainable Sukuk Framework in the context of Sukuks or (ii) 100% of the net proceeds are dedicated to (re)financing Eligible Green Projects/Eligible Social Projects as set-out in the Use of Proceeds section of the Framework in the context of Sukuks.
- Sustainable Sukuks where 100% of the net proceeds are dedicated to (re)financing Eligible Green Projects/Eligible Social Projects as set-out in the Use of Proceeds section of the Framework.

Ziraat Katılım will consider updates to this Sustainable Sukuk Framework if any alterations or enhancements are made to the aforementioned criteria and scope.

4.a Use of Proceeds

Ziraat Katılım intends to allocate the entirety of the net proceeds generated from Sustainable Financing Instruments toward financing or refinancing projects, investments, and activities that fall within the scope of the eligibility criteria defined in this Framework (“**Eligible Sustainable Projects**”).

Eligible Sustainable Projects:

Eligible project categories outlined in this Framework support Ziraat Katılım’s sustainability strategy which is to help drive the sustainable development and green growth of Türkiye. The Eligible Sustainable Projects within this Framework align with Ziraat Katılım's overarching sustainability mission and are intimately interconnected with Ziraat Katılım's core sustainability objectives.

Eligible Project Category		Explanation and Scope	Project Eligibility Criteria and Examples ¹²	Related SDGs
Green	Renewable Energy	Financing or refinancing construction, operation, maintenance of and equipment development for renewable energy generation assets and related infrastructure	<ul style="list-style-type: none"> • Wind Power Plant: Onshore and Offshore • Solar Power Plant: Photovoltaics (PV), solar thermal facilities and rooftop solar systems • Hydro Power Plant: Small hydro-power facilities with life cycle assessment emissions of less than 100gCO₂/kWh or power density ≥ 5 W/m² • Geothermal Power Plant: Limited to facilities with life cycle assessment emissions of less than 100gCO₂/kWh • Green Hydrogen: Production of green hydrogen investments stated that hydrogen with up to 3 kgCO₂e/kgH₂(powered by renewable energy) 	 

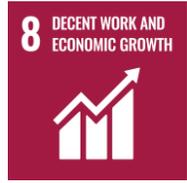
¹² Examples included in this document are for illustrative purposes. Eligible Project types include but are not limited to the examples provided.

			<ul style="list-style-type: none"> • Electric Heat Pumps: Dedicated exclusively to renewable electricity 	
	Green Buildings	Financing and/or refinancing new, existing or refurbished commercial and residential green buildings	<ul style="list-style-type: none"> • Buildings rated B or above in terms of energy performance in the local context, as determined via Energy Performance Certificate (BEP-TR) issued in accordance with Turkish regulation and / or via the Turkish Building Code¹³ • Buildings with or targeting the following level of third-party independent certifications: <ul style="list-style-type: none"> - LEED (Gold and above) - BREEAM (Very Good and above) - DNGB (min. "Gold") - YES-TR (min. "Very Good") - ÇEDBİK Green Building Certification (B.E.S.T Building Certificate min. "Very Good") • Renovations or upgrades of existing buildings leading to at least 30% improvement in energy efficiency 	  
	Energy Efficiency	Financing or refinancing establishment, acquisition, and upgrade of existing transmission lines, distribution and energy storage facilities, smart technologies and / or the installation of associated infrastructure, projects and investments improving energy efficiency	<ul style="list-style-type: none"> • Refurbishment, rehabilitation and renovation investments in non-fossil fuel technologies that increase energy efficiency by at least 20% and/or reduce greenhouse gas emissions by at least 20% • Energy efficiency improvements and network renewals, including investments and/or expenditure to increase the flexibility and technical availability of the network and investments to reduce/mitigate energy losses • Smart grids, energy storage (excluding Power-to-hydrogen), 	 

