C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Our Profile

Founded in 1950 with the mission to finance medium-to-long term investments in Turkey and to contribute to the sustainable economic development of the country, Industrial Development Bank of Turkey (TSKB) is Turkey's first privately-owned development and investment bank.

With respect to our shareholders, 50.9% is held by Isbank (Türkiye İş Bankası) Group and 8.4% belongs to Vakıflar Bankası T.A.O. The remaining portion is in free float. Being ranked the 13th bank in terms of asset size, our total assets amounted to $7.0B as of the end of 2019. With 322 employees working in our core banking activities, we make up a family of 538 employees taken together with our subsidiaries.

We offer our clients a wide array of products and services in corporate banking, investment banking and advisory business lines. Thanks to our unique business model with “knowledge banking” approach, prudent risk assessment and long-lasting relationships with stakeholders, we identify the actual and future needs for sustainable development and while providing financial support, we also share our know-how with our clients for building sustainable and resilient development.

We support investments of renewable energy, energy efficiency, resource efficiency, sustainable agriculture, sustainable tourism, clean transportation, environmental and SME loans as well as social themes such as women empowerment, equal opportunity, social infrastructure, health and education.

Our stakeholders

With the World Bank actively involved in its foundation, TSKB operates in continuous cooperation with leading participants of global markets. Our international partners include international and supranational institutions such as IBRD, EIB, KfW, IDB, CEB, AFD, JBIC, IFC, AIIB, EBRD, CDB, OEB. We are the only private bank besides state-owned banks, which has an access to Turkish Treasury and Finance Ministry guarantee for the funds secured from development financial institutions.

Sustainable relationships with development finance institutions (DFI), financial institutions and mission clubs allow us to follow recent developments in responsible banking and also to enhance new themes and toolkits.

Sustainability

Since our establishment, sustainability is embedded in our business model. DFIs that are among our most important stakeholders make a great contribution to our sustainability journey. Thanks to our continuous relationships with DFIs, we spend dedicated efforts on capacity building in terms of following the latest trends and implementing the best practices. Thanks to our Sustainability Committee (SC), engineers, and working groups, we continue to be pioneer in our country. Long before the enactment of the environmental legislation in Turkey, TSKB started to include environmental due diligence as part of its project appraisal activities. TSKB prepared its environmental management system (EMS) and put it into practice as of 2006. We have placed our name among achievements such as the first sustainability and the first integrated reports in Turkish finance sector and the first ‘Green/Sustainable Bond’ issuance in CEEMEA region. Moreover, we issued world’s first subordinated sustainable bond.

Sustainability themed loans including energy efficiency and renewable energy projects account for 74% in TSKB’s loan portfolio as of 2019-end. The Bank’s ability to secure thematic funds from development finance institutions and its adoption of green financial instruments like green bonds pave the way for reserving such a large sustainability weight.

As a responsible bank, we care transparency and good communication with stakeholders. While supporting Environmental, Social and Governance (ESG) investments, we also continue to improve ourselves on reporting area. In our integrated annual report, we represent our activities focusing on sustainability, identify environmental, economic, social risks and opportunities and we try to shed light on the future with targets we set.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2019	December 31 2019	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Turkey

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

USD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	The highest level of direct responsibility for climate change lies with the TSKB's Sustainability Committee (SC) which be led by 3 Board Members and 3 Executive Vice Presidents whose responsibilities are directly and strategically related with sustainability. SC manage all the sustainability and climate-related work across the organizational structure, and thanks to high-level members' vision and power to take decision, Committee set the Bank's climate vision and strategy, formulate applicable action plans and coordinate associated activities according to the Sustainability Policy and its supplementary policies which are approved by the Board of Directors and cover the environmental and social dimensions of sustainable development in TSKB.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues Other, please specify (Review/sign off of public disclosures)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	All TSKB's direct and indirect activities that influence policy on climate change are coordinated and managed by the board-level Sustainability Committee which is the highest level of direct responsibility for climate change. Board-level Sustainability Committee works according to the Sustainability Policy. In recognition of the far-reaching impact that climate change has on economic and social wellbeing and on economic growth, according to the Sustainability Policy, TSKB seeks to play an active role in the transition to low-carbon economy. Fundamental principles pertaining to the assessment and management of the environmental and social impact that may result from the activities of the bank are set forth in Environmental and Social Impact Policy. In addition, TSKB's perception and strategy on climate change, human resource management, stakeholder engagement and governance are also mentioned in its other major policy documents. Besides, the SC is supported by the Sustainability Management System (SMS). Not only climate change policies and strategy but also, duties and responsibilities, activities to be done, time plans, bi-annual progression reports are documented within the SMS framework. That helps SC to ensure that policies and strategies are consistent with each other and the entire process recorded within a well-structured management system. As a sustainable and responsible bank, TSKB sets targets and share the progress with its stakeholders via its integrated annual report. Each target is approved by the SC, hence by the board members too. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, environmental and social impact assessment application to all investment projects. TSKB is a signatory and a member of different international initiatives. The SC evaluates the current situation, the requirements of different initiatives and the new potential cooperation areas. Taking part in different platforms supports the Bank's strong and sustainable relationship with its stakeholders. Recently, climate-related risk of the Bank's portfolio calculation and integration of the TCFD recommendations into the evaluation process of the Bank have been included in the SC agenda. Organizational structuring within the Bank is planned to take concrete steps in this field in the coming years.
Sporadic - as important matters arise	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues Other, please specify (Review/sign off of public disclosures)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	If deemed necessary, Sustainability Committee has the authority to submit item to board of directors meeting agenda in order to discuss on sustainability concern.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other, please specify (Sustainability Sub-Committee)	Other, please specify (Sustainability Committee)	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

Sustainability Sub-Committee

Board-level Sustainability Committee are supported by the Sustainability Sub-Committee which was established in January 2015. The Sustainability Sub-Committee and its working groups, which represent various departments of the Bank, actively deal with sustainability related issues.

Main duties of the sub-committee, which holds regular meetings, are; developing and managing sustainability strategies, internalizing sustainability and capacity development on sustainability, integrating sustainability into banking products and services, managing internal and external environmental impacts and associated social responsibilities, engaging in sustainability-related communication and quantifying and reporting the sustainability performance.

One of the Sustainability Sub-Committee members is Sustainability Coordinator, who is responsible for coordinating the sustainability activities within the Bank and acting as the secretary during the Sustainability Committee meetings. Clear and measurable targets are determined for the Sustainability Sub-Committee annually and these targets are reflected on the performance assessment of all members.

Working Groups

Under Sustainability Sub Committee there are 7 different working groups which are namely “ISO Management System Standards”, “Reporting”, “Stakeholders Dialogue”, “Sustainability Index”, "Gender Equality" and "Social Impact Analysis" and “Cooperation with International Initiatives on Sustainability”. These working groups report to the Sustainability Sub-Committee. TSKB Sustainability Sub-Committee presents regular reports to the Executive Vice Presidents (who are members of Sustainability Committee) on a quarterly basis and prepares annual report that is submitted to the CEO.

Sustainability Management System

The Sustainability Management System (SMS) of TSKB, which also pertains to climate change agenda, ensures that the organization will be able to continuously improve its sustainability performance, improve the internal and external information flow, better control environmental risks related to TSKB products, comply with all relevant laws and standards, calculate and offset the carbon foot-print of the Bank periodically and conduct the banking operations on a carbon-neutral basis.

The SMS was designed in compliance with the international ISO 14001 Environmental Management System standard and it has been certified since 2007. The system requires organizing Management Review Meetings annually as a part of the ISO 14001 certification. With the help of SMS, TSKB also has organized itself to set 14064 Carbon Management Certification and holds ISO 14064 since 2012. The responsibilities for climate change topics are discussed at the top management level through management review meetings.

Future Targets

Our corporate goals include ensuring that sustainability concept is embraced by all employees and integrated into our business processes and services, developing new products and business opportunities in sustainable banking while increasing the level of sustainability awareness in the banking sector and business community.

Next couple of years, within the scope of climate change, we aim to be complied with TCFD recommendations and to be able to calculate climate-related risk of the Bank’s loan portfolio. Our new working group, whose preparations started in 2019 and who was established in 2020, “Climate Risks Working Group” will realize organizational and technical structuring, and will follow recent developments.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	The Sustainability Committee targets are distributed to every employee who are members of sustainability sub-committee and/or working groups and taken into account within the scope of employee performance evaluation.

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Corporate executive team	Non-monetary reward	Please select	Three board members and three Executive Vice Presidents of the Sustainability Committee are responsible for setting the sustainability vision and strategy of the bank and the relevant targets to achieve this strategy. The Committee also formulates applicable action plans, and coordinates associated activities according to the Bank's Sustainability Policy and its supplementary policies. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, environmental and social impact assessment application to all investment projects.
All employees	Non-monetary reward	Please select	Raising the awareness of Bank's employees on sustainability and integrated thinking is quite important for TSKB. In the previous years, it was one of the targets Sustainability Management System, and all employees were provided training about TSKB's work and strategy on sustainability. Besides, during the preparation of integrated reporting, the business model and capitals of the Bank were structured via workshops that included a large portion of Bank employees. With the rising awareness, people become more familiar to concepts and feel more encouraged to bring new ideas and suggestions for the topic. To collect such feedback, there exists a "suggestions portal" in the intranet. All employees can access this portal to contribute to the Bank's strategy on sustainability and climate change tackling.
Other, please specify (Sustainability Sub-Committee)	Monetary reward	Please select	Sustainability Sub-Committee consists of 17 members from various departments of TSKB. They are responsible for the integration of sustainability concept into all business processes and services, developing new services and opportunities in sustainable banking, increasing the level of sustainability awareness in the banking sector and business community. The Sub-Committee targets are assigned to sub-committee members and relevant sustainability related working groups. Achievement status of the targets are followed and evaluated in annual performance reviews. Incentives are determined based on these evaluations. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, environmental and social impact assessment application to all investment projects.
Other, please specify (ISO 14001/ISO 14064 Working Group)	Monetary reward	Please select	Performance indicator about CO2 emission reduction, energy and natural resources consumptions. These data are verified according to both ISO 14001 and ISO 14064 standards annually. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews. Via these targets, the bank can achieve the aimed annual emission reduction levels and levels of natural resources consumption.
Other, please specify (ISO 14001/ISO 14064 Working Group)	Monetary reward	Please select	This working group is responsible for successful audit and re-certification of ISO 14001 and ISO 14064 certifications. It involves management of all internal environmental KPIs, including consumption of natural resources, generation of wastes, and application of environmental and social impact assessment to each investment project and emitting of CO2 emissions. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Sustainability Index Working Group)	Monetary reward	Please select	EIRIS assessed TSKB based on international sustainability criteria. Sustainability Index Working Group is responsible for providing the required feedback and execute the in-house improvement activities in order to enhance the KPIs that are not scored in the assessments. For the activities with the related departments in the Bank, briefings to relevant departments are conducted and improvement studies are coordinated. In 2018, TSKB has been listed for the fourth time in the index but the assessment will continue in the following years and the SI Working Group targets will be revised for the KPI score improvements. TSKB has been a constituent of FTSE4GOOD Emerging Markets Index since 2016. Sustainability Index working group activities also cover the relevant activities for this index. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	1	TSKB is a development bank with operations only in Turkey. Full credit portfolio and activities are in the territory of Turkey. Therefore, TSKB's climate-related risks and opportunities are directly linked to the country policy, regulations, international agreements and the climate conditions of the country. In such conditions, short-term is considered as the term until 2020 year-end.
Medium-term	1	3	Turkey has not yet ratified Paris Agreement and its stance is expected to be clarified by 2020. The relevant political and regulatory environments will be shaped accordingly. Moreover, Turkey's national climate change action plan covers the years 2011-2023. There are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Turkey. On the other hand, TSKB's strategic plan is prepared for a period of 3 years, being revised annually. So, since 2020 is considered as short term, the plan will cover years 2020 - 2023. For the above-mentioned reasons, year 2023 is considered as medium-term.
Long-term	3	10	Turkey's INDC was given until the year 2030. For the year 2023 and beyond, the political or regulatory environment regarding climate change cannot be foreseen clearly. For this reason, 2023-2030 is considered as long-term horizon.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

The amount of substantive financial impact for 2019 is calculated by having 10 percent of the pre-tax net income of the Bank. USD 151 million of pre-tax net income TSKB posted as of 2019 year-end indicates around USD 15 million for the reporting period.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered
Direct operations
Downstream

