

T.SINAI KALKINMA BANKASI A.Ş. - Climate Change 2021

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, 50.92% is held by Isbank (Türkiye İş Bankası) Group and 8.38% belongs to Vakıflar Bankası T.A.O. The remaining portion is in free float.

TSKB's total asset size expanded by 24% compared to the previous year, reaching TL 51.5 billion by the end of 2020. Ranking 13th in the sector in terms of asset size, the Bank maintains its 2nd position among development and investment banks. The Bank's shareholders' equity increased by 18% YoY and reached to TL 6.1 billion at the end of 2020. With 344 employees working in our core banking activities, we make up a family of 577 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. With 65 percent of its funding from DFIs, TSKB started to develop its sustainable banking model in 1980s by adding environmental factors to the credit appraisal process and providing environmental loans. Having integrated the concept of sustainability into all of its banking services and accomplished many firsts along the way, TSKB is one of the forerunners with its best practices in sustainable and inclusive finance in Turkey. As of 2020, almost 80 percent of its funding is ESG-linked. To add, sustainability is also embedded in the mission, strategy and targets of TSKB. The Bank aims to be the business partner that stakeholders consult and prefer as the first choice towards the economic, environmental and social development of Turkey.

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.

Fight against climate change and support to transition to low carbon economy are among the top priority focuses that determine TSKB's strategy. Especially in line with the increasing importance and vulnerability in recent years, the Climate Risks Working Group (WG) was established in 2020 within the scope of the Bank's sustainability structure and a short, mid and long-term road maps for the climate change endeavours have been determined. Aiming to incorporate climate risks into all work processes and analyse indirect effects arising from lending activities, this WG represented TSKB in the Phase 2 Banking Pilot Program of the UNEP-FI TCFD, in which TSKB was the only participant from Turkey. Also, in 2020, TSKB, which prioritizes integrated thinking not only within the Bank but also in communication with its stakeholders driven by the Bank's stakeholder capitalisation vision, announced the establishment of the Green Swan Platform in order to act jointly against the climate crisis and to raise awareness of climate change.

With the recently published "Combating Climate Change and Adaptation Policy" TSKB determined its strategy and practices to combat against climate change and committed that its efforts will intensify.

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 2020	December 31 2020	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	Combating and adapting to climate change is a matter addressed through the active participation of the Board of Directors (BoD) and the Executive Committee (EC). The BoD guides the Bank's operations by ensuring that the Bank is being managed in accordance with its strategic focuses and predetermined targets. The BoD consists of 11 members including the Bank's CEO and 3 independent members. Complementary policies, the Sustainability Policy and the Climate Change Mitigation and Adaptation Policy, which encompass the responsible banking approach, were approved by the BoD and entered into force. TSKB's organizational structure for sustainability involves the BoD and the EC and comprises of all employees. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision and goals, particularly climate-related risks and opportunities, are addressed by the Sustainability Committee (SC) with the active participation of the BoD and the EC. Established in 2014, the TSKB SC consists of 3 Board Members as well as the CEO and 2 Executive Vice Presidents (EVP) as of the end of 2020. This structure enables an effective management at the highest level of all ESG issues, including climate risks, which are among the strategic focuses of the Bank. The scope conducted by the committee matches with the executive responsibility areas of the EVP, who are members of the committee to enhance the effectiveness further. The members of the committee are appointed via Board resolutions. Within the Bank's Sustainability Management Organisation, the work of the SC is supported by the Subcommittee and working groups in which representatives from different departments of TSKB are active members. Reporting to the BoD, the Audit Committee is responsible for ensuring the efficiency and adequacy of the Bank's risk management, internal control and internal audit operations under the relevant legislation. The Risk Management Department develops the systems required for risk management processes and conducts such operations, monitors the compliance of risks with policies and standards as well as the Bank's limits while reporting to the BoD via the Audit Committee. In line with the Bank's risk appetite, environmental risks including climate change that arise or may arise from lending operations are included in the Bank's risk management processes.

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
Scheduled – some meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p> <p>Other, please specify (Review/sign off of public disclosures)</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>TSKB's organizational structure for sustainability involves the Board of Directors and the Executive Committee and comprises of all employees. 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 within the context of Sustainability Management Organisation, sustainability and complementary policies and sustainability management system. As of 2020, "Climate Risk Working Group" is established. The activities of the Working Group are regularly reported to the Sustainability Subcommittee, Executive Committee and Sustainability Committee. 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.</p>
Sporadic - as important matters arise	<p>Monitoring implementation and performance of objectives</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>A Sustainability and Corporate Governance Coordinator is assigned that reports to CEO, a member of SC, by decision of the Board.</p>

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 business plans	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	Sustainability Policy and complementary policies/documents (Equal Opportunities Policy, Environmental and Social Impact Policy, List of activities that are not to be financed, Occupational Health & Safety Policy, Human Rights Policy, Sustainable Procurements Management Policy, Gifts and Hospitality Policy, Anti-Bribery and Anti-Corruption Policy, Gender Equality Policy, