

TSKB SUSTAINABILITY BOND

FRAMEWORK OVERVIEW AND SECOND OPINION BY SUSTAINALYTICS

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1. INTRODUCTION

Türkiye Sınai Kalkınma Bankası A.S (TSKB), a Turkish development and investment bank, intends to issue a sustainability bond. TSKB engaged Sustainalytics to provide a second party opinion on its Sustainability Bond framework. Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors and other financial institutions globally. Sustainalytics' opinion intends to provide an assessment of the Sustainability Bond Framework's alignment with the transparency and reporting requirements of the Green Bond Principles¹ as well as assess TSKB's overall sustainability performance and its alignment with the framework.

To come to this opinion, Sustainalytics held conversations with members of TSKB's Corporate Marketing Department, Economic Research Department, Engineering Department, Financial Analysis Department, Financial Institutions Department, Loan Monitoring Department, Project Finance Department, and Sustainability Committee members. These conversations were held to understand the environmental and social impact of TSKB's business processes, and to understand the use and management of proceeds for the financial institution's issuance of a Sustainability bond. Sustainalytics also reviewed several public and internal documents provided by TSKB. This document contains two sections: Framework Overview – a summary of TSKB's Bond Framework; and Sustainalytics' Opinion – an opinion of the framework.

2. COMPANY DESCRIPTION

Türkiye Sınai Kalkınma Bankası (TSKB) is Turkey's first privately-owned development and investment bank headquartered in Istanbul, Turkey and established in 1950, with the support of the Central Bank of Turkey, the World Bank and shareholding of private commercial banks. Its main activity segments are Corporate Banking and Investment Banking. Most of its investments pertain to industrial investments, renewable energy, energy and resource efficiency projects, as well as health and education investments. It also offers wholesale banking services and SME financing. TSKB secures its medium to long-term funding through IBRD, EIB, CEB, IDB, JBIC, KfW, IFC, EBRD, AFD, OeEB and others. The Bank has also been executing Eurobond issuances since 2014 and has established a GMTN Programme. Based in Istanbul, the bank employed 332 staff members in FY2015. With its Sustainability Bond, TSKB aims to finance projects in the sectors of renewable energy, waste and water management and infrastructure (e.g. electricity distribution networks, ports), social infrastructure (e.g. health and education) and thereby promote sustainable growth in Turkey.

2.1 TSKB's Sustainability Profile

TSKB has had a Sustainability Management System (SMS) in place since 2005, which is supervised by an internal Sustainability Committee consisting of two board members and two executive vice presidents. The SMS, which is certified to ISO14001 and ISO14064 standards, aims to manage both TSKB's own environmental impact as well as the environmental impact of its lending activities. Internally, the SMS evaluates TSKB's environmental performance, such as by measuring the bank's carbon footprint and

¹ The Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market. They provide issuers guidance on the key components involved in launching a credible Green Bond and aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green bond investments.

preparing an annual GHG inventory report. TSKB is Turkey's first carbon-neutral bank and won the CDP's Turkey Climate Change Leaders award in 2015.

Concerning the external impacts related to loan facilities, TSKB has not signed the Equator Principles but developed its own Environmental and Social Risk Evaluation tool (ERET) in 2005 to identify and rate risks associated with clients and projects. The ERET functions as an evaluation model that rates projects by seeking answers to questions under 45 separate headings. The tool categorises projects based on level of risk (from A, representing very high risk, to C, representing minimal risk) and takes both existing and future aspects, potential environmental impact and legal and financial liabilities into account. ERET consists of two parts:

- A - Client Risk Evaluation: Involves the calculation of environmental and social risks related to the client based on a numerical model with 19 issues and five parameters;
- B - Project Risk Evaluation: Involves the calculation of environmental risks under given criteria related to the project based on a numerical model with 26 issues and five parameters.

TSKB applies its ERET model to all of its investment projects, irrespective of sector or loan size. The bank does not only evaluate project finance investment, but also all project-related corporate loans. TSKB's Engineering Department is responsible for the environmental and social issues of each project to be financed. The project engineer makes site visits, assesses environmental documents and prepares a project evaluation report, including an environmental impact assessment, mitigation measures and the ERET scores. Additionally, TSKB ensures that all investment projects financed from the bond proceeds comply with the National Environmental and Social Regulations and Legislations. The ERET determines an environmental risk score of projects and TSKB has developed individual action plans for each environmental and social risk category. Hence, all required actions are included as conditions of loan agreements signed with the clients. For projects with above average or high environmental impacts, the bank develops a plan with the client outlining how environmental impacts can be monitored and mitigated.

As TSKB secures its funding from the IBRD, EIB, CEB, IDB, JBIC, KfW, IFC, EBRD, AFD, OeEB and other development finance institutions, the ERET is aligned with these institutions' environmental and social due diligence procedures, including the International Finance Corporation's Environmental and Social Performance Guidelines.

ERET is reviewed and completed during each project appraisal process and submitted to the Head of the Engineering Department. The reviewed and summarised ERET file is also submitted to the TSKB Sustainability Committee. In 2014 the bank also established a Loan Monitoring Department to identify, measure and manage the bank's lending activities within the scope of the risks, to specify early warning signals and to create monitoring processes. Financed projects are moreover monitored if they are exposed to unexpected weather conditions (e.g. drought, flood, low or extreme wind, extreme snow).

Next to sustainability policies and management, TSKB pursues sustainability finance in the areas of renewable energy, energy and resource efficiency, sustainable tourism and environmental investments. Over 50% of its loan portfolio is comprised of sustainable investment projects, including renewable energy

projects in wind, solar and geothermal power, as well as the energy efficiency projects of enterprises. TSKB's project funding in Turkey resulted in an annual reduction of CO² emissions of 8.3 million tons in FY2015, representing an approximately 1.9% reduction in Turkey's total emissions².

3. FRAMEWORK OVERVIEW

TSKB's Sustainability Bond framework follows the four key pillars of the Green Bond Principles ("GBP"):

- Use of Proceeds (with both social and environmental uses of proceeds)
- Selection Process
- Management of Proceeds
- Reporting

3.1 Use of Proceeds

The proceeds of the Sustainability Bond will be allocated towards refinancing and funding new TSKB projects that meet the following criteria.

3.1.1 Eligibility Criteria

To be eligible for the Sustainability Bond proceeds, the projects funded must meet one or more of the following business activity criteria:

1. Direct and Indirect Climate Change Mitigation

The context: Direct and indirect climate change mitigation is an important sustainability goal for TSKB and is integrated into its business strategy. TSKB finances investments that will make direct contributions to combatting climate change and enabling the transition to a low-carbon economy, including renewable energy and energy and resource efficiency. As of end-2015 TSKB had financed 133 renewable energy projects, corresponding to 13% of Turkey's total installed renewable energy capacity. Since 2009, TSKB has financed more than 100 energy and resource efficiency projects.

Use of proceeds: TSKB has identified numerous projects aimed at reducing the emission of greenhouse gases.

Eligibility Criteria:

² Turkey's total emissions in 2012, expressed in CO₂ equivalent were 440 million tons. (Turkey's 2015 Intended Nationally Determined Contribution (INDC), submitted to the IFCC 9/30/2015, http://www4.unfccc.int/submissions/INDC/Published%20Documents/Turkey/1/The_INDC_of_TURKEY_v.15.19.30.pdf)