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
TSKB identifies and assesses its direct and indirect climate related risks. Sustainability Management System under the Sustainability Committee of the Bank is responsible for preparing the Bank's climate change related policies, strategies and targets as well as measuring, monitoring and reporting its direct effects such as energy, water, natural gas, CHG emissions, etc. Moreover, TSKB has published its "Climate Change Declaration" in 2016, stating clearly its strategy and goals regarding climate change. The declaration briefly explains how TSKB's main activities are managed in consistency with its climate change strategy. It is publicly available in TSKB's website in the following link. http://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking The indirect effects are being assessed through the Environmental Management System. Regardless of all investment loans are evaluated according to Environmental and Social Risk Evaluation Tool. Taking into account the results of the evaluation and risk categorization, TSKB formulates a plan with the client to monitor the environmental impact and mitigate. In the next step, loan monitoring starts once the credit is approved. Regarding the following step which is related to assessing the impact of the Bank's outstanding portfolio, a new working group which is named as "Climate Risk Working Group" is planned to be established under the Sustainability Sub-Committee in 2020. Making use of TCFD principles, this group will be focusing on measuring the climate related risks and impacts of TSKB's loan portfolio.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	The Turkish Government has been supporting the renewable energy investments financially via regulations since 2005. According to the related regulation, there is a purchasing guarantee per kWh electricity generation from a determined price for the first ten years of their operation for the power plants. To benefit from this support mechanism, new power plants have to be operative before the end of 2020. There has been no official government decision on the incentives that may be introduced for power plants that come into operation after 31 December 2020, resulting in an acceleration of renewable energy investments. However, the government has been signalling that a new modified version of incentive mechanism is likely to be introduced following the expiration of the former one. In case this support mechanism terminates and incentive fees are reduced after 2020, renewable energy investments may decelerate. Till then, the renewable energy investments are boosted. As TSKB finds the opportunity to finance such projects with its climate-themed funds, new investments contribute to TSKB's financial strength. If the support mechanism is not continued further, renewable energy investments in Turkey and hence the demand for TSKB's climate change themed funds in terms of renewable energy may decrease. This situation is considered as an asset level risk.
Emerging regulation	Relevant, always included	Even though it is not yet ratified by the parliament, Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. While EU is working on the European Green Deal which is likely to be released at the beginning of 2020, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emmission Trading in Turkey. Thus, next step is likely to be introduction of a cap and trade system and/or taxation for the carbon. Companies in energy-intense sectors will have to invest in emission reduction or energy-efficiency practices to comply with the regulations. This situation may create temporary cash flow problems on clients' side.
Technology	Relevant, sometimes included	With the development of technology, it has been realized that the foreign-origin equipment of wind and solar power plants cheapen. Therefore, the investment costs of these projects have been declining over the years. This has been supporting investment appetite and encouraging investors to enter the renewable energy market. This is an asset level financing opportunity for TSKB that is closely being followed.
Legal	Relevant, always included	ERET model is designed to analyse social and environmental risk with respect to international and Turkish legislation. At asset level, each project is analysed in terms of its environmental and social impacts in detail (via Environmental and Social Risk Assessment Tool – ERET), taking into consideration both the current and future aspects and financial and legal liabilities, independent of the investment amounts. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Loan monitoring starts once the credit is approved. Hence, especially environmental and social legal aspects are always considered and analysed in terms of asset level risk at TSKB.
Market	Relevant, always included	Turkey expects to have a regulation concerning the cap and trade system and/or taxation for the carbon soon. Companies in energy-intense sectors will have to invest in emission reduction or energy-efficiency practices to comply with the regulations. Also, a potential cap and trade market may increase the investment appetite of renewable energy investors. Both cases are expected to increase the demand for TSKB's products for financing of these potential investments. This situation is considered as an asset level opportunity.
Reputation	Relevant, always included	TSKB breaks new grounds in sustainability related fields by placing sustainability at the heart of its business model. To start with, TSKB is the first company in Turkish finance industry that developed an environmental management system. In 2016, TSKB published its first integrated report in the Turkish finance sector. Moreover, in the same period Turkey's first Green/Sustainable Bond that was issued by TSKB received five awards on prestigious platforms such as Thomson Reuters, Bonds and Loans and EMEA Finance. In 2017, TSKB issued first "Subordinated Sustainable Bond" in the world. In 2018, TSKB released its first Integrated Annual Report. This pioneering position helps TSKB to gain a competitive advantage in the market and also trust of its stakeholders, including investors and several international financial institutions. With these invaluable experiences, TSKB attracts potential business plans in SMS, EMS, reporting (CDP, sustainability reporting, integrated report), green bond advisory services from other companies both in finance and other sectors via its subsidiary Escarus. Besides, TSKB's advisory services have been restructured in 2019. In this context, the Bank offers environmental, sustainability, carbon management, risk management and resilience and climate change management as well as other technical and financial areas. This is considered as an asset level opportunity for TSKB. Having a mission of being the pioneering bank in Turkey's sustainable and inclusive development, failure to address climate change issues in strategies, daily businesses or poor disclosure of environmental and social management and climate change management methodology may impose a risk on TSKB's reputation in this manner. As a result, TSKB's stakeholders may lose interest on TSKB, which may lead to a drop in the demand for its services and also on its stocks. This situation is considered as an asset level risk for TSKB.
Acute physical	Relevant, always included	Climate change has the potential to alter weather patterns and precipitation extremes such as storms, hurricanes, typhoons, heavy rains, droughts, etc. The risk of mean weather alteration could affect the working conditions of the Bank. In 2017 summer, Istanbul city experienced two altered weather conditions on separate days. TSKB employees were unable to reach the office building. In total, the Bank lost two work days. To manage this risk, physical measures were taken for infrastructure strengthening studies of the office building. This is considered as a company level risk for TSKB. Also, the Bank invested on a remote working system for such conditions which started to be tested by a number of departments in 2019. On the other hand, the mean weather alteration can affect the working principles of renewable (especially wind, solar and hydro) energy power plants. For example, hurricanes/typhoons could prevent wind power plants from functioning due to high wind speed. In the meantime, changes in precipitation patterns can affect the clients mostly the farmers and hydro power plant owners. Abovementioned renewable power plants would not function efficiently at extreme weather conditions. In conclusion, these conditions could negatively affect the electricity generation in renewable energy power plants. In such cases, the operating/owning companies would not be able to repay their loans. This is considered as an asset level risk.
Chronic physical	Relevant, sometimes included	Studies show that Turkey will confront serious problems regarding water scarcity by 2030. In 2030, Turkey is expected to have an annual water potential of 1,120 cubic meters per capita. Water scarcity would affect human, environment and business world and this would also cause economic, social, governmental and political problems. Especially water intense industries would be affected negatively and there would be challenging competition between the companies that try to obtain the required amount of water. In that regard, obtaining the water in good condition would become tougher and, in some regions, may be impossible and the value and price of the water would be considerably high. This may cause companies in water intense industries to reduce their capacity or even close down their businesses. Almost all of TSKB's customers use water in their processes thus problems related with water scarcity for sure will have its effect on their cash flows. Furthermore, other industries would experience spill over effects and consequently making new investments would be harder. When this risk is analysed, TSKB foresees that number of investments related to water consumption reduction and desalination will increase. The Bank considers this as an asset level opportunity that involves financing these new investments, increasing number of clients and developing new products for tackling climate change. Accordingly, the number of resource efficiency projects that has been financed by TSKB so far has been 62 as of 2019 year-end.

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	Regardless of the project size, TSKB evaluates the environmental and social impacts of all investment loans before allocating loans. Depending on the results of this due diligence process, the Bank either withdraws the project immediately or develops an action plan for the sponsor company to mitigate the impact. And, the mitigating actions of the cilent are monitored closely once the loan is extended.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	ERET ensures a detailed query to determine the clients' and their projects' environmental and social risks. It classifies clients' and their projects' risks as A, B+, B and C, where A is the highest. The risk category clarifies acceptable limits for risks involved and ensures that the project complies with general lending policies of TSKB. It determines a risk score and offers a proper action plan to minimize and manage environmental and social risks of projects. In addition, according to the needs of clients determined with the due diligence process, climate-related new themes and finance products are developed.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	Water-related risks and opportunities are assessed during appraisal phase of each loan application. Environmental and Social Risk Assessment Tool, ERET, detailed query covering potential water risks of a project is utilised for this purpose. Water demand of the project, available water resources, water treatment technologies, water discharge limits and points are analysed during assessment. Additionally, capacity and quality of both supply water resources and discharge environment are taken into consideration in the assessment.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	<Not Applicable>	

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	Lending of projects developed on greenfield areas, pasture land, etc. may pose forest-related risk for a financial institution. To tackle with this issue, TSKB analyses projects' environmental and social risks in detail. Project site and adverse impacts on flora and fauna are key impacts of the projects analysed in a loan assessment. TSKB rejects to finance any activity that is prohibited by Turkish laws and regulations or by international agreements concerned with the protection of biodiversity resources or of the cultural heritage. Trade in wild fauna or flora; the manufacture of or trade in any product covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) are other investment types that we do not finance. Besides, projects located in any protected area, critical habitat area, or natural/cultural heritage area is not financed unless adequate compensatory/mitigatory measures are taken. To identify the measures to be taken, Environmental and Social Risk Assessment Tool (ERET) is utilised by TSKB team. Projects Impacts on land use, flora and fauna are analysed and magnitudes of the impacts are identified by ERET. Then, proper action plans are developed to manage those risks. Thanks to TSKB, project owners are enforced to design, construct and operate projects in an environmentally responsible way.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	<Not Applicable>	

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes	Apart from financial analyses, technical and environmental and social analyses are conducted by technical experts who have strong background on their fields at TSKB. During environmental and social analysis, climate related impacts primarily, contribution to climate change and resilience of the product and/or production are subject to the assessment. In this regard, greenhouse gas emission emitted from operation is assessed by technical team. Type of technology, energy and resource efficiency practices play key role in this assessment. TSKB aims to ensure that the client has a greenhouse gas emission which is low or parallel with sector average limits. For resilience, TSKB reviews supply chain management structure of clients. Vulnerability of raw materials is the most common adverse impact of climate change that we face. How, where and when do raw materials are supplied for the production is crucial for a comprehensive assessment. Additionally, resilience of the end product is another issue for TSKB. Presence of a replacing product due to the climate change is the key parameter discussed under this issue.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
After the publication of the regulation concerning measurement, verification and reporting of GHG Emissions for some of the energy intense sectors in Turkey in 2011, in 2014 GHG Monitoring Legislation has been published which mandates energy-intense industries to prepare measurement reports to be submitted to the Ministry of Environment and Urbanization, starting from 2016. Even though it is not yet ratified by the parliament, Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. While European Union is working on the European Green Deal which is likely to be released at the beginning of 2020, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Turkey. Thus, next step is likely to be introduction of a cap and trade system and/or taxation for the carbon. Due to the potential increase in the operational and/ or investment costs for managing, reporting and verifying the GHG emissions, and also carbon emission management and/or reduction activities, energy-intense clients of TSKB may be faced with additional cost which may result in contracting margins and hence difficulties in loan repayments in the future, increasing TSKB's credit risk.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
6000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In case some of TSKB's customers are not well prepared for the changes in regulation, and not take into account all the cost increase anticipations, customers may face risk of not achieving desired and planned levels of profitability and hence risk of repaying their loan amounts. 23% of TSKB's loan portfolio is composed of energy-intense sectors such as non-renewable energy, steel, construction and logistics. With the assumption that 5 percent of the energy-intense investments are affected negatively in the form of temporary cash flow problems, the Bank may incur extra provisional burden as the loan classifications can change and partial net interest income loss emanating from those loans. The total financial impact to TSKB is calculated as $6M.

Cost of response to risk
100000

Description of response and explanation of cost calculation
In the last 8 years, TSKB didn't finance any greenfield/significant capacity increase investments of high carbon emitting industry projects (like coal fired thermal plants). For other energy-intense sectors, in order to take into account, the impacts of climate-change and climate-change related costs and regulations; TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intense sectors and specifically for the projects that are at the appraisal stage at TSKB. Every project is analysed in terms of its environmental and social impacts in detail (via ERET), taking into consideration both the current and future aspects and financial and legal liabilities, independent of the investment amounts. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Loan monitoring start once the credit is approved. The cost of loan monitoring actions consists of labor costs and traveling costs. The ERET activities cause additional workload during the lending operations of the projects. The costs consist mainly of labor costs which occurs during inspections. Also TSKB builds inner capacity and attends training and/or conferences held by multinational finance institutions and initiatives, Ministry of Environment and Urbanization and domestic initiatives' studies in order to update its knowledge and analyse international best practices. To note, TSKB is a member of TUSIAD's Environment and Climate Change Working Group, focusing on climate change issues especially. The total annual cost estimation of all above mentioned activities are $100K.

Comment

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Downstream

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Before COP21, Turkey submitted its Intended Nationally Determined Contributions (INDC) on 30 September 2015 in order to declare its emission reduction strategy.

According to the Paris agreement that was signed by 195 countries including Turkey, all countries committed to realize their INDC's and report their progress in every 5 years. Other than this, Turkey has an objective to be a member of European Union and this objective requires new regulations for Turkey. Therefore, new environmental regulations have been introduced in line with European Union Norms. In order to achieve its objectives, Turkey will have to adopt these new regulations and also make new laws regarding to the control of SOx/NOx emissions in stricter limits towards the minimization of its impact on climate, or else. Besides, there are ongoing efforts of Ministry of Environment and Urbanisation on the Climate Change Law and By-Law on Greenhouse Emmission Trading in Turkey. These new regulations may force energy intense companies to launch new investments to comply with these regulations. Furthermore, these companies may have to shut down their stranded assets, which could not meet the legal requirements and generate their expected economic returns anymore due to new regulations. As a result, this may affect the cash flow of TSKB's customers and their repayments to TSKB, increasing also TSKB's business risk.

Time horizon
Medium-term

Likelihood
About as likely as not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
6000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In case of some customers of TSKB would not be well prepared for the changes in regulation, and would not take into account all the cost increase in their future plans, they would face risk of not achieving desired and planned levels of profitability and hence risk of repaying their loan amounts. With the assumption that 5 percent of the energy-intense investments are affected negatively in the form of temporary cash flow problems, the Bank may incur extra provisional burden as the loan classifications can change and partial net interest income loss emanating from those loans. The total financial impact to TSKB is calculated as $6M.