¹³ Building permit licenses are not issued for those households whose energy certificate is rated below C. Please refer to: <https://www.enerjikimlikbelgesi.com/>

			metering systems and other intelligent electricity systems that increase the intermittency of the share of renewable energy in total energy consumption	
	Clean Transportation	Loans aimed at financing or refinancing production, establishment, acquisition, expansion, upgrades, maintenance and operation of low-carbon vehicles and related private or public infrastructure	<ul style="list-style-type: none"> • Fully electric vehicles, • Hybrid vehicles emitting less than 50 g CO2e/p-km / high efficiency public transport vehicles using alternative fuels (25 g CO2e/t-km for freight vehicles¹⁴) • Investment related to the development of public transport infrastructure and services including electrified railways and railway extensions • Charging infrastructures for electric vehicles • Bicycle paths 	
	Sustainable Water and Wastewater Management	Loans aimed at financing or refinancing development, construction, operation and maintenance of sustainable water and wastewater management projects and facilities	<ul style="list-style-type: none"> • Water treatment facilities, activities and technologies that increase water quality, sanitation facilities • Upgrades to wastewater treatment plants to remove nutrients, wastewater discharge infrastructure • Technologies that increase water-use efficiency, water recycling and reuse, water saving systems and technologies and water metering 	

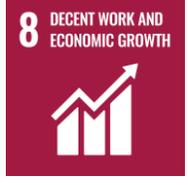
¹⁴ The activity is not dedicated to the distribution or transport of fossil fuels.

Social	Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Including SME Financing and Microfinance	<p>Loans aimed to generate additional employment, decrease unemployment in disadvantaged groups, and support women empowerment and female owned businesses, young entrepreneurs and support social development in SMEs</p> <p>Target population: women entrepreneurs, female owned businesses, SMEs, micro-enterprises</p>	<p>Financing provided to businesses that meet at least one of the following criteria:</p> <ul style="list-style-type: none"> • SMEs¹⁵ and micro-enterprises¹⁶ operating in provinces where the unemployment rate is higher than the Turkish average and SMEs operating in developing and underdeveloped regions¹⁷ of Türkiye • SMEs facing the effects of natural disasters, health pandemics and other such crises • Businesses where 51% of the management and/or shares are owned by women and/or young people. • Enterprises operating in earthquake and flood affected areas • Companies with practices that facilitate the working life of female employees (offering remote working opportunities to women with young children, etc.) • Legal immigrants should account for at least 20% and no more than 50% of total employment 	
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¹⁵ According to the official definition provided by the communique titled “The Definition of SMEs, Their Properties and Segmentation) dated 25.05.2023 with Official Gazette No:32201 accessible at <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=7297&MevzuatTur=21&MevzuatTertip=5>; Small and Medium-Sized Enterprises (SMEs), are defined as companies with number of employees below 250 and turnover or total assets equal to or below TL 500 million. SME definition of Ziraat Katılım in effect may differ from that general official definition in line with the bank’s own segmentation policies at any time.

¹⁶ According to the official definition provided by the communique titled “The Definition of SMEs, Their Properties and Segmentation) dated 25.05.2023 with Official Gazette No: 32201 accessible at <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=7297&MevzuatTur=21&MevzuatTertip=5>; micro-enterprises that employ less than 10 people and whose annual net sales revenue or financial balance sheet does not exceed 10 million TL.

¹⁷ Developing and Underdeveloped regions of Türkiye refers to all economically disadvantaged provinces except the developed ones: Istanbul, Ankara and Izmir which are reported as the 3 most developed cities in Türkiye in the Socioeconomic Development Ranking Survey published by the Ministry of Industry and Technology of Türkiye.

	<p>Access to Essential Services</p>	<p>Financing provided to increase access to essential services such as health, education, and water treatment</p> <p>Target: Vulnerable or disadvantaged populations</p>	<ul style="list-style-type: none"> • Financing to support public sector institutions/organisations investing in health services, research centres, care centres for the elderly, nurseries, specialised treatment centres, etc. • Financing to support public sector institutions/organisations investing in education and training facilities • Financing to facilitate access to clean water, the disposal of polluted water and the modernization of related infrastructure 	  
	<p>Socioeconomic advancement and empowerment</p>	<p>Financing of general agricultural and livestock activities, support for farmers, and strengthening of sustainable agricultural activities, financing to support agricultural development</p> <p>Target population: Farmers</p>	<p>Agriculture loans provided to farmers that hold a</p> <ul style="list-style-type: none"> • ÇKS (Farmer Registration System) certificate • HAYBİS (Animal Information System) certificate • Official registration documents (licence, identity card) for equipment and investments financed for agriculture and animal husbandry 	
	<p>Affordable Housing</p>	<p>Financing to support people on low incomes who do not have their own accommodation¹⁸</p> <p>Target population: low income citizens who don't own a house</p>	<ul style="list-style-type: none"> • Loans provided to beneficiaries must be buying their first home or have not owned a home in the last 10 years. 	