Energy Efficiency	<ul style="list-style-type: none"> • Any reconstruction, expansion, renovation or refurbishment measure implemented within the premises of a business entity or relocation of any production facility and aimed at investing into fixed assets that are designed to decrease energy consumption for every unit of service output of the business entity or using renewable or waste energy. Projects will have the primary objective of improving the efficiency of energy use (or reducing specific energy consumption) of the system directly affected by the project and meet at least one of the following criteria: <ul style="list-style-type: none"> (i) at least fifteen per cent (15%) reduction in energy consumption measured for the specific investments which are financed; or (ii) at least fifteen per cent (15%) reduction of CO²-emissions measured for the specific investments which are financed; or (iii) show at least 50% of the incremental benefits (by incremental benefit, it is meant all benefits gained with the investment project such as raw material savings, labor cost savings, maintenance cost savings, increase in revenues etc.) from the investment project come from cost reduction in energy consumption provided that minimum five hundred (500) tons of CO² reduction per annum is achieved. • Investments in Green Buildings (minimum certification levels of BREEAM Good, LEED SILVER and DGNB SILVER).
Resource Efficiency	<ul style="list-style-type: none"> • Any greenfield, reconstruction, expansion, renovation or refurbishment investments aimed to increase resource efficiency, including but not limited to a reduction in: <ul style="list-style-type: none"> ○ water consumption (m³), ○ non-recoverable waste (tonnes), ○ raw material/auxiliary chemicals (tonnes)
Wind Power Plants (onshore only)	<ul style="list-style-type: none"> • The development, construction and operation of wind farms • Operational production or manufacturing facilities wholly dedicated to wind energy development • Wholly dedicated transmission infrastructure for wind farms
Solar Power (Photovoltaic)	<ul style="list-style-type: none"> • Solar electricity generation facilities • Wholly dedicated transmission infrastructure for solar electricity generation facilities
Hydro Power Plants	<ul style="list-style-type: none"> • The development, construction and operation of hydro power plants • Operational production or manufacturing facilities wholly dedicated to hydro energy development • Wholly dedicated transmission infrastructure for hydro power plant
Biomass, waste to energy, biogas	<ul style="list-style-type: none"> • technologies and projects for the conversion of organic matter to energy

<p>Clean Transport projects</p>	<ul style="list-style-type: none"> • promotion of lower-carbon fuels • electric or hydrogen technologies in existing vehicles, rail or boat fleets • promoting urban mass transit, non-motorized transport (e.g. pedestrian mobility) improvement of the general transport logistics to increase energy efficiency of infrastructure and transport. • a shift of freight and/or passenger transport from road to rail or waterways
<p>Indirect mitigation: Manufacture and sale of finished products, when in use result in renewable energy generation, energy efficiency or GHG emission reductions</p>	<ul style="list-style-type: none"> • specific project loans going to specific products improving renewable energy generation, energy efficiency or GHG emission reduction.

2. Climate Change Adaptation

The context: TSKB considers climate change adaptation to be a relevant sustainability goal as it means anticipating the adverse effects of climate change and taking appropriate actions to prevent or minimize the damage they can cause.

Use of proceeds: Adaptation investments are currently not included in TSKB’s portfolio, but TSKB aims to include such projects in the future.

Eligibility Criteria:

<p>Climate Change Adaptation projects</p>	<p>Adaptation-related projects need to demonstrate that they potentially contribute to reducing vulnerability to climate change identified in the project area. Projects should include:</p> <ul style="list-style-type: none"> • Description of the context of climate vulnerability of the project based on an investigation of the vulnerabilities of the project’s geographical area to climate change. • Analysis of the project’s planned activities to decipher a positive list of actions that contribute to reducing vulnerability, or increase the resilience of communities, goods or ecosystems to climate change. • Provision of a clear link between the climate vulnerability context and the specific project activities. • Evidence that the project does not have negative impacts in terms of climate change mitigation (e.g. enhancing carbon intensive infrastructures).
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3. Sustainable Infrastructure

The context: As a development and investment bank, TSKB aims to promote sustainable growth and sustainable infrastructure improvements in Turkey. In the field of health and education, TSKB’s agenda particularly includes public-private partnership projects (PPP). Additionally, by investing in the modernization and expansion of electricity distribution networks in Turkey, TSKB aims to reduce electricity losses and adapting electricity networks to new requirements, such as the integration of renewable energy into the grid or more energy efficient management, thereby contributing to Turkey’s overall energy efficiency and carbon reductions. As land transport is prevalent in Turkey, TSKB also aims to finance the building and upgrading of ports, including modernizing ports to increase their energy efficiency and reduce their environmental impact.

Use of proceeds: TSKB has identified numerous projects aimed at promoting a sustainable infrastructure in Turkey. These include projects in the field of social infrastructure (health and education), in the field of modernizing electricity distribution networks and the building and upgrading of ports.