Cost of response to risk
60000

Description of response and explanation of cost calculation
In order to take into account, the impact of climate-change related costs and regulations, TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intense sectors and specifically for the projects that are at the appraisal stage at TSKB. Every project is analyzed in terms of its environmental and social impact in detail (via ERET), taking into consideration both the current-future aspects. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Moreover, loan monitoring is performed after the credit is approved. If any disruptions occur in repayments, TSKB will recover the related amount from warranty letter or mortgaged assets. TSKB have been managing this process for 69 years via its experienced team. TSKB attends to the related international meetings that could contribute to its strategy. The cost of loan monitoring activities consists of labor costs and travel costs. The ERET activities cause additional workload during the lending operations of the investment projects. Additionally, two people from TSKB attended to the COP25 in Madrid in 2019. In Madrid, TSKB attended a panel discussion as speaker and gave information about its sustainable finance practices, signatories and declarations, contribution to UN Sustainable Development Goals and its positive decoupling compared to other players in Turkey with respect to climate change mitigation and adaptation.

Comment

Identifier
Risk 3

Where in the value chain does the risk driver occur?
Downstream

Risk type & Primary climate-related risk driver

Current regulation	Other, please specify (Termination of government incentive mechanism for renewable energy projects)

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification
Strategic risk

Company-specific description
The Turkish Government has been supporting the renewable energy investments financially via regulations since 2005. According to the related regulation, there is a purchasing guarantee per kWh electricity generation from a determined price for the first ten years of their operation for the power plants that have come into operation before the end of 2020. The government will decide on the incentives that will be given to power plants that come into operation after 31 December 2020. This support mechanism prompts investors to invest in renewable energy investments. In addition to the above-mentioned reason, due to the increase in the energy project investments over the last years and due to the slow growth in the electricity demand, Turkey has been facing excess supply in the electricity market. Currently, the total installed capacity of Turkey is approximately 92 GW, whereas the total electricity demand for the year of 2019 was 304 TWh. The excess supply in the electricity market has been pressuring the electricity market price, therefore the renewable energy power plants benefitting from the feed-in tariff mechanism with the current price structure have been bringing additional cost to the system. This is one of the main reasons for the government to decide on not extending the feed-in tariff mechanism with current conditions after 2020. Once this support mechanism is not continued or incentive fees are reduced after 2020, renewable energy investments may decrease. This situation may also lead to a decrease in demand for TSKB's renewable energy finance products as well.

Time horizon
Short-term

Likelihood
Likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
6000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Renewable energy loans attained a weight of around 31% within the total loan portfolio of TSKB, through an installed capacity of 4,955 MW as of 2019 year-end. A reduction in the renewable energy investments due to discontinuation of feed-in tariff mechanism after 2020 may be expected to influence TSKB's loan business negatively and cause a reasonable decrease in the net interest income emanating from new renewable energy loan originations. The impact is calculated as $6M.

Cost of response to risk
80000

Description of response and explanation of cost calculation
Turkey has become one of the fastest growing energy markets in the world with its growing economy and its electricity demand has been increasing continuously. According to TSKB's projections, electricity demand growth trend of Turkey will continue in the future thus renewable energy will become more important for Turkey to meet the demand. In this perspective, TSKB emphasizes the significant role of renewable energy investments in every platform that it takes place. TSKB takes additional steps to support the energy sector through the provision of thematic renewable energy funds of multilateral development finance institutions and also by issuing green bonds. TSKB follows recent developments in renewable energy sector and participates in various relevant events. In 2019, TSKB took place in Energy Efficiency Forum Advisory Committee, European Geothermal Energy Council Georisk Project Advisory Committee, World Bank Roof-top Solar project studies, KGGTF Knowledge Exchange Program and Korea Green Innovation Days 2019, COP25 etc. The cost of attending events like seminars, workshops etc. including governmental organizations consists of labor costs and travel costs. To sum up, the total cost of new renewable energy theme development, inner capacity development, green bond issuance and reporting efforts are $80K per year.

Comment

Identifier
Risk 4

Where in the value chain does the risk driver occur?
Downstream

Risk type & Primary climate-related risk driver

Chronic physical	Water stress

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Water scarcity is considered as one of the most significant risks in the world according to the Global Risk Report prepared for World Economic Forum and also according to Turkey's water risk report prepared by World Wide Fund for Nature (WWF). Studies show that Turkey will confront with serious problems regarding water scarcity by 2030. In 2030, Turkey is expected to have an annual water potential of 1,120 cubic meters per capita. Water supply problem is not only related with precipitation but also related with social, economic and ecological factors. Water scarcity would affect human, environment and business world and this would also cause economic, social, governmental and political problems. Especially water intense industries would be affected negatively and there would be challenging competition between the companies that try to obtain the required amount of water. In that regard, obtaining the water in good condition would become tougher, and in some regions, may be impossible and the value and price of the water would be considerably high. This may cause companies in water intense industries to reduce their capacity or even close down their businesses. Almost all of TSKB's customers use water in their processes thus problems related with water scarcity for sure will have its effect on their cash flows. Furthermore, other industries would experience spillover effects and consequently making new investments would be harder. As a result, TSKB would be negatively affected because of the investment limitation in the industries and difficulties of repayments of effected customers.

Time horizon
Long-term

Likelihood
More likely than not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
24000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
This potential risk would affect TSKB, due to the potential disruption in such companies' loan repayments. Considering that water intense sectors constitute around 20% of

the Bank's loan portfolio and 10 percent of these loans may be affected negatively. This situation may create extra provisioning burden due to changes in the loan classifications as well as net interest income loss due to probable cash flow problems emanating from loans that may turn into NPL. Consequently, the financial impact on TSKB is calculated as $24M.

Cost of response to risk
150000

Description of response and explanation of cost calculation
TSKB believes that sustainability of fresh water is a global issue has a very critical role for sustainability of life. Believing in the important role played by efforts energy efficiency (EE) and resource efficiency (RE) in tackling climate change, TSKB has been supporting the EE-RE projects of many enterprises that manufacture in an array of industries, with medium and long-term loans. In that regard, TSKB finances resource efficiency projects including water efficiency. Up to now, 62 RE projects have been financed by TSKB. The engineering team of TSKB assesses all projects specifically and calculates gains from resource savings. As of 2019, 1.2 million m3 of water savings have been realized annually by financing resource efficiency investments from various industries like cement, steel, tourism, chemical, automotive, plastics, textile etc. TSKB has experienced engineering and marketing teams in order to finance the best resource efficiency investments and contribute to the investment by providing consultancy to the customers. TSKB also increases the water awareness by visiting customers and informing them about resource efficiency including water supply by verbal communication and booklets. Moreover, with its nearly 70 years of expertise and accumulated know-how, TSKB offers a wide range of advisory services as well as providing SMS-EMS advisory services (through its subsidiary Escarus) to other companies. In these means, TSKB helps these companies to measure and monitor their water consumptions. Annual cost for all these activities are $150K.

Comment

Identifier
Risk 5

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Chronic physical	Rising mean temperatures

Primary potential financial impact
Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification
Operational risk

Company-specific description
The gradual increase in the average global temperature can cause significant cost increases due to TSKB’s office heating and cooling systems.

Time horizon
Short-term

Likelihood
Likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
20000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In such a case, a predicted 20% increase in the electricity consumption would increase the operation costs by $20K.

Cost of response to risk
10000

Description of response and explanation of cost calculation
The business world bears tremendous responsibilities for ensuring that the growth and development that it brings today do not threaten the lives and resources of future generations. Through the trail-blazing sustainability practices, TSKB has integrated sustainability into all of its own banking service processes. TSKB also does the required energy efficiency investments for its own buildings, when required. In order to decrease the greenhouse gas emissions, TSKB supplies its electricity from a distribution company, which uses renewable energy. Therefore, TSKB uses 100% green energy in all its offices. Every year maintenance team of TSKB and outsourced maintenance companies, perform periodic maintenances and improvement activities in accordance with the annual schedule. In 2019, such activities costed $10K.

Comment

Identifier
Risk 6

Where in the value chain does the risk driver occur?
Downstream

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Climate change has the potential to alter weather patterns and precipitation extremes such as storms, hurricanes, typhoons, heavy rains, droughts, etc. The risk of mean weather alteration could affect the working principles of renewable (especially wind, solar and hydro) energy power plants. For example, hurricanes/typhoons could prevent wind power plants to function due to high wind speed. In the meantime, changes in precipitation patterns can affect the clients mostly the farmers and hydro power plant owners. Renewable power plants wouldn't function properly at extreme weather conditions. In conclusion, global warming could negatively affect the electricity generation in renewable energy power plants in such ways that the operating/owning companies may not be able to repay loans.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
12000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Renewable energy investments play a crucial role in TSKB's credit portfolio. The defined risks could discourage investors to invest in renewable energy resources. Other than this, the current renewable energy plants, financed by TSKB, may not be able to produce projected electricity to compensate loan payments. That would mainly be the hydro power plants which would be affected negatively. Considering that 10 percent of the hydro projects would experience difficulty in their cash flows in this scenario, the magnitude of negative impact on the Bank's net interest income is calculated as $12M.

Cost of response to risk
100000

Description of response and explanation of cost calculation
In order to take into account, the impact of climate-change related costs and regulations, TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intense sectors and specifically for the projects that are at the appraisal stage at TSKB. Every project is analysed in terms of its environmental and social impact in detail (via ERET), taking into consideration both the current-future aspects. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Moreover, loan monitoring is performed after the credit is approved. If any disruptions occur in repayments, TSKB will recover the related amount from warranty letter or mortgaged assets. TSKB have been managing this process for 69 years via its experienced team. TSKB attends to the related international meetings that could contribute to its strategy. The cost of loan monitoring activities consists of labor costs and travel costs. The ERET activities cause additional workload during the lending operations of the investment projects. Additionally, two people from TSKB attended to the COP25 in Madrid in 2019. In Madrid, TSKB attended a panel discussion as speaker and gave information about its sustainable finance practices, signatories and declarations, contribution to UN Sustainable Development Goals and its positive decoupling compared to other players in Turkey with respect to climate change mitigation and adaptation.

Comment

Identifier
Risk 7

Where in the value chain does the risk driver occur?
Upstream

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact
Other, please specify (Decreased access to DFI funding and other inovative funding products)

Climate risk type mapped to traditional financial services industry risk classification
Market risk

Company-specific description
Having a mission of being the pioneering bank in Turkey's sustainable development, failure to address climate change issues in strategies, daily businesses or poor disclosure of environmental and social management and climate change management methodology may impose a risk on TSKB's reputation in this manner. As a result, our stakeholders may lose interest on TSKB, which may lead to a decrease in the demand of TSKB's services and also on its stocks.

Time horizon
Medium-term

Likelihood
About as likely as not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
10000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In case this risk is realized; as a result of scarce demand from investors, customers, development finance institutions, etc. along with the reputation loss, the estimated financial impact for the Bank could be elevated funding costs. TSKB is a non-deposit bank which mainly relies on external financial funding in the form of loans from development finance institutions and issued bonds. Should the Bank have to resort to Eurobonds instead of DFI funding and green bonds, the additional cost of funding per year is calculated as $10M.

Cost of response to risk
120000

Description of response and explanation of cost calculation
Every safeguard issue (climate change, E/S issues, governance, etc.) which can adversely affect TSKB's reputation is considered in the Bank's daily business. SMS enables significant issues to be discussed with senior managers, including board members. All projects are analysed in terms of their E/S impacts by engineering department during credit evaluation processes. According to results, TSKB seeks for solutions with investors to manage investments' risks. The financing is only possible if TSKB is sure that investor has implemented necessary E/S control and management measures. TSKB also has the right to drop the credit, withdraw the previous disbursed amount due to projects' and adverse impacts. Climate mitigation is also in the focus of DFIs which provide funding to the Bank. Besides, every multilateral development bank has its own E/S requirements which TSKB has to fulfil & TSKB has arranged its SMS accordingly. To inform stakeholders about its activities, TSKB publishes integrated annual report & UN Global Compact Communication on progress report. In 2018, TSKB published its first Annual Integrated Report which combines annual financial report and integrated report. TSKB also developed and published Declaration of Climate Change to express its position regarding climate change in 2016. It highlights the values TSKB creates for the society and stakeholders in every aspect & TSKB's strategy to improve these values. It also identifies the risks & opportunities that result from climate change.

Comment
The major cost driver is employee cost for these activities. The other important cost item includes, collection of sustainability and climate change related data, public disclosure of this information and third-party verification and assurance of the performance indicators. All internal KPIs regarding to environmental and social issues, including GHG emissions are verified in accordance with the ISO 14001 and ISO 14064 certifications annually. Costs also include external stakeholder and employee engagement domestic and global memberships and signatories, e.g. TUSIAD, UNEP FI, Global Compact, IDFC and others. These costs equate to approximately $120K annually.

Identifier
Risk 8

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact
Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification
Operational risk

Company-specific description
According to the yearly report of Turkish State Meteorological Service, a total of 935 extreme weather events were recorded in 2019, up from 840 in 2018 in Turkey. The report depicts that there is an increasing trend in the number of recorded extreme weather conditions in the past 20 years. Besides, 2019 has been the fourth warmest year since 1971, whereas the annual rainfall in Turkey was slightly above the average between 1981-2010.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
105000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
From time to time, changes in the precipitation patterns and extreme weather conditions can cause problems in employees' access to the head office, resulting in losses of working hours. In addition, these extreme conditions can lead to damages on our car fleet and floods in the entrance of the office building. For example, due to the hail storm and flood on different days in 2017, TSKB employees were unable to reach the office building and TSKB lost two work days which has $100K financial impact on the Bank. Moreover, the company cars were damaged due to the hailstorm which created $5K additional cost for repair works.