¹⁸ Social housing campaigns are made available on the condition that the user is purchasing her/his first home. The social housing campaigns criteria set determined by each country in line with local standards.

The criteria set by the relevant regulatory authorities can be found here:

<https://www.hmb.gov.tr/haberler/yeni-evim-konut-finansman-programi>,

<https://www.resmigazete.gov.tr/fihrist?tarih=2023-02-24> (Number of Decisions: 6865),

<https://www.hmb.gov.tr/haberler/konut-finansman-projesi>

	<p>Food Security</p>	<p>Financing for investments to increase food life and enhancing food security practices for small facilities sourcing from local producers</p> <p>Target population: general population</p>	<p>Loans provided facilities that:</p> <ul style="list-style-type: none"> • sources the main ingredients of the food to be processed from local producers • extends the life of the food as a result of the process/storage facility applied by the facility 	
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Exclusionary Criteria

Sustainable Finance Instruments under this Framework will not be used to finance loans linked to fossil energy generation, distribution and transport of fossil fuels, nuclear energy generation, weapons and defense, mining, gambling, alcohol or tobacco.

Look-back Period

Ziraat Katılım intends to allocate the net proceeds generated from the issuance of Sustainable Finance Instruments, as stipulated within this Framework, towards the support of both capital and operational expenses. Expenses incurred over a span of up to 36 months will qualify for potential refinancing using the net proceeds generated. The process of refinancing Eligible Sustainable Projects will involve negotiations with the loan facility's lender(s) and is contingent upon their approval. However, the refinancing period will generally not surpass 36 months.

4.b Process for Project Evaluation and Selection

Projects that will be financed with proceeds of Sustainable Finance Instruments issued under this Framework are screened against the eligibility criteria laid out in this document, applicable laws and regulations, and Ziraat Katılım’s sustainability and business strategy.

Ziraat Katılım has established and tasked a Sustainable Sukuk Working Group (“The Working Group”) under the Sustainability Committee's jurisdiction. The Working Group is comprised of members from Treasury Management, Project Financing, Strategy Planning, Financial Products Management and International Banking divisions.

The Working Group's mandate includes the following responsibilities:

- Meet atleast 4 times each year, endeavoured to be distributed evenly throughout the year
- Ratify Eligible Sustainable Projects which are proposed by the business teams
- Ensure that all Eligible Sustainable Projects have been assessed against the eligibility criteria defined in this Framework and in line with the Bank’s Sustainability strategy and risk policies
- Undertake regular monitoring of the asset pool to ensure the eligibility of Sustainable Projects whilst replacing any ineligible Sustainable projects with new eligible Sustainable Projects

- Facilitate regular reporting on any issuance of a Sustainable Finance Instrument in alignment with the reporting commitments outlined in this Framework
- Manage any future updates to this Framework

Ziraat Katılım is committed to the principle that sustainable projects should not create irreversible and detrimental damage to the environment/society in other areas, i.e. they should “do no significant harm”. Guided by this perspective, any projects funded by Ziraat Katılım through the Sustainable Sukuk Framework will seek to refrain from supporting enterprises involved in endeavors that run counter to either “green” or “social” objectives.

Risk management is a part of sustainable project evaluation and selection process. As part of the structured Environmental and Social Risk Management (ESRM) framework, a comprehensive assessment of environmental and social (E&S) risks is intended for all credit disbursement transactions exceeding USD 20 million in alignment with the International Finance Corporation Performance Standards (IFC PS). Within the ESRM process, an oversight mechanism has been devised through an exclusion list for all loan applications, irrespective of the loan amount.