Eligibility Criteria:

Social Infrastructure (Health and Education)	Projects should improve access to public services for the wider population and promote inclusiveness. High standards in technology, health and safety as well as management processes should be provided in the project selection. Project location criteria can potentially promote inclusiveness and the avoidance of environmental risks. A formal Environmental and Social Impact Assessment should be carried out for each project.
Electricity Distribution Networks	Projects should aim at retro-fitting transmission lines or substations to reduce energy use and/or technical losses and to avoid electricity cuts. Projects can also aim at improving existing systems to facilitate the integration of renewable energy sources into the grid or Scada System to improve effectiveness. If possible, projects selection can also incorporate geographical aspects and favor projects in areas where electricity losses are high and a large number of customers/households would benefit from modernization. If new transmission systems are installed, these should facilitate the integration of renewable energy sources into the grid or extensions to serve the additional population growth due to urbanization.
Ports	The building or modernization of ports should promote the modal shift of freight and/or passenger transport from road to waterways and ensure the resilience of ports to climate change risks. Eligible investments could include port integration, renovation and capacity increases and infrastructure and superstructure investments into existing ports.

3.1.2 Exclusionary Criteria

As outlined in its Sustainability Policy, TSKB has a detailed list of exclusionary criteria of business activities that it will not engage with. TSKB commits itself not to knowingly be involved in directly financing any of the identified activities, and as such none of the Sustainable Bond proceeds will be allocated to these areas. A list of the excluded activities can be found in Appendix A of this document.

3.1.3 Eligible Projects

Any project that meets the abovementioned eligibility criteria, including the new and ongoing developments of such projects, are eligible to be funded in whole or in part by an allocation of the Sustainability Bond proceeds.

3.2 Project Evaluation and Selection Process

The Bank's Technical Analysis Team, comprising of nominated members from the Engineering Department and Financial Analysis Department, will:

- (i) assess and determine each individual project's eligibility; and,
- (ii) recommend an allocation of proceeds to eligible projects.

TSKB's Technical Analysis Team will then recommend those projects to the Financial Institutions Department for allocation of the bond proceeds. In the case of the respective internal procedures, including the Credit Evaluation Committee and, if required, Board's approval to have been finalised, the allocation of proceeds will be tracked through the internal systems of the Bank.

3.3 Management of Proceeds

The proceeds of the Sustainability Bond will be held under a sub-account named "Special Account", which is tagged within TSKB's accounting system for efficient monitoring. TSKB will only permit transfers from this account when financing eligible projects and assets that have met the applicable criteria.

For TSKB's inaugural Sustainability Bond, TSKB has a selection of existing projects to support the bond size and aims to re-finance the outstanding project flow with the use of proceeds of the Sustainability Bond. Future issuances may include both new financing and re-financing. TSKB has a process for the temporary allocation of the proceeds of each Sustainability Bond until allocation to eligible projects. TSKB has specified the balance of unallocated proceeds will be utilised in its own treasury cash flow.

3.4 Reporting

Throughout the term of any Sustainability Bonds issued, TSKB commits to publishing an annual report on the allocation of the proceeds and impact of projects that have received allocations. This report will be published on the bank's website (www.tskb.com.tr).

Allocation Reporting

TSKB commits to publishing an annual report detailing the aggregate allocation of the proceeds. To the extent practicable, TSKB also intends to report the allocation to eligible projects at category level and some geographical guidance without referring to client names. Allocation reporting will be available to investors within one year from the date of the Sustainability Bond's issuance and annually thereafter until the proceeds have been fully allocated to eligible projects.

Impact Reporting

In addition to its allocation reporting, TSKB commits to publishing annual updates on the environmental and social impacts of the projects funded with Sustainability Bond proceeds.