Cost of response to risk
60000

Description of response and explanation of cost calculation
For health and safety issues and to prevent lost work days in such cases, TSKB installed remote working system infrastructure. Pilot testing of the new infrastructure was commenced in 2019. It is planned to be available for all employees in 2020. The license of the system and employee cost for installing the system has cost around $25K. Moreover, physical measures were taken for infrastructure strengthening studies of the office building such as front and rear façade insulation works, additional discharge and pump line construction. The cost of these studies was $35K.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
After the publication of the regulation concerning measurement, verification and reporting of GHG Emissions for some of the energy intense sectors in Turkey in 2011, in 2014 GHG Monitoring Legislation has been published which mandates energy-intense industries to prepare measurement reports to be submitted to the Ministry of Environment and Urbanization, starting from 2016. Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. While EU is working on the European Green Deal which is likely to be released at the beginning of 2020, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Turkey. Thus, next step is likely to be introduction of a cap and trade system and/or taxation for the carbon. Companies in energy-intense sectors will have to invest in emission reduction or energy-efficiency practices to comply with the regulations. Also, a potential cap and trade market may increase the investment appetite of renewable energy investors. The both cases are expected to increase the demand for TSKB's lending and hedging products for financing of these potential investments.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
7500000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Because of the potential cap and trade system, the demand for TSKB's products in energy- efficiency or renewable energy investments may increase. 74% of TSKB's loan portfolio consists of sustainable investments including energy-efficiency and renewable energy projects. TSKB achieves this with the thematic funds it secures from multilateral development finance institutions and also green financial instruments like SRI / green bonds it issues. Together with these instruments, TSKB may expect about $300M per year of additional financing opportunities to satisfy the above-mentioned elevated demand. The net interest income from these investments is estimated as $7.5M on an annual basis.

Cost to realize opportunity
100000

Strategy to realize opportunity and explanation of cost calculation
TSKB has been financing renewable energy and energy-efficiency projects since mid-2000s, making it one of the leaders in this area. It has committed more than $5B to renewable energy and energy efficiency projects so far. A certain amount of these projects are also financed by TSKB's Green/SRI Bond. Additionally, TSKB's sustainability committee members follow closely the developments in Turkey regarding the carbon market activities and preparations. TSKB has a broad experience on

renewable energy and energy efficiency projects financing. Still the engineering and technical advisory team, which is responsible for the technical evaluation of the projects, need to closely follow up the improvements in the technology. This strong internal expertise has also been one of the key strengths of the Bank in terms of co-establishing framework for Green/SRI Bond and securing funds from DFIs and investors. The cost of inner capacity development, including research, attending conferences and trainings amounts up to $100K per year.

Comment

Identifier
Opp2

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
Due to the goal of limiting global warming to 1.5-2°C, it is expected that the number of emission reduction projects will increase. TSKB also expects an increase in such projects' finance, including resource efficiency, energy efficiency and renewable energy projects. According to the most current Strategic Plan of the Ministry of Energy and Natural Resources, Turkey plans to increase its solar power plant capacity to 10 GW, and wind power plant capacity to 12 GW until 2030. These plans indicate a potential increase also in TSKB's business volume especially in renewable energy sector with the support of the relevant legislations.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
7500000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In the context of COPs, it is expected that the number of resource and energy efficiency and renewable energy investments would increase and TSKB aims to finance such investments amounting to approximately $300M on an annual basis. The net interest income impact from these investments is estimated as $7.5M. In the following years, TSKB also expects an increase in the industry's awareness on these topics and the number of these kinds of investments would boom in order to approach to the target mentioned in Turkey's INDC.

Cost to realize opportunity
800000

Strategy to realize opportunity and explanation of cost calculation
74% of TSKB's loan portfolio is sustainability themed. The Bank has renewable energy portfolio of the 14% of total renewable energy of Turkey. Besides, the weight of RE and EE projects in the loan book has been 5% as of 2019 year-end. TSKB's experienced engineering team and energy experts closely monitors renewable energy industry enabling TSKB to have a high capability of assessing the renewable energy, energy efficiency and resource efficiency projects and also to perform a detailed environmental and social risk evaluation. So far, more than $5B financing has been provided to such projects. TSKB also has a dedicated marketing team for solar, wind, geothermal and energy and resource efficiency projects. On the funding side, sustainability sub-committee helps developing new funding themes with development finance institutions. All these efforts will be the key issue in focusing on the right projects in terms of financial and technical aspects. TSKB has corporate marketing, project finance, engineering and technical consultancy, economic research, loans and loan monitoring departments working on climate change issues. These activities are built in the daily business of the staff in these departments. Performing such activities and internal capacity building activities are calculated as $350K per year. In addition, TSKB has given 36 advisory services through its subsidiary Escarus company. The total labor costs of Escarus pertaining to year 2019 is approximately $450K. As a result, the total cost to realize this opportunity is estimated as $800K on an annual basis.

Comment

Identifier
Opp3

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Other, please specify (Efficiency)

Primary potential financial impact
Reduced direct costs

Thanks to our SMS, electricity cost saving is approximately $10K on an annual basis.

Company-specific description
TSKB is the first company in Turkish finance industry with an environmental management system. TSKB has implemented ISO 14001 and ISO 14064 standards which enables to identify and control environmental and social impacts and especially constantly improve environmental performance through more efficient use of resources and reduction of waste. This helps TSKB to gain a competitive advantage in the market and also trust of its clients and stakeholders, including investors and several international financial institutions.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
10000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
TSKB sets numerical improvement targets regarding its internal environmental impacts. One of them was reducing GHG emissions by 2.5% annually until the end of 2016 in comparison to 2012 levels. This target has been achieved and overreached by 7% as of 2016. Regarding to this target, electricity cost saving is approximately $10K on an annual basis. TSKB has set a new target of reducing its average GHG emissions at least 10% below of the average consumption value of the last 5 years till the end of 2021. At the end of 2018, GHG emission reduction target has been achieved for this target. Comparing to last year, TSKB has decreased GHG emission by 3.4%. Besides, TSKB consumes 28% less electricity, 48% less natural gas, 44% less paper and 20% less water today since the management system first developed.

Cost to realize opportunity
20000

Strategy to realize opportunity and explanation of cost calculation
TSKB has a well-structured Sustainability Management System (SMS) in which tasks and roles are defined clearly and distributed across different departments. The system has been certified with ISO 14001 standard since 2007. GHG emissions have been calculating, verifying and offsetting in accordance with ISO 14064 since 2012. TSKB purchases Gold Standard Carbon Certificates to offset its GHG emissions. The SMS is managed by the Sustainability Committee who consists of 3 board members and 3 executive vice presidents. The Sustainability Sub-Committee and its working groups (WG) assist the Sustainability Committee in achieving its targets. Especially, “ISO 14001 and ISO 14064 Management System Standards Working Group” is dedicated to work for renewal of these ISO certifications and following up targets. For both ISO 14001 and ISO 14064 certifications, TSKB works with accredited third-party consultants. ISO Working Group members are responsible for managing these voluntary systems and certifications. These full-time employees cost, third-party consultants cost and the green power cost for offsetting GHG emissions constitute the management cost of this activity. It is approximately $20K as of 2019.

Comment

Identifier
Opp4

Where in the value chain does the opportunity occur?
Upstream

Opportunity type
Markets

Primary climate-related opportunity driver
Access to new markets

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

The estimated figure is around $550K.

Company-specific description
TSKB has broken new grounds in the Turkish finance sector in different areas. TSKB is the first company in Turkish finance industry with an environmental management system. TSKB has implemented ISO 14001 and ISO 14064 standards which enables to identify and control environmental and social impacts and especially constantly improve environmental performance through more efficient use of resources and reduction of waste. TSKB has published its first “Integrated Report” in 2016 which incorporates sustainability approach with the Bank’s future strategy and reports the value created as a result of its operations. In 2016 Turkey’s first Green/Sustainable Bond that was issued by TSKB received five awards on prestigious platforms such as Thomson Reuters, IFR, Bonds and Loans and EMEA Finance. In the following year, TSKB issued first “Subordinated Sustainable Bond” in the world. In 2018, TSKB released its first Integrated Annual Report. TSKB has been obtaining funds from mainly 12 DFIs which has been continuously increasing in number with the support of newcomers in alignment with TSKB’s funding diversification policy. These pioneering practices help TSKB to access new markets with value added advisory services. In order to perform these services, TSKB established its subsidiary Escarus which provides sustainability consultancy services. Besides, TSKB’s advisory services have been restructured in 2019. In this context, the Bank offers environmental, sustainability, carbon management, risk management and resilience and climate change management as well as other technical and financial areas.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)
550000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
With its valuable experiences, through its subsidiary Escarus Sustainability Consultancy, TSKB provides SMS and EMS, green bond issuance, reporting (CDP, sustainability and integrated report, carbon emission report) consultancy services to other companies both in finance and other sectors. With the reorganization of its advisory services in 2019, TSKB also offers environmental, sustainability, carbon management, risk management and resilience and climate change management advisory services. These services contributes to integrate climate relate issues to the agendas of the related companies with an organized structure. In the next couple of years, TSKB expects these sustainability advisory services to support its commission income. In 2019, TSKB provided 36 advisory services through its subsidiary Escarus. As of 2019 year-end, total revenues emanating from those projects has been $550K. The Bank also expects TSKB's advisory services to contribute to TSKB's revenues in the upcoming years.

Cost to realize opportunity
450000

Strategy to realize opportunity and explanation of cost calculation
TSKB has given 36 advisory services through its subsidiary Escarus company with a paid-in capital of $800K. The total labor costs of Escarus pertaining to year 2019 is approximately $450K.

Comment

Identifier
Opp5

Where in the value chain does the opportunity occur?
Upstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
Turkish government policies about renewable energy sector have been changing fast over the last few years and the Turkish government strongly supports the renewable energy investments in order to fulfill the electricity demand and maintain its own energy security. Additionally, feed-in tariff mechanism will be valid until 2021. This situation prompts the renewable energy investments in the next couple of years during 2020 as well. The government has been signalling that a new modified version of incentive mechanism is likely to be introduced following the expiration of the former one. As a result, the demand for TSKB’s renewable energy financing products is expected to stay lively.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Medium-high

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
6000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Renewable energy is a crucial part of climate change mitigation. Renewable energy investments have surged in the recent years with the declining cost of technology and established legislative promoting mechanism. TSKB’s renewable energy loans attained a weight of around 30% within the total loan portfolio. In the future, regulatory incentives or any other supports and new technological developments may boost the renewable energy investments which will contribute to TSKB’s financial strength. TSKB estimates that up to 2020, the potential for financing this area is about $250M. The net interest income from these investments is estimated as $6M on an annual basis.

Cost to realize opportunity
400000

Strategy to realize opportunity and explanation of cost calculation
TSKB, the first bank in Turkey to grant a loan linked to environmental protection and industrial pollution control, started intensive renewable energy financing in mid 2000s. TSKB has provided finance for 6,069 MW of renewable energy projects, so far. With these renewable energy projects, the Bank backs the acceleration of transition to a low-carbon economy through the prevention of 14.4 million tons carbon emission on an annual basis. Moreover, TSKB also supports EE and RE projects since 2013. The Bank financed more than USD 1 billion to 148 efficiency projects so far. In order to finance the aforementioned investments, TSKB provides international funds, most of which are aimed to use climate friendly investments in order to mitigate global climate change. These funds are developed with the coordination of development finance institutions (DFI) department. Through this coordination, DFI Team closely works with Engineering and Technical Advisory, Corporate Marketing and Project Finance

Departments in order to manage the activities for the better suitable fund raising and prompt utilization of medium to long-term funds from DFIs, international funds, developing customer relations and analysing the investments for renewable energy. On behalf of TSKB, all of these departments have a vision of assessing, implementing and financing sustainable energy investments. As having built in their daily business definitions, approximately $400K can be considered as the cost to manage all of these activities including inner capacity development, trainings and market research.

Comment

Identifier
Opp6

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
According to the water risk report of Turkey prepared by WWF, Turkey will confront with serious problems regarding water scarcity by 2030. In 2030, Turkey is expected to have an annual water potential of 1,120 cubic meters per capita. Some regions of Turkey are already faced with drought and water shortages due to the temperature increase. Therefore, number of investments which are related to decrease the water consumption and desalination are expected to increase. TSKB considers this as an opportunity that involves financing these new investments, increasing number of clients and developing new products for tackling climate change.

Time horizon
Long-term

Likelihood
Very likely

Magnitude of impact
Medium-high

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
1500000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Resource efficiency investments are expected to gain more importance in the near future and TSKB has financed water efficiency projects amounting to a total of $281M investment so far. On the other hand, TSKB set a target of financing 15 new EE/RE projects in 2017 – 2018 period. TSKB has achieved this target successfully as of 2018, having financed 9 EE and 10 RE projects. At least 10 new EE/RE projects are targeted for the 2019-2020 period. In 2019, number of total new EE/RE projects financed has been 7 and the target was maintained for 2020. Considering that water intense sectors such as cement, steel, tourism, chemical, automotive, plastics, textile etc. constitute 20% of the loan portfolio of TSKB, in the future this portion of the loan portfolio will conduct water consumption reduction and desalination projects which could create a new investment opportunity for TSKB that would be around $50M on an annual basis. The net interest income impact from these new investments is estimated as $1.5M.

Cost to realize opportunity
50000

Strategy to realize opportunity and explanation of cost calculation
TSKB targets to finance water efficiency projects in order to protect the natural resources. Especially technical team of TSKB specifically studies these projects. Also employees from various departments attend to water efficiency trainings, panels and summits related to water issues. TSKB's engineering team studies water scarcity issue. Marketing team seeks for water efficiency projects to finance such investments. Also, TSKB works on a project to secure water efficiency theme funds regarding climate mitigation projects from DFIs. The estimated cost of market and technical research, allocated working hours is approximately $50K.

Comment

Identifier
Opp7

Where in the value chain does the opportunity occur?
Upstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Other, please specify (Development of new funding themes and access to new funding)

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
TSKB has been proceeding its activities with mission of being the pioneering bank in sustainability growth of Turkey and also climate chance issues. This adopted manner has provided opportunity to access as well as secure climate specific loans, which comprise the 74% of the Bank's overall portfolio as of 2019. These loans are developed to tackle climate change through mitigation and adaptation investments. There are many things to do to support transition to a low-carbon economy, and enlarge the green markets of Turkey. In this way, TSKB is a partner of its stakeholders, including investors, International Financial Institutions, policy makers, NGOs, etc. In this manner,

TSKB has gained reputation and the opportunity that enables TSKB to access more, environmentally responsible and also long-term stakeholders in business.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
150000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
TSKB has a wide range of sustainable products. The collaboration with stakeholders enables TSKB to access both climate specific loans and investors in its long-term competitive success. Given the sustainability themed funding base, TSKB will continue to support sustainable finance. For this issue, TSKB is expected to sign nearly $400M sustainability themed loan agreements, $150M of which will be directly climate-related, in 2020. One of the Bank's KPI is the share of loans with sustainability theme in the overall loan portfolio. Having reached 74% as of 2019 year-end, the share of sustainability themed loans is targeted to be at least at 70% levels. TSKB also expects to receive higher demand for its other green products. Besides, thanks to our continuous relationships with DFIs, we spend dedicated efforts on capacity building in terms of following the latest trends and implementing the best practices with respect to sustainability and climate change issues.

Cost to realize opportunity
150000

Strategy to realize opportunity and explanation of cost calculation
TSKB has a well-structured Sustainability Management System (SMS) in which tasks and roles are defined clearly and distributed across different departments. The SMS is managed by the Sustainability Committee consisting of 3 board members and 3 executive vice presidents. The Sustainability Sub-Committee and its 7 working groups assist the Sustainability Committee in achieving its targets. The developed know-how on sustainability issues, built technical capacity in assessments of climate related benefits of the investments and environmental and social impact assessment capability help the institution to construct new thematic loans. Besides, all members of SMS play an important role in the management of SMS's activities. The System members, around 30 employees, create and/or support the basic management cost. It is approximately $150K as of 2019 which arises from the internal works, including man-hours of various department's staffs.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?
Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?
No, but we anticipate using qualitative and/or quantitative analysis in the next two years

C3.1c

(C3.1c) Why does your organization not use climate-related scenario analysis to inform its strategy?

TSKB has participated in the Phase II of the UN Environment Finance Initiative (UNEP FI) in the working group of the TCFD in 2019. Via this collaboration, TSKB's aim is to better understand the potential impacts of climate change on the Bank's corporate lending portfolio and how the Bank's strategies can be developed further to address potential climate-related risks and opportunities.

In this regard, TSKB has set up a specific team on TCFD reporting and started a robust capacity-building program, which will enable TSKB staff to conduct more advanced stress tests on the loan portfolios against a range of climate, energy and development scenarios. Considering the multifaceted nature and scale of the climate change problem, TSKB aims to assess various sets of physical and transitional risks and cascading impacts on Turkish economy and sectors.

TSKB is very well aware of the fact that slow and rapid onset extreme events with significant adverse impacts on economies already taking place all over the world. The Bank acknowledges that mitigating short-term risks associated with unavoidable climate change require sophisticated tools and skills other than scenario-based assessments which are used for assessing longer-term time horizons.

Following the publication of the TCFD recommendations in 2017, UNEP FI, together with 16 of the world's leading banks, set out on a year-long project to pioneer and further develop transition and physical assessment models and metrics to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities (Phase I). The contributions of the pilot project equipped participating banks and the banking industry at large to implement the recommendations. This understanding is vital for an industry whose core business is to manage risk.

Responding to the requests of both the initial TCFD Working Group and the wider UNEP FI banking membership, Phase II of the UNEP FI TCFD Banking Group, will build on the experience of the Pilot Phase I and bring in more diverse group of banks.

TSKB also utilizes the existing guidelines and technical notes to develop its internal skills and to tailor-made Turkey specific capacity building program.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Thanks to our sensitivity in environmental and social aspects besides our strong risk appraisal capability and our pioneering best practices in sustainability help us to secure thematic loans from DFIs as well as enabling us to raise inovative funding facilities such as green and sustainable bonds. Besides, the transition and physical risks driven by climate change shapes the customer needs and preferences. Given these factors, 74 percent of TSKB's loan portfolio accounts for sustainability themed investments. In addition, with its almost 70 years of deep expertise and accumulated know-how , the Bank can offer a wide range of advisory services in this context; such as environmental advisory, sustainability advisory, carbon management advisory, risk management and resilience advisory and climate change management advisory. Moreover through its subsidiary Escarus, TSKB provides SMS and EMS, green bond issuance, reporting (CDP, sustainability and integrated report, carbon emission report) advisory services to other companies in various sectors.
Supply chain and/or value chain	Yes	Sustainability, which also incorporates climate related issues, is well-integrated into our business model. The Bank has been proceeding its activities with mission of supporting the sustainable and inclusive development of Turkey. This dedicated manner and efforts have provided opportunity to access to thematic loans including climate specific loans. Consequently, the share of sustainability themed loans in TSKB's loan portfolio accounts for 74% as of 2019. Besides, there is a matrix organization at the Bank to include as much employees as possible into the sustainability working groups and sustainability management system to ensure that everyone has a common understanding of sustainability. That helps to foster new ideas and enhance the efficiency of the business model.
Investment in R&D	Yes	The developed know-how on sustainability issues, built technical capacity in assessments of climate related benefits of the investments and environmental and social impact assessment capability help the institution to construct new thematic loans. In this sense, sustainability sub-committee helps developing new funding themes with supranational finance institutions.
Operations	Yes	TSKB has a well-structured Sustainability Management System (SMS) in which tasks and roles are defined clearly and distributed across different departments. The SMS is managed by the Sustainability Committee and responsible for measuring and monitoring the direct impacts of the Bank's operations. Holding ISO14001 and 140064 certificates, TSKB is also exposed periodically to third party audits. This awareness has paved the way for more efficient cost management in terms of consuming natural resources such as paper, electricity, water, natural gas, etc. Besides, the Bank also tries to mitigate its direct effects driven by its operations by doing the required energy efficiency investments for its own buildings, when required. In order to decrease the greenhouse gas emissions, TSKB supplies its electricity from a distribution company, which uses renewable energy. Therefore, TSKB uses 100% green energy in all its offices.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Access to capital Assets Liabilities Provisions or general reserves	Thanks to our sensitivity in environmental and social aspects besides our strong risk appraisal capability and our pioneering best practices in sustainability help us to secure thematic loans from DFIs as well as enabling us to raise innovative funding facilities such as green and sustainable bonds in the international markets. As a result, 74 percent of our loan portfolio consists of sustainability investments. In addition, with its accumulated deep expertise and know-how , the Bank can offer a wide range of advisory services in this context; such as environmental advisory, sustainability advisory, carbon management advisory, risk management and resilience advisory and climate change management advisory. Last but not least, ESG principles are not only incorporated in our loan appraisal model, but also considered as an input in our loan monitoring model which determines the level of provisioning for the Bank's loans. In other words, we factor in climate related risks into our provisioning policy.

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

Historically sustainability lies at the heart of our business. We closely follow recent developments and best practices regarding climate change and sustainability at several platforms. Consequently, the importance of the climate risks in our business model and loan allocation processes accelerate day by day.

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy	Majority of the portfolio	Social, governance and environmental aspects including climate related issues are integrated into our credit policy. Before loan allocation, we make use of our ERET model, as explained in detail at this report. Also, these aspects are taken into consideration during loan monitoring.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based) +3 (upstream)

Base year
2016

Covered emissions in base year (metric tons CO2e)
928

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2019

Targeted reduction from base year (%)
2

Covered emissions in target year (metric tons CO2e) [auto-calculated]
909.44

Covered emissions in reporting year (metric tons CO2e)
768

% of target achieved [auto-calculated]
862.068965517242

Target status in reporting year
Underway

Is this a science-based target?
No, but we are reporting another target that is science-based

Please explain (including target coverage)
The absolute target of TSKB is to reduce average GHG emissions of 2012-2016 by 10% until the end of 2021. The road map to achieve this target is to decrease the emissions by 2% each year compared to the base year-(2012-2016 average). For year 2019, Science Based Targets initiative (SBTI) has not been developed to properly assess financial institutions' Scope 3 emissions against a 2°C trajectory so the SBTI cannot currently verify the Bank's targets (Scope 1, 2 and Scope 3) as fully aligned with the eligibility criteria. Because TSKB has submitted the attached commitment letter (please see in the attachments) to "Call to Action", SBTI will continue to recognize TSKB as a committed company on the Science Based Targets Initiative, CDP and "We Mean Business Coalition" websites. TSKB closely follows and assess the TCFD outputs, The related science-based target will be set and disclosed in the next reporting period.

Target reference number
Abs 2

Year target was set
2017

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based)

Base year
2016

Covered emissions in base year (metric tons CO2e)
530

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2019

Targeted reduction from base year (%)
100

Covered emissions in target year (metric tons CO2e) [auto-calculated]
0

Covered emissions in reporting year (metric tons CO2e)
0

% of target achieved [auto-calculated]
100

Target status in reporting year
Underway

Is this a science-based target?
No, but we are reporting another target that is science-based

Please explain (including target coverage)
TSKB measures its carbon footprint stemming from its operations annually since 2006 and offsets it by purchasing voluntary Gold Standard Carbon Certificate since 2009. In 2012, TSKB decided to verify greenhouse gas emissions for the organizational level by a third party. TSKB completed the audit on 7th September 2012. Since 2011, greenhouse gas emission of TSKB has been verified by a third party and since 2012, TSKB has been offsetting verified emissions by Gold Standard Carbon Credits annually. In the reporting period (2019), TSKB has offset Scope-1&2&3 emissions (768 ton CO2e) by Gold Standard Carbon Credit created by ITC Konya Aslım Landfill Gas Management Project.

Target reference number
Abs 3

Year target was set
2017

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 3 (upstream)

Base year
2016

Covered emissions in base year (metric tons CO2e)
398

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2019

Targeted reduction from base year (%)
100

Covered emissions in target year (metric tons CO2e) [auto-calculated]
0

Covered emissions in reporting year (metric tons CO2e)
0

% of target achieved [auto-calculated]
100

Target status in reporting year
Achieved

Is this a science-based target?
No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)
TSKB measures its carbon footprint stemming from its operations annually since 2006 and offsets it by purchasing voluntary Gold Standard Carbon Certificate since 2009. In 2012, TSKB decided to verify greenhouse gas emissions for the organizational level by a third party. TSKB completed the audit on 7th September 2012. Since 2011, greenhouse gas emission of TSKB has been verified by a third party and since 2012, TSKB has been offsetting verified emissions by Gold Standard Carbon Credits annually. In the reporting period, TSKB has offset Scope-1&2&3 emissions (768 ton CO2e) by Gold Standard Carbon Credit created by ITC Konya Aslım Landfill Gas Management Project.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?
Target(s) to increase low-carbon energy consumption or production

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number
Low 1

Year target was set
2009

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: energy carrier
Electricity

Target type: activity
Consumption

Target type: energy source
Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)
Percentage

Target denominator (intensity targets only)
<Not Applicable>

Base year
2009

Figure or percentage in base year
650

Target year
2021

Figure or percentage in target year
0

Figure or percentage in reporting year
0

% of target achieved [auto-calculated]
100

Target status in reporting year
Underway

Is this target part of an emissions target?
Yes, TSKB uses green-electricity in order to achieve zero-emission in Scope 2.

Is this target part of an overarching initiative?
Science-based targets initiative

Please explain (including target coverage)
Since July of 2009, TSKB has been consuming green electricity produced from renewable energy production plants and sourcing 100% electricity from the renewable energy company of Bereket Energy. The official document taken from Bereket Energy is attached in the further section below. TSKB revise its 5-year Strategic Plan each year. Based on the strategic plans, TSKB will continue to use the green electricity until the end of 2021.

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.
Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*		
Implementation commenced*		
Implemented*	6	826
Not to be implemented		

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Low-carbon energy consumption	Hydropower

Estimated annual CO2e savings (metric tonnes CO2e)
640

Scope(s)
Scope 2 (market-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
11500

Investment required (unit currency – as specified in C0.4)
0

Payback period
<1 year

Estimated lifetime of the initiative
<1 year

Comment
Until the decision is changed by the top management, TSKB will continue to use the green electricity. In the past years, green electricity usage had been resulting to 0.01 USD/kwh annual monetary savings. Due to the market conditions in the reporting period, TSKB has no annual monetary saving from green electricity usage.

Initiative category & Initiative type

Other, please specify	Other, please specify (Changes in operations)

Estimated annual CO2e savings (metric tonnes CO2e)
5

Scope(s)
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
5000

Investment required (unit currency – as specified in C0.4)
0

Payback period
<1 year

Estimated lifetime of the initiative
<1 year

Comment
Delivering reports in soft format & using both sides of paper while printing since 2010.

Initiative category & Initiative type

Energy efficiency in buildings	Lighting

Estimated annual CO2e savings (metric tonnes CO2e)
44

Scope(s)
Scope 2 (market-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
6400

Investment required (unit currency – as specified in C0.4)
2400

Payback period
<1 year

Estimated lifetime of the initiative
<1 year

Comment
Integrating sensors to the lighting units since 2010.

Initiative category & Initiative type

Fugitive emissions reductions	Other, please specify (Maintenance Program)

Estimated annual CO2e savings (metric tonnes CO2e)
106

Scope(s)
Scope 1

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
2240

Investment required (unit currency – as specified in C0.4)
3680

Payback period
<1 year

Estimated lifetime of the initiative
<1 year

Comment
Since 2012, refrigerants pipelines have been maintained periodically to prevent any leakage from the lines.

Initiative category & Initiative type

Other, please specify	Other, please specify (Changes in operation)

Estimated annual CO2e savings (metric tonnes CO2e)
1

Scope(s)
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
0

Investment required (unit currency – as specified in C0.4)
0

Payback period
<1 year

Estimated lifetime of the initiative
<1 year

Comment
Credit reports in digital format has been started to be delivered among managers with theirs track change format since 2012.

Initiative category & Initiative type

Transportation	Employee commuting

Estimated annual CO2e savings (metric tonnes CO2e)
30

Scope(s)
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
27000

Investment required (unit currency – as specified in C0.4)
0

Payback period
<1 year

Estimated lifetime of the initiative
<1 year

Comment
Since 2000, employees living on the Asian side of Istanbul, has been carried via water transportation rather than the highway for the Üsküdar-Kabataş line only. A ferry rented from a private company carries all the employees for this line which is a 4 km route. If these employees were carried on the highway the distance would be 10 km. Annually, the reduction in total km for personnel transportation (about 51000 km) provides 30 tons CO2e saving.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Financial optimization calculations	Semiannually, the activity data of identified emission sources is collected through work-flows. All related data has to be approved by manager of data-owner. GHG emissions from each source are determined by using Carbonmeter developed by TSKB and contains appropriate calculation methodologies. Distribution of emission sources has been analyzed. If a suitable solution is found, the monetary cost of implementation is calculated. TSKB reports these potential improvements in GHG emissions together with all environmental activities performed by ISO 14001-14064 Working Group (SMS team), annually. Since 2011, TSKB has started to publish its GHG Inventory report including that the results of carbonmeter are compared with GHG emissions of previous years and targets of reporting year, deviations are identified and if needed appropriate countermeasures are proposed. This document is submitted to ISO 14001 and 14064 Working Group Responsible, directly reporting to Sustainability Sub-Committee and Sustainability Committee of TSKB, and published each year. At the end of each year, ISO 14001 and ISO14064 Working Group Responsible presents results of TSKB GHG inventory report, environmental activities of SMS team and shows the all potential GHG reduction strategies to top management. After approval of reduction strategies for next year, ISO 14001 and ISO14064 Working Group plans and organizes their projects with specific targets and time schedule. Finally, after the implementation, the measurements proceed and a comparison with the old values is done to make sure of the emission reduction. All these steps about data management and calculation methodology for GHG inventory have been defined by a procedure which is integrated with Sustainability Management System. On 14th September of 2012, this procedure was published as “P-7: Greenhouse Gas Emissions” together with the first “Greenhouse Gas Emissions Inventory” report verified by a third party. The procedure has been revised according to new SMS Management Structure of TSKB. The 8th inventory report for 2019 had been published and verified again on April 2020.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?
Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation
Group of products

Description of product/Group of products
TSKB supports its customers by offering sustainable products and services that provide low carbon and high efficient solutions. Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. The share of sustainable finance loans have reached approximately 36% in renewable energy and approximately 5% for EE of the total loan portfolio as of 2019 year-end. Rate of sustainability themed loans in loan portfolio as at end of 2019 is 74%. By the end of 2019, TSKB funded renewable energy installed capacity has reached to 6069 MW and 294 projects, with a total investment amount of $10.4B of which $4.3B was committed by TSKB, between 2003 and 2019. As of 2019, TSKB allocated $1B to 148 EE and RE projects. Annual GHG emissions in Turkey were reduced by 14.4M tons by financing these sustainable products including renewable energy, EE and RE investments. Additionally, TSKB issued its Green/Sustainable Bond which is the first issuance in Turkey and CEEMEA in 2016. TSKB has set an example in the industry in tackling climate change with this new product. The bond has a size of $300M and a tenor of 5 years. In 2017, TSKB issued its first subordinated bond, which was also a Subordinated Sustainable Bond and was thus crowned as the first of its kind in the world. The bond issuance worth $300M was four times oversubscribed through investor diversification, reflecting the long-term confidence investors had in the Bank’s issuance. In January 2018, TSKB issued the first Eurobond of the year in the sector. The issuance was worth $350M and had a maturity of 5 years. In order to report renewable energy funding results based on carbon dioxide reduction and performance indicators, TSKB calculated Turkey’s emission factor for its own internal use. Starting from 2009, this emission factor is required to calculate and report carbon reductions in renewable energy and EE investments. To sum up, with its successful sustainable products and services, TSKB has been awarded by international platforms such as Euromoney, Financial Times, IFC, CDP, Global Capital and IFR. TSKB, who became a signatory to the United Nations Global Compact in 2010, contributes directly or indirectly to 15 of the 17 Sustainable Development Goals.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (Finance Sector Products (Climate change))

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types
Please select

Comment

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start
January 1 2012

Base year end
December 31 2012

Base year emissions (metric tons CO2e)
530

Comment
Normally, TSKB base year is defined as the years between 2012 and 2016. The system does not allow to enter the date 01.01.2012 - 31.12.2016 as base year interval due to the fact that base year start and end is longer than 365 days.

Scope 2 (location-based)

Base year start
January 1 2012

Base year end
December 31 2012

Base year emissions (metric tons CO2e)
0

Comment
Normally, TSKB base year is defined as the years between 2012 and 2016. The system does not allow to enter the date 01.01.2012 - 31.12.2016 as base year interval due to the fact that base year start and end is longer than 365 days.

Scope 2 (market-based)

Base year start
January 1 2012

Base year end
December 31 2012

Base year emissions (metric tons CO2e)
0

Comment
Normally, TSKB base year is defined as the years between 2012 and 2016. The system does not allow to enter the date 01.01.2012 - 31.12.2016 as base year interval due to the fact that base year start and end is longer than 365 days.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

Defra Voluntary 2017 Reporting Guidelines
IPCC Guidelines for National Greenhouse Gas Inventories, 2006
ISO 14064-1
Other, please specify (IPCC Fifth Assessment Report)

C5.2a

(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

IPCC Fifth Assessment Report (AR5 – 100 year)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
362

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are not reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
<Not Applicable>

Scope 2, market-based (if applicable)
0

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?
Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source
Water stations (HFC-134A) and refrigerators (HFC-600A)

Relevance of Scope 1 emissions from this source
Emissions are relevant and calculated, but not disclosed

Relevance of location-based Scope 2 emissions from this source
Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)
Emissions are not relevant

Explain why this source is excluded
Since emissions from fugitive gas of HFC-134A used in water stations and HFC-600A used in refrigerators are less than 1 % of the total GHG emissions of TSKB, it has been decided that the HFC-134A and HFC-600A contributions to total GHG emissions have been considered as an additional uncertainty of Scope-1 (~0.41 %)

Source
TSKB Sarıyer Forest

Relevance of Scope 1 emissions from this source
No emissions from this source

Relevance of location-based Scope 2 emissions from this source
Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)
Emissions are not relevant

Explain why this source is excluded
TSKB has a forest in Sarıyer. It has not been included in our disclosure. It is believed that the future addition of this sink does not significantly change the TSKB's footprint.

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
6

Emissions calculation methodology
EPA (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emission due to paper consumption has been determined according to the methodology given in EPA.

Capital goods

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Upstream transportation and distribution

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Waste generated in operations

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
300

Emissions calculation methodology
IPCC 2006, Defra, GHG Protocol (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
GHG Scope-3 emissions due to taxi usage, bus and air travels have been analyzed as emissions from business travels. Defra has been the reference for the determination of emissions from air travels. Based on the methodology of IPPCC and GHG Protocol, emissions from business travels have been determined.

Employee commuting

Evaluation status
Relevant, calculated

Metric tonnes CO2e
100

Emissions calculation methodology
IPCC 2006, Defra, GHG Protocol, EPA (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
GHG Scope-3 emissions from personnel service busses and personnel ferry travelling from Üsküdar to Kabataş have been categorized as emissions of purchased goods and services. IPCC, Defra and GHG protocol has been used for the calculation of emissions from employee commuting.

Upstream leased assets

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Downstream transportation and distribution

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Processing of sold products

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Use of sold products

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

End of life treatment of sold products

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Downstream leased assets

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Franchises

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Other (upstream)

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

Other (downstream)

Evaluation status
Not relevant, calculated

Metric tonnes CO2e
0

Emissions calculation methodology
There is no specific methodology used for this source (Please see the "2019 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
This source is not one of the TSKB emission sources in Scope-3. Therefore, it equals to zero.

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.000003011

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
362

Metric denominator
unit total revenue

Metric denominator: Unit total
120226732

Scope 2 figure used
Market-based

% change from previous year
14.1

Direction of change
Decreased

Reason for change
Compared to 2018, TSKB GHG emissions in Scope-1&2 decreased from 451 tons to 362 tons CO2e while TSKB total revenue has been carried our around $120,226,732 in 2019. Due to decrease in total revenue and decrease in Scope-1&2 emission, our intensity rate has been decreased by %14.1.

Intensity figure
1.124

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
362

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
322

Scope 2 figure used
Market-based

% change from previous year
17.99

Direction of change
Decreased

Reason for change
Compared to 2018, TSKB GHG emissions in Scope 1&2 decreased from 451 tons to 362 tons CO2e and TSKB full time equivalent employee was decreased by 2%. Main reason for %17.99 decrease is arising from the decrease in number of employee in the year 2019 and decrease in Scope-1&2 emissions comparing to the last year.

Intensity figure
0.0216

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
362

Metric denominator
square meter

Metric denominator: Unit total
16784

Scope 2 figure used
Market-based

% change from previous year
20

Direction of change
Decreased

Reason for change
The main reason behind this change is the decrease in Scope-1&2 emissions comparing to 2018. There has been no change regarding squaremeter usage in TSKB buildings in the year 2019.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	TSKB uses green-electricity in its buildings. Thus, there is no emission released for electricity consumption activity.
Other emissions reduction activities		<Not Applicable>		Not relevant.
Divestment		<Not Applicable>		Not relevant.
Acquisitions		<Not Applicable>		Not relevant.
Mergers		<Not Applicable>		Not relevant.
Change in output		<Not Applicable>		Not relevant.
Change in methodology		<Not Applicable>		Not relevant.
Change in boundary		<Not Applicable>		Not relevant.
Change in physical operating conditions	87	Decreased	19.7	Comparing to previous year, TSKB Scope1&2 GHG emissions decreased 19.4% because of a decrease of 99 tons CO2e in the fugitive emissions since there was no gas leakage in 2019 like it happened in 2018. The emissions from natural gas consumption is same with 2019 period according to year 2018. Furthermore, the total natural gas consumption as m3 decreased while considering the employee number and active working area of TSKB purged from affiliate companies.
Unidentified		<Not Applicable>		Not relevant.
Other		<Not Applicable>		Not relevant.

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?
Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?
More than 90% but less than or equal to 95%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)		1108	1108
Consumption of purchased or acquired electricity	<Not Applicable>	1064		1064
Consumption of purchased or acquired heat	<Not Applicable>		557	557
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	1064	1665	2729

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description
Waste

Metric value
14714

Metric numerator
tons

Metric denominator (intensity metric only)

% change from previous year
16

Direction of change
Increased

Please explain
Comparing to 2018, recycled waste (including glass,plastics,paper) has been increased by 16%. Effective waste collection in accordance with the zero-waste management system played key role in the increase.

Description
Energy usage

Metric value
0.17

Metric numerator
kwh

Metric denominator (intensity metric only)
m²*capita

% change from previous year
5.2

Direction of change
Decreased

Please explain
Due to the decrease in electricity consumption in 2019, intensity figure defined above has decreased around 5% comparing to previous year.

Description
Energy usage

Metric value
0.01

Metric numerator
m3

Metric denominator (intensity metric only)
m²*capita

% change from previous year
0

Direction of change
No change

Please explain
The natural gas consumption in 2019 almost the same with the previous year thus natural gas consumption based on the intensity figure (m3 NG/m2.capita) remains the same.