The exclusion list is based on considerations of the Ziraat Katılım's policies, national regulations, international agreements to which Türkiye is a party, and Ziraat Katılım's corporate strategy. This list identifies prohibited and/or restricted activities. Ziraat Katılım approaches its credit disbursement processes with a responsible banking ethos, aiming to manage potential environmental and social impacts arising from financing activities in accordance with national and international laws, regulations, and best practices.

4.c Management of Proceeds

The net proceeds of each Sustainable Finance Instrument will be allocated to new projects and / or refinancing of existing projects identified under the use of proceeds section above. To manage the proceeds of the Bank's Sustainable Finance Instruments, Ziraat Katılım will establish a Sustainable Financing Register.

The proceeds of each Sustainable Finance Instrument will be earmarked against the pool of eligible projects and expenditures identified in the Sustainable Financing Register. At the end of each year the net proceeds will be reduced by the amounts invested in eligible green projects within the annual period.

Ziraat Katılım has set-up a dedicated tracking process in the internal information systems and database to monitor and account for the allocation of the proceeds.

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with the Bank's general liquidity guidelines until allocation to Eligible Sustainable projects. Ziraat Katılım intends to allocate the proceeds of a given Sustainable Finance Instrument to Eligible Sustainable Projects originated no more than 36 months prior to the issuance. The proceeds will be allocated within 36 months from the date of issuance.

4.d Reporting

Ziraat Katılım will publish an allocation and impact report on an annual basis, until full allocation of the net proceeds of Sustainable Finance Instruments issued or until the Ziraat Katılım Sustainable Finance Instruments under this Framework is no longer outstanding.

Reports with respect to allocation and impact of the Sustainable Finance Instruments will be shared via a stand-alone impact and allocation reporting document that will be available on Ziraat Katılım’s website²⁰. Since Ziraat Katılım is a member of Public Disclosure Platform (PDP), the Bank will make public the allocation report in PDP²¹ within the framework of the Board’s regulations pertaining to public disclosure of material events and developments.

Ziraat Katılım intends to take a portfolio approach to its reporting; especially in cases where confidentiality agreements, competitive considerations, or a large number of projects in which the amount of detail can be submitted is limited, the information will be presented in generic terms or on portfolio basis.

Ziraat Katılım’s impact and allocation report will comprise of the below information:

Allocation reporting

The allocation report will include the following details:

- Total amount of proceeds allocated to each eligible sustainable project category
- List of Eligible Sustainable Projects
- When possible, descriptions of the Eligible Sustainable Projects financed, such as the project locations, amounts allocated etc.
- If any, the amount of remaining unallocated proceeds,
- The amount or the share of proceeds used for new financing and refinancing.

Impact reporting

The Impact report shall include information on the expected and/or actual environmental and social impacts of the Eligible Sustainable Projects. The impacts are described using both qualitative and quantitative performance measures.

Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, take reference from the relevant indicators suggested in the ICMA Harmonised Framework for Impact Reporting²². The Bank will report on at least one impact metric for each financed Eligible Project Category.

²⁰ <https://www.ziraatkatilim.com.tr/>

²¹ <https://www.kap.org.tr/tr/>

²² ICMA Harmonised Framework for Impact Reporting, June 2023, <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