Where relevant, TSKB will report on the following quantitative and qualitative Key Performance Indicators (KPIs) in aggregate for Sustainability Bond projects:

Energy Efficiency	Annual CO2 emission reduction/avoidance (ton/year)
Resource Efficiency	Annual savings of relevant resource amounts (e.g. kWh/year and/or m3 water/year and/or ton raw material/year and/or ton CO2/year),
Wind Power Plants	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO2 emission reduction (ton/year)
Solar Power (PV)	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO2 emission reduction (ton/year)
Hydro Power Plants	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO2 emission reduction (ton/year)
Biomass, waste to energy, biogas	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO2 emission reduction (ton/year)
Clean Transport Projects	Freight transported, what the transport route will be used for, GHG emission of rail route/ water route in comparison to road transport
Indirect Mitigation Projects	Production capacity of the produced component (unit/year); narrative reporting on the project
Social infrastructure (health and education)	Narrative reporting on the project
Electricity Distribution Networks	Investment per subscriber, investment per population
Ports	Narrative reporting on social and environmental impact of investment

4 SUSTAINALYTICS' OPINION

Sustainability performance of TSKB

By issuing a Sustainability Bond, TSKB continues to leverage its position as a bank targeting sustainable growth and engaging in energy and resource efficiency and renewable energy investments. According to Sustainalytics research, among its industry peers, the bank is an outperformer on environmental, social, and governance management. TSKB ranks in the top 5% of the 390 banks covered in the Sustainalytics universe. The bank has a strong environmental policy and environmental management system. TSKB is Turkey's first bank to be carbon neutral and to receive the ISO14001 certification for its environmental management system. The bank also has a strong bribery and anti-corruption policy and is not involved in any controversies. For a full snapshot of TSKB's environmental, social and governance performance, please see Appendix B.

Much of the bank's activities relate to project financing and corporate lending. TSKB has detailed exclusionary criteria for its investment decision that go beyond legal compliance (see Appendix A). Using its internally developed Environmental Risk Evaluation tool (ERET), which aligns with the IFC Performance Standards, the bank assesses environmental and health and safety risks related to potential projects to be financed.

Taking into consideration its long-standing focus on financing sustainable growth in Turkey and TSKB's overall ESG rating, Sustainalytics believes that TSKB's bond framework is aligned with the overall sustainability objectives of the bank.

Impact of the Use of Proceeds

Turkey aims to integrate climate change policies into development policies, to promote energy efficiency and to increase the use of clean and renewable energy resources while at the same time improving the quality of life of its citizens. Given that the country aims at accelerating the transition towards a low-carbon economy while at the same time promoting its economic development in the framework of the sustainable development principles, TSKB's Sustainability Bond strongly aligns with Turkey's low-carbon transition.³ The financing of projects promoting energy or resource efficiency and/or renewable energy generation co-aligns with the nation-wide strategy of supporting climate-friendly technology production and emission control.⁴

Over the past 20 years Turkey has experienced rapid urbanization, also influenced by a migrant influx, leading to increased electricity demand and consumption. Important investments on electricity network

³ Report on the 29th meeting of the EU-Turkey Joint Consultative Committee September 2010, EU-Turkey Joint Consultative Committee (accessed on the 29/04/16 <http://www.eesc.europa.eu/resources/docs/low-carbon-economies---energy-sector-exampl.pdf>)

⁴ Republic of Turkey Climate Change National Strategy Paper 2010-2020, TR Ministry of Environment and Urbanisation (accessed on the 29/04/16 http://www.dsi.gov.tr/docs/iklim-degisikligi/ulusal_iklim_de%C4%9Fi%C5%9Fikli%C4%9Fi_strateji_belgesi_eng.pdf?sfvrsn=0)

maintenance and modernization are needed to minimize the currently 15% total electricity losses, to promote energy efficiency and to ensure the quality of supply to end customers.⁵ TSKB's aim to finance electricity distribution network modernizations seeks to address this investment need.

Turkey's 10th development plan outlines the promotion of public-private partnership (PPP) in order to improve the country's health services.⁶ TSKB's financing of social infrastructure projects in the field of education and hospitals corresponds with this objective. Turkey's 10th development plan moreover outlines that the frequency of natural disasters has increased in the country due to climate change and hence comprehensive adaptation plans and risk maps should be integrated into land use and zone planning processes.⁷ The aim of TSKB to include climate change adaptation projects as well as the building and modernization of ports to promote their climate resilience shows the bank's awareness of these issues and the bond's potential future contribution to climate change adaptation improvements.