Description
Other, please specify (Water Consumption)

Metric value
19.6

Metric numerator
m3

Metric denominator (intensity metric only)
capita

% change from previous year
11.4

Direction of change
Increased

Please explain
Total water consumption per capita of TSKB in 2019 has increased around 11% comparing to the previous year.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
TSKB-Scope 1&2_2019.pdf

Page/ section reference
Page 1/3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
TSKB-Scope 1&2_2019.pdf

Page/ section reference
Page 1/3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 2 approach
Scope 2 market-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
TSKB-Scope 1&2_2019.pdf

Page/ section reference
Page 1/3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category
Scope 3: Purchased goods and services

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
TSKB-Scope 3_2019.pdf

Page/section reference
Page 1/3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 3 category
Scope 3: Business travel

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
TSKB-Scope 3_2019.pdf

Page/section reference
Page 1/3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 3 category
Scope 3: Employee commuting

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
TSKB-Scope 3_2019.pdf

Page/section reference
Page 1/3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?
Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C7. Emissions breakdown	Year on year change in emissions (Scope 1)	Reasonable assurance by third parties	GHG emission breakdowns of TSKB has been verified by BSI for the year 2019. Please see the attacment in which relevant statements can be found. TSKB-Scope 1&2_2019.pdf
C7. Emissions breakdown	Year on year change in emissions (Scope 2)	Reasonable assurance by third parties	GHG emission breakdowns of TSKB has been verified by BSI for the year 2019. Please see the attacment in which relevant statements can be found. TSKB-Scope 1&2_2019.pdf
C7. Emissions breakdown	Year on year change in emissions (Scope 3)	Limited assurance by third parties	GHG emission breakdowns of TSKB has been verified by BSI for the year 2019. Please see the attacment in which relevant statements can be found. TSKB-Scope 3_2019.pdf
C9. Additional metrics	Other, please specify (Water & recycled waste data)	Limited Assurance by third parties	Water & recycled waste datas were assured by E&Y within the scope of TSKB 2019 Integrated Annual Report, which is attached below. TSKB Allocation & Impact Reporting - 2020.pdf
C9. Additional metrics	Other, please specify (Electricity & Natural Gas Consumptions)	Reasonable assurance by third parties	Electricity & Natural Gas Consumption data were assured by E&Y within the scope of TSKB 2019 Integrated Annual Report, which is attached below. TSKB Allocation & Impact Reporting - 2020.pdf
C8. Energy	Other, please specify (Renewable energy usage)	Reasonable assurance by third parties	Green energy usage of TSKB has been verified by BSI for the year 2019. TSKB_Integrated Report 2019.pdf TSKB - Green Energy Usage Letter (Aydem).pdf TSKB GHG Inventory Report - 2019.pdf
C6. Emissions data	Other, please specify (GHG Emission Inventory Report)	GHG Emission Inventory Report 2019	GHG Emission Inventory Report 2019, which is verified by BSI, is attached below. TSKB GHG Inventory Report - 2019.pdf
C2. Risks and opportunities	Other, please specify (Financial Data, Renewable energy products, Emissions reduction activities, Ratio of sustainable themed loans, Emissions reduction activities)	Limited Assurance by third parties	All the relevant figures are accessible via TSKB 2019 Integrated Annual Report, which is attached below. TSKB_Integrated Report 2019.pdf
C0. Introduction	Other, please specify (Financial data)	Related data mentioned in the section.	All the relevant figures are accessible via TSKB 2019 Integrated Annual Report, which is attached below. TSKB_Integrated Report 2019.pdf
C3. Business strategy	Renewable energy products	Related data mentioned in the section.	All the relevant figures are accessible via TSKB 2019 Integrated Annual Report, which is attached below. TSKB_Integrated Report 2019.pdf
C0. Introduction	Other, please specify (ISO Certificates)	ISO 14001 and ISO 14064 certificates	All the relevant certificates are attached below. TSKB-Scope 3_2019.pdf TSKB - ISO 14001 - EMS 590918.pdf TSKB-Scope 1&2_2019.pdf
C12. Engagement	Other, please specify	C12.4 - publishing information about our response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response	We are disclosing relevant information in TSKB 2019 Integrated Annual Report. TSKB_Integrated Report 2019.pdf
C11. Carbon pricing	Other, please specify (Carbon Offset Certificate)	In the reporting period (2019), TSKB has offset Scope-1&2&3 emissions (768 ton CO2e) by Gold Standard Carbon Credit created by ITC Konya Aslım Landfill Gas Management Project.	oluntary Carbon Offsetting certificate of the year 2019 and Gold Standard approval letter are attached below . TSKB - Gold Standard Confirmation Letter.pdf TSKB - Carbon Footprint Offsetting Certificate.pdf

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase
Credit purchase

Project type
Landfill gas

Project identification
In the reporting period (2019), TSKB has offset Scope-1&2&3 emissions (768 ton CO2e) by Gold Standard Carbon Credit created by ITC Konya Aslım Landfill Gas Management Project.

Verified to which standard
Gold Standard

Number of credits (metric tonnes CO2e)
768

Number of credits (metric tonnes CO2e): Risk adjusted volume
768

Credits cancelled
Please select

Purpose, e.g. compliance
Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?
Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price
Navigate GHG regulations
Stakeholder expectations
Change internal behavior
Drive energy efficiency
Drive low-carbon investment
Identify and seize low-carbon opportunities
Supplier engagement

GHG Scope
Scope 1
Scope 2
Scope 3

Application
Based on its internal impacts (consumption of natural resources), TSKB calculates its carbon emissions each year. These emissions are verified according to ISO 14064 by an accredited 3rd party consultant since 2012 and offset by purchasing voluntary Gold Standard Certificate annually, since 2009.

Actual price(s) used (Currency /metric ton)

Variance of price(s) used
Differentiated pricing methodology is used while gathering offers from different members in Voluntary Emission Market in which many renewable energy based power plants has Gold Standards verified carbon certificates. Off-set price range is around 1-5 USD/ton CO2e in Voluntary Emission Market in Turkey.

Type of internal carbon price
Offsets

Impact & implication
When renewable energy projects financed by TSKB include plans to obtain voluntary VCS or Gold Standard Certificate to sell in the voluntary carbon market, this revenue is considered in the cash flow. In the last seven years, TSKB did not finance any greenfield or significant capacity increase investments of high carbon emitting industry projects. For this reason, there has not been a necessity to consider an internal shadow price on carbon in the cash flow studies yet. It is also anticipated that regulations will be set regarding CO2 taxation and/or ETS mechanism in the near future in Turkey. TSKB pursues carbon related activities closely on government and private sector sides. Also, TSKB has capability to reflect carbon price to the investment project assessment procedure immediately, when relevant regulations are developed and implemented. In addition, TSKB's GHG emissions are verified according to ISO 14064 by an accredited 3rd party consultant since 2012 and offset by purchasing voluntary Gold Standard Certificate annually, since 2009. It is also anticipated that regulations will be set regarding CO2 taxation and/or ETS mechanism in the near future in Turkey. TSKB pursues carbon related activities closely on government and private sector sides. Also, TSKB has capability to reflect carbon price to the investment project assessment procedure immediately, when relevant regulations are developed and implemented. In addition, TSKB's GHG emissions are verified according to ISO 14064 by an accredited 3rd party consultant since 2012 and offset by purchasing voluntary Gold Standard Certificate annually, since 2009.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Compliance & onboarding

Details of engagement

Other, please specify (Environmental and social impacts are integrated into supplier selection processes.)

% of suppliers by number

50

% total procurement spend (direct and indirect)

51

% of supplier-related Scope 3 emissions as reported in C6.5

24.6

Rationale for the coverage of your engagement

TSKB has a headquarter in Istanbul consisting of 2 buildings and a branch in Ankara Province. It has several suppliers engaged primarily in catering, employee transportation and stationery & office stuff services. Environmental and social adverse impacts of the suppliers are principally taken into consideration in prioritization of the engagements.

Impact of engagement, including measures of success

TSKB has developed good business relationships with catering and transportation service suppliers (ferry & service buses) in terms of their environmental and social performance. These 3 companies represent 51% of TSKB's total spend among all the other suppliers. The catering enterprise has been certified with ISO 14001 certificate to comply with the prerequisite of TSKB to work with. TSKB checks the persistence of the certificate in annual meetings with the Company. On the other hand, the entire emissions caused from highway and ferry transportation are calculated individually by TSKB engineers and declared in "TSKB Greenhouse Gas Emissions Inventory" every year. A softcopy of this report is sent to the Company in order to inform them about their results. TSKB shows best effort to make the Company set GHG emission targets to improve their own performance in this field. Moreover, TSKB offsets the emission sourced from employee transportation annually which depends on the engagement between the Company & TSKB who are in contact by monthly meetings and telephone for safety information flow. To conclude, TSKB has adopted the approach that requires these companies to apply best practices in their workplaces and encourages them to improve environmental and social performances while reducing their GHG emissions.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Education/information sharing

Details of engagement
Share information about your products and relevant certification schemes (i.e. Energy STAR)

% of customers by number

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)
Please select

Please explain the rationale for selecting this group of customers and scope of engagement
Under its Sustainability Policy framework, TSKB launched a well-structured Sustainability Management System in 2005 which has been certified with ISO 14001 since 2007. Under SMS, TSKB has a particular procedure to manage environmental and social risks arise from lending activities. Within the procedure, TSKB developed an environmental and social risk evaluation tool on voluntary basis called ERET in 2005, in order to identify and manage external risks related with the lending activities of TSKB. The model is based on studying the environmental impacts of investment projects subject to credit evaluation and other activities of the project owner with both current and future perspective. It defines the dimensions of the environmental risk, clarifies acceptable limits for the risks involved and ensures that the project complies with the general lending policies of TSKB. It also covers reducing/offsetting potential risks and the related environmental and social action plans to reduce the environmental and social impacts. In case of a high environmental and social risk factor, a plan is prepared in cooperation with the client on how to reduce the impacts and to trace them. This is the way of TSKB in building the engagement with its clients to improve their climate change tackling strategies, primarily through requiring applying best practices in their investments. TSKB supports its clients by offering sustainable products and services that provide low carbon and high efficient solutions.

Impact of engagement, including measures of success
Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. The share of sustainability themed loans is 74% of the portfolio as of 2019 year-end. For renewable energy finance, TSKB financed 294 projects varying from hydro to solar, wind, biomass and geothermal, with a 6,069 MW total installed capacity representing 14% of Turkey's total installed capacity. TSKB with its wide experience and technical knowledge gained in renewable energy sector, assists and encourages investors in this field. Moreover, TSKB calculates financed investments' GHG emission to use in internal and external reports with the corporation of clients. As a development bank, TSKB takes into consideration financed investments' contribution to the national development and climate change strategy of the country which requires a strong engagement with its customers. By renewable energy and energy efficiency investments, TSKB contributes to low-carbon and environmentally friendly economic growth and development by annual CO_2e emission reduction by 14.4 million tons. Also, as of 2019, 1.2M m3 of water savings have been realized annually by financing resource efficiency investments from various industries like cement, steel, tourism, chemical, automotive, plastics, textile etc.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?
Direct engagement with policy makers
Trade associations
Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Climate finance	Support	TSKB has been a member of leading national NGOs, which advocate tackling climate change with collaboration of private sector. Turkish Business Council of Sustainable Development (TBCSD) and the Turkish Industry and Business Association TUSIAD's Environment and Climate Change Working Group, focusing on climate change issues especially.	TSKB attends meetings of working groups to discuss climate change related issues and seek for solutions with industry sector participants. The outcomes of the meetings are shared with related authorities to orient developing policies towards climate change issues.
Cap and trade	Support	The Environment and Urbanization Ministry carries out the Partnership for Market Readiness Project (PMR) which is supported by the World Bank to evaluate different carbon pricing instruments in the country. As part of the project, the Ministry holds several consultation and informative meetings which TSKB also attends.	TSKB supports development of convenient regulations for carbon cap, trade and/or tax according to national carbon market dynamics. TSKB attends these meetings regularly to follow the progress closely and provides feedback if required.
Adaptation or resilience	Support	Turkish Ministry of Development carries out a project called "Due Diligence for Turkey under the UN Sustainable Development Goals". The project aims to establish the current status of Sustainable Development Goals and Objectives in our country, identify those goals that overlap with the policies and priorities of Turkey, determine the areas in which our country lacks policies, projects and indicators in consideration of the goals, and develop policy recommendations.	Using its experience in sustainable development, TSKB was involved in this major project as a stakeholder in 2018. The project called "Due Diligence for Turkey Under the UN Sustainable Development Goals" kicked off by the Turkish Ministry of Development in order to establish the current status of SDGs in Turkey is coordinated by TSKB and Escarus, a TSKB subsidiary offering consultancy services on sustainability.
Cap and trade	Support	Since 2015/COP21, different employees from different departments of TSKB attend United Nations Climate Change Conference of Parties to share the Bank's expertise in international arena as invited panel speakers at the global summit.	Two employees attended COP25 in 2019. One of attendees participated as a speaker at a panel and shared experiences on myriad fields from sustainable banking to climate change mitigation and adaptation.
Climate finance	Support	TSKB is a member of International Development Finance Club, IDFC. Since 2011, the IDFC has conducted a periodic mapping exercise of its member institutions' contributions to green finance. The green mapping report exists to illustrate the contributions that IDFC members provide to green and climate finance.	TSKB annually reports climate change finance data to IDFC to support the study. 2019 report is given in the following link. https://www.idfc.org/wp-content/uploads/2019/12/idfc_report_final-2.pdf
Climate finance	Support	The Sustainable Banking Network (SBN) is a unique community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice. To date, 15 countries, including Turkey, have launched national policies, guidelines, principles, or roadmaps focused on sustainable banking.	In 2018, TSKB has fulfilled SBN survey requested by BDDK, to demonstrate its contribution to Turkey's sustainable banking capacity.
Climate finance	Support	The joint public-private sector Green Finance Working Group (GRFIN) brings together key stakeholders to identify and promote capital markets solutions that support the development and growth of green finance. GRFIN includes representatives from major institutional investors, commercial banks, ratings agencies and other interested stakeholders, as well as public sector collaborators. Broad themes covered by GRFIN include scaling the green finance market, collaboration with official sector initiatives and translating political momentum to tangible action that facilitates market development.	TSKB is a member of GRFIN Working Group since its foundation. TSKB is the only member institution from Turkey. The first meeting was held on July 12, 2016. The group comes together 2-3 sessions annually.
Climate finance	Support	The IIF Sustainable Finance Working Group (SFWG) brings together key stakeholders to identify and promote capital markets solutions that support the development and growth of sustainable finance. The SFWG includes representatives from global banks, major institutional investors, credit ratings agencies, consultancies and other interested parties, as well as public sector collaborators. The SFWG has four subgroups, which cover a range of themes including: - Engagement with Regulators and Policymakers (including the Central Banks and Supervisors Network for Greening the Financial System); - Disclosure and Data (including the work of the Task Force for Climate-Related Financial Disclosures); - Taxonomy and Impact Investment (defining and scaling up sustainable finance); - Climate Economics (understanding the impact of environmental, social and governance (ESG) risks for the global economy and financial stability).	TSKB is active in Taxonomy and Impact Investment sub-group. TSKB is attending the IIF Annual Autumn Meetings, as well as the IIF SFWG meetings held. The last meeting TSKB attended was held on November 2019 for the IIF general meetings, where for SFWG TSKB attended in June 2019 in London. TSKB also attends regularly to the monthly update meetings which are organised as online meetings.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Turkish Industry and Business Association

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

TUSIAD, one of the most important NGOs of Turkish private sector who has a significant representative capacity of the economic activity in Turkey. Its activities are aimed at creating a social order based on the competitive market economy and sustainable development.

How have you influenced, or are you attempting to influence their position?

TUSIAD established the Sustainable Development Roundtable (SDR) to promote sustainable development in the country through the contribution of private sector. TSKB is a member of SDR and represented by the Bank's CEO. In order to reach SDR targets, the Climate Change and Environment Working Group has been constituted. TSKB engineers attend meetings of this working group to discuss climate change related issues and seek for solutions with industry sector participants. The outcomes of meetings are shared with related authorities to orient developing policies towards climate change issues.

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

Since 2009, TSKB carried out the presidency of **The Banks Association of Turkey (TBA)** Sustainable Finance Working Group and re-elected once again in 2019. TSKB undertakes the necessary studies and closely cooperates with other members. TSKB will continue to be influential and increase its contribution to the Working Group in order to develop a common sustainable finance understanding in the finance sector.

TSKB supports sustainable development activities in Turkey by taking active roles in NGOs.

- TSKB is a member of T**urkish Business Council of Sustainable Development (BCSD Turkey)** and has been appointed as a member of board of directors. TSKB is in the "energy", "circular economy", "sustainable finance" and "women employment and equal opportunities" working groups of BCSD Turkey.
- TSKB is one of the founding members in 2011 of **International Development Finance Club (IDFC)**, which is a network of 26 national and bilateral development banks working together to implement the SDGs and the Paris Agreement by joining forces as a platform to promote sustainable investment. TSKB is an active member of IDFC through several topics by coordinating the Gender Equality Working Group, participating to the biodiversity and SDG working groups and providing an in-kind contribution to the IDFC Climate Facility by staffing the Coordination Unit.
- TSKB is a member of **D20-Long Term Investors Club (LTIC)** which brings together worldwide institutions, mainly from G20 countries, committed to long-term investment, encouraging cooperation and fostering the right conditions for sustainable growth.
- TSKB is among the founding members of the **European Association of Long-Term Investors (ELTI)** which gathers 31 long-term European investors with the goal of promoting long-term investment in close alignment with the global objectives to foster sustainable, smart and inclusive growth and job creation.
- TSKB is a member of **TUSIAD**'s Environment and Climate Change Working Group, focusing on climate change issues especially.
- In December 2016, TSKB also became a member of **ERTA / Integrated Reporting Network Turkey.**
- TSKB is a member of the **Global Compact Turkey Network** and plays an active role in its activities.
- TSKB is a stakeholder of several volunteer initiatives such as **GRI, UNGC, UNEP – FI, TCFD, CDP**, etc. The aim of TSKB by being a member of these organizations is not only submitting reports about its enhancements, but also to initiate awareness regarding climate change issues in the sector.

Apart from these activities, TSKB actively responds to questionnaires and official opinion requests of drafts reports of the Ministries and Government including environment, energy, climate change topics.

Through its good relations with policy makers and public institutions and its power to provide independent opinions, TSKB;

- Contributes to the country's economy and development
- Provides independent opinions for regulations, policies, etc.
- Serves as a bridge between private sector and public sector
- Creates diversity of funds for economic development
- Contributes to the development of the market and legislation work.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

TSKB's direct and indirect activities that influence policy on climate change are coordinated and managed by the Sustainability Committee. The Committee consists of three Board Members and three Executive Vice Presidents. Main duties and responsibilities of the Committee are defining the Bank's sustainability vision and strategy, formulating applicable action plans, coordinating associated activities according to the Sustainability Policy, and its supplementary policies. Under Sustainability Committee, there is the Sustainability Sub - Committee, consisting of several members from different departments, reporting directly to the Sustainability Committee. One of the responsibilities of the Sub-Committee is implementing action plans to achieve the Sustainability Committee's targets which indicates that overall climate change strategy is integrated into all direct and indirect activities of the Bank by the established SMS.

Besides, the SMS assists Sustainability Committee on climate related issues. Not only climate change policies and strategy but also, duties and responsibilities, activities to be done, time plans, bi-annual progression reports are documented within the SMS framework. That helps Sustainability Committee to ensure that policies and strategies are consistent with each other and the entire process recorded within a well-structured management system.

TSKB has published its "Climate Change Declaration" in 2016, stating clearly its strategy and goals regarding climate change. The declaration briefly explains how TSKB's main activities are managed in consistency with its climate change strategy. It is publicly available in TSKB's website in the following link.
http://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking

Moreover, TSKB has published its first "Integrated Report" in 2016 which is a document that involves sustainability approach and the Bank's future strategy. In the development phase of the report, valuable opinions and feedbacks of employees from various management levels through workshops were taken into consideration in order to enable employees to take part in the process. Thus,their contribution played a crucial role in both preparation of the report and building climate change strategy of the Bank. TSKB continued publishing its integrated report also in 2017. In 2018, the Bank published its first integrated annual report.

TSKB provides a comprehensive framework which incorporates TSKB's sustainable banking strategy and facilitates the follow up and tracking of the information with regards to climate change mitigation, climate-related risk management and GHG emission reduction. TSKB has a dedicated database system to track yearly production and CO2 emission reduction figures of its renewable energy portfolio. Same database system is used also for energy efficiency and resource efficiency projects to track the benefits of these projects. Without this system, it would not be possible to issue a comprehensive integrated report containing the benefits of the projects financed by TSKB.

In addition, TSKB is supporting IDFC Climate Facility which has been launched in 2019 as an operational and innovative tool to strengthen knowledge and leverage resources in the field of climate change mitigation and adaptation. The Facility aims at supporting IDFC members to further integrate climate change into their mandates, develop innovative and more flexible financial products, mainstream climate finance into operations, and develop private sector engagement as well as to reinforce collaboration and knowledge sharing between members.

C12.4

(C12.4) Have you published information about your organization’s response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In mainstream reports

Status
Complete

Attach the document
TSKB_Integrated Report 2019.pdf

Page/Section reference
Natural Capital (Page 70-87)

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Other metrics

Comment
TSKB measures and monitors its direct impacts and consumptions. All metrics are disclosed in a yearly comparison at our integrated annual report. The integrated annual report also covers the Bank's sustainability strategy, governance structure, targets as well as its stance on how it perceives and deals with climate change risks&opportunities.

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking	In 2019 TSKB has participated in the Phase II of the UNEP FI in the working group of the TCFD. Through this collaboration, TSKB aims to better understand the potential impacts of climate change on its corporate lending portfolio and how the Bank’s strategies can be developed further to address potential climate-related risks and opportunities. TCFD-related works are carried out by two working groups which try to conduct stress tests on the loan portfolios against a range of climate, energy and development scenarios. TSKB is very well aware of the fact that slow and rapid onset extreme events with significant adverse impacts on economies already taking place all over the world. The Bank acknowledges that mitigating short-term risks associated with unavoidable climate change require sophisticated tools and skills other than scenario-based assessments which are used for assessing longer-term time horizons. In 2020 TSKB aims to further intensify its efforts regarding climate-related risks assessment and apply the TCFD recommendations. TSKB has become a Founding Signatory of the UNEP FI Principles for Responsible Banking, officially launched at the 2019 United Nations General Assembly on 22 September 2019. The UNEP FI Principles are supported by a strong implementation framework that defines clear accountabilities and requires each bank to set, publish and work towards ambitious targets. By creating a common framework that guides banks in growing their business and reducing risks through supporting the economic and social transformation required for a sustainable future, the Principles pave the way for the transformation to a sustainable banking industry. Pursuant to Principle 2 "Impact and Target Setting", TSKB seeks to further increase its positive impacts and reduce negative impacts by assessing the climate-related impacts and set targets where it has the most significant impacts. TSKB will continue financing climate related investments such as renewable energy, energy efficiency and resource efficiency. In line with Principle 6 “Accountability”, TSKB will focus its efforts where it have and can have the most significant impact and mobilize its products and services to facilitate the economic transition to a low carbon economy.
Industry initiative	UNEP FI Principles for Responsible Banking UNEP FI TCFD Pilot	In 2019 TSKB has participated in the Phase II of the UNEP FI in the working group of the TCFD. Through this collaboration, TSKB aims to better understand the potential impacts of climate change on its corporate lending portfolio and how the Bank’s strategies can be developed further to address potential climate-related risks and opportunities. TCFD-related works are carried out by two working groups which try to conduct stress tests on the loan portfolios against a range of climate, energy and development scenarios. TSKB is very well aware of the fact that slow and rapid onset extreme events with significant adverse impacts on economies already taking place all over the world. The Bank acknowledges that mitigating short-term risks associated with unavoidable climate change require sophisticated tools and skills other than scenario-based assessments which are used for assessing longer-term time horizons. In 2020 TSKB aims to further intensify its efforts regarding climate-related risks assessment and apply the TCFD recommendations. TSKB has become a Founding Signatory of the UNEP FI Principles for Responsible Banking, officially launched at the 2019 United Nations General Assembly on 22 September 2019. The UNEP FI Principles are supported by a strong implementation framework that defines clear accountabilities and requires each bank to set, publish and work towards ambitious targets. By creating a common framework that guides banks in growing their business and reducing risks through supporting the economic and social transformation required for a sustainable future, the Principles pave the way for the transformation to a sustainable banking industry. Pursuant to Principle 2 "Impact and Target Setting", TSKB seeks to further increase its positive impacts and reduce negative impacts by assessing the climate-related impacts and set targets where it has the most significant impacts. TSKB will continue financing climate related investments such as renewable energy, energy efficiency and resource efficiency. In line with Principle 6 “Accountability”, TSKB will focus its efforts where it have and can have the most significant impact and mobilize its products and services to facilitate the economic transition to a low carbon economy.
Commitment	Please select	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	Explained in C-FS14.1c.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	<Not Applicable>	Explained in C-FS14.1c.

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 "Investments" emissions or alternative carbon footprinting and/or exposure metrics)

Even though it is not yet ratified by the parliament, Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. The next step is expected to be a regulation concerning the cap and trade system and/or taxation for the carbon. Companies in energy-intense sectors will have to invest in emission reduction or energy-efficiency & resource efficiency practices to comply with the regulations.

Also, a potential cap and trade market may increase the investment appetite of renewable energy investors.

Both of the cases mentioned above are expected to increase the demand for TSKB's products for financing of these potential investments. This situation is considered as asset level opportunity.

Customers of TSKB are faced with climate related risks & opportunities driven by cap and trade schemes, international agreements, renewable energy regulation, change in temperature extremes and change in precipitation extremes and droughts. TSKB supports its customers by offering sustainable products and services that provide low carbon and high efficient solutions. Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. By help of our thematic loans, we accelerate Turkey's climate change mitigation and adaptation targets which are defined in National Climate Change Action Plan of Turkey (2011-2023).

In the light of above-mentioned backdrop, we do not conduct analysis on the impact of our total loan portfolio yet. However, with the development of related regulations which will be shaped in the next 2 years, we are expecting to start taking relevant actions. In line with this, we have established our Climate Risks Working Group and started capacity building with respect to TCFD principles.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	Turkey has not yet ratified Paris Agreement and its stance is expected to be clarified by 2020. The relevant political and regulatory environments will be shaped accordingly. Also Turkey's national climate change action plan covers the years 2011-2023. On the other hand, TSKB's strategic plan is prepared for a period of 3 years, being revised annually. So, we are planning to take action to align our portfolio to a well below 2-degree world with the development of related regulations which will be shaped in the next 2 years.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	Turkey has not yet ratified Paris Agreement and its stance is expected to be clarified by 2020. The relevant political and regulatory environments will be shaped accordingly. Also Turkey's national climate change action plan covers the years 2011-2023. On the other hand, TSKB's strategic plan is prepared for a period of 3 years, being revised annually. So, we are planning to take action to align our portfolio to a well below 2-degree world with the development of related regulations which will be shaped in the next 2 years.

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1		Please select

Submit your response

In which language are you submitting your response?
English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below
I have read and accept the applicable Terms