Eligible Project Category		Impact Reporting Metrics
Green	Renewable Energy	<ul style="list-style-type: none"> • Expected annual renewable energy generation (MWh) • Installed renewable energy capacity (MW) • Estimated annual GHG emission avoided or reduced (tCO2e)
	Green Buildings	<ul style="list-style-type: none"> • Number of financed loans with green building certification • Energy Performance Certification (EPC) Level • Estimated annual GHG emission avoided or reduced (tCO2e) • Estimated annual energy consumption (KWh/m2)
	Energy Efficiency	<ul style="list-style-type: none"> • Estimated annual energy savings (MWh) • Estimated annual GHG emission avoided or reduced (tCO2e)
	Clean Transportation	<ul style="list-style-type: none"> • Number of electric/hydrogen/hybrid/low carbon vehicles financed • Total financing provided to electric/hydrogen/hybrid/low carbon vehicles <ul style="list-style-type: none"> • Number of charging stations units installed, if applicable • Estimated annual GHG emission avoided or reduced (tCO2e)
	Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual absolute (gross) water savings (in m3 or in %) • Annual absolute (gross) amount of wastewater treated, reused or avoided (in m3 or in %) • No. of people with access to improved sanitation facilities
Social	Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Including SME Financing and Microfinance	<ul style="list-style-type: none"> • Number of loans provided to women entrepreneurs and total financing provided • Number of loans provided to young entrepreneurs and total financing provided • Number of loans provided to SMEs in underperforming areas in Türkiye and total financing provided • Number of loans provided to SMEs, micro-enterprises and start-ups facing the effects of natural disasters and / or health pandemics and total financing provided • Total number of new additional employment

		<ul style="list-style-type: none"> • Total number of new additional women employment • Total number of new additional youth employment • Total number of new additional employment generated in disaster areas • Total number of new additional immigrant employment
	Access to Essential Services	<ul style="list-style-type: none"> • Number of loans provided for education services and total financing provided (education institution) • Number of loans provided for health services and total financing provided (health services instituton) • Number of loans provided for infrastructure services and total financing provided • Number of beneficiaries/estimated benefiiciars from education, health and infrastructure services • Number of beneficiaries that will have access to clean water or benefit from removal of dirty water
	Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> •Number of loans provided to farmers and total financing provided •Number of loans provided for organic/sustainable farming practices and total financing provided • The impact agricultural/livestock activities have on the wellbeing of the farmers, agriculture sector and sustainable development of the country
	Affordable Housing	<ul style="list-style-type: none"> • Number of loans provided to individuals for their first houses and total financing provided • Number of houses financed for low income individuals
	Food Security	<ul style="list-style-type: none"> • Number of loans provided to licensed storage facilities, cold storage and cold chain and total financing provided • Amount of periodic or annual yield supplied from local producers • Total food products the facility enables to store in the long run • The value provided for food security and sustainable development of Turkish economy

5- External Review

Transparency and verification are of utmost importance for Ziraat Katılım. The Bank will be seeking external review services for its Sustainable Sukuk Framework. The external review will be sought in the following two formats:

Pre-issuance verification: Second Party Opinion (SPO)

Ziraat Katılım has appointed an external reviewer to provide a Second Party Opinion (SPO) to confirm the alignment of this Framework with the Principles. This external reviewer is an independent organization from which the Bank received consultancy services on this Framework document.

The Second Party Opinion with this Framework will be made public in PDP and published on Ziraat Katılım's website together with issue document relating to the ceiling of issue or prospectus.

Post-issuance verification: Verification on the allocation of proceeds

Ziraat Katılım's annual reports (allocation report and impact report) will also be subject to external verification by an External Auditor or any other qualified party. This verification may be on an annual basis, starting one year after funding and until full allocation of a Sustainable Finance Instrument's proceeds, a limited assurance report of the allocation of such Sustainable Finance Instrument's proceeds to Green and Social Eligible Projects. The resulting report will be publicly available on Ziraat Katılım's website.

Disclaimer

This Sustainable Sukuk Framework may include statements that anticipate future outcomes, drawing from present assumptions and projections made by Ziraat Katılım's management, as well as from other presently accessible information within the purview of Ziraat Katılım and its affiliated entities. A variety of known and unknown risks, uncertainties, and additional factors could result in significant disparities between the Bank's actual forthcoming results, financial standing, progress, or accomplishments, and the appraisals offered here. Unless mandated by legal requirements, Ziraat Katılım and its affiliated entities have no intention, and thus bear no responsibility, to revise these forward-looking statements or align them with subsequent occurrences or progressions.

Offered exclusively for informational intentions, this Sustainable Sukuk Framework must not be construed as dispensing investment counsel, nor is its intent to serve as the foundation for evaluating or endorsing any securities. It should not be regarded as a suggestion that any individual ought to acquire, retain, or relinquish any shares or alternative securities.