The proceeds of TSKB's Sustainability Bond will be allocated towards projects that facilitate climate change mitigation and adaptation, and promote sustainable infrastructure. Sustainalytics notes that some of the eligibility criteria, particularly in the area of Energy Efficiency, Clean Transport and Electricity Distribution, could prolong the use of fossil fuels as the input fuels may include coal or natural gas. While TSKB strives to promote the use of clean technologies, Turkey's current National Energy Plan targets a total of 30% of energy generation from renewables by 2023. Consequently, a majority of energy generation is still projected to come from fossil fuels. By targeting improvements against the current baseline uses, the eligibility criteria for Energy Efficiency, Clean Transport, and Electricity Distribution will still have a net positive environmental impact. In addition, in discussion with Sustainalytics, TSKB has noted that its Engineering Team does take rebound and lock-in effects into consideration when evaluating projects.

Large infrastructure projects also have the potential to be associated with negative environmental and social impacts. Among TSKB's eligibility criteria, this is particularly the case with Hydropower and the Port development projects. Sustainalytics notes that the bank has strong environmental and social policies and processes in place to identify and mitigate the potential negative risks associated with these projects. TSKB's longstanding funding relationships with development institutions such as the IFC and World Bank demonstrate an alignment between its' ERET and the best-practice performance standards in environmental and social risk management.

Furthermore, with regards to Hydropower, TSKB has identified five hydro power plants to be refinanced with the proceeds of its first Sustainability Bond issuance, and does not anticipate any new Hydropower projects to be added into its project portfolio. For confidentiality reasons, these cannot be disclosed. These projects are currently all in operation, and have been subject to environmental and social risk

⁵ Fichen, Y. (2014) Getting smarter about Mitigating Energy Losses (accessed on the 29/04/16
https://www.itron.com/local/Documents/turkey/ICSG%202014%20Ittron_Electricity.pdf)

⁶ The 10th Development Plan 2014-2018, Ankara 2014, Republic of Turkey Ministry of Development (accessed on the 29/04/16
[http://www.mod.gov.tr/Lists/RecentPublications/Attachments/75/The%20Tenth%20Development%20Plan%20\(2014-2018\).pdf](http://www.mod.gov.tr/Lists/RecentPublications/Attachments/75/The%20Tenth%20Development%20Plan%20(2014-2018).pdf))

⁷ See 6 p.118

assessments and mitigation plans in line with the World Bank Environmental and Social Frameworks and IFC performance standards. TSKB also provided Sustainalytics with additional details about these projects in order to permit Sustainalytics to conduct a review of any negative environmental or social impacts related to the projects. Sustainalytics did not find any significant controversies connected to the projects.

Adherence to Green Bond Principles

Principle	In line with the Green Bond Principles 2015?	Sustainalytics Comments
Use of Proceeds	Yes	The proceeds of TSKB's Sustainability Bond will be allocated towards projects that facilitate climate change mitigation and adaptation, and promote sustainable infrastructure. Overall, Sustainalytics is of the opinion that TSKB's project eligibility criteria are credible and robust, and that by selecting projects based on these criteria, TSKB is effectively targeting its sustainability bond proceeds at projects with demonstrable social and environmental impact.
Project selection process	Yes	TSKB's Technical Analysis Team, comprising of Engineering Department, and Financial Analysis Department demonstrates strong internal expertise in the identification, evaluation and assessment of environmental and social projects and in the measurement of the impacts of these projects. The aforementioned project selection processes and commitments are aligned with green bond market expectations.
Management of Proceeds	Yes	By holding the proceeds of its Sustainability Bond under a sub-account which is also tagged within its internal accounting system, TSKB provides a robust and transparent management of proceeds that adhered with best practice. TSKB demonstrates a selection of existing projects to support the first bond issuance under the framework. TSKB also has a process for the temporary allocation of the use of proceeds specifying the intended types of temporary instruments, promoting the transparency of the management of proceeds.
Reporting	Yes	TSKB's reporting on its Sustainability Bond offers both allocation and impact reporting. The allocation reporting includes a description of each project along with information regarding the amounts allocated. Moreover, the impact reporting provides Key Performance Indicators for the projects funded with the Sustainability Bond proceeds.

Conclusion

TSKB has developed a Sustainability Bond framework for future bond issuances aiming to finance projects that contribute to climate change mitigation and adaptation, as well as sustainable infrastructure. Each of TSKB's eligible criteria targets projects with a positive environmental and/or social impact. By adhering

to strong eligibility criteria, demonstrating a structured and transparent project selection process, management of proceeds and reporting with specified Key Performance Indicators to measure the impact of the allocated proceeds, TSKB's Sustainability Bond framework aligns fully with the Green Bond principles. Sustainalytics finds TSKB's sustainability bond to be robust, credible and transparent.

APPENDICES

Appendix A: Exclusionary Criteria

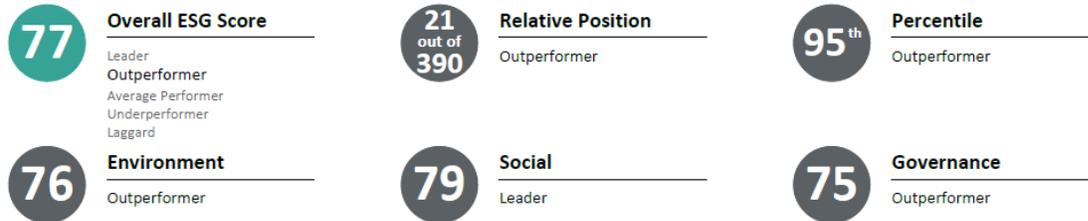
TSKB commits itself not to knowingly be involved in directly financing any project or activity entailing:

- The production or trade of a product which is illegal under Turkish laws or regulations or according to international rules or agreements or which is subject to any international ban
- The production or trade of a product containing polychlorinated biphenyl PCB
- The production or trade of chemicals, pesticides, herbicides, or any other harmful substance that is internationally banned
- The production of or trade in any internationally banned substance that is harmful to the terrestrial ozone layer
- 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)
- The cross-border movement of any forms of waste that is prohibited by Turkish law or international agreement
- The production of or trade in firearms and/or munitions
- The production of or trade in tobacco or tobacco products
- Any undertaking involving gambling, casino operations or management, or the like
- The production of or trade in any radioactive material
- The production of or trade in fibrous asbestos (does not apply to the use or procurement of cement slabs less than 20% of whose weight consists of non-fibrous or fibrous asbestos)
- The use of drift nets measuring more than 2,500 meters in length in sea fishing
- Any project involving forced labour, any project related to the production that involved the exploitation of child labour or employs children in potentially injurious or dangerous activities
- Any project that restricts individuals' personal rights or violates human rights
- Any project that involves commercial logging operations in any primary tropical rainforest
- 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, any project located in any protected area, critical habitat area, or natural/cultural heritage area unless adequate compensatory/mitigatory measures can be taken

Appendix B: TSKB Sustainability Profile

ESG Summary

Overall Performance



Environment



Documents Reviewed

Sustainalytics reviewed the following documents for the purposes of writing this report

Number	Document Name
1	TSKB Sustainability Report 2013-2014
2	TSKB Sustainability Management Manual 2016 (and ISO certification approvals)
3	TSKB CDP Response Document 2015
4	Brief on the Evaluation of Client and Project Risk Procedure and ERET
5	Briefs on Electricity Distribution in Turkey
6	TSKB's proposed Eligibility Criteria for a Sustainable Bond Issuance
7	TSKB Financial Institutions Presentation Q4 2015

Disclaimer

All rights reserved. No part of this second party opinion (the "Opinion") may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.



In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.



Our Team

Michael Jantzi, CEO

More than 200 staff members, including over 120 analysts with multidisciplinary and industry expertise

Shareholders: ABN AMRO MeesPierson, Michael Jantzi and senior staff, Mooncrest Holdings Limited, PGGM, Renewal Partners, Silver Box Holdings Limited and Triodos

Board Members:
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Alan Broadbent, CEO, Avana Capital Corporation

Melissa Brown, Partner, Daobridge Capital

Michael Jongeneel, COO and Managing Director, Triodos Investment Management

Mike Musuraca, Managing Director, Blue Wolf Capital Partners LLC

Glen Saunders, Treasurer and Board member, Principles for Responsible Investment (PRI)

Our Offices

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Our 250+ clients worldwide include financial institutions, asset managers, mutual funds, pension funds, private companies, international organizations and academic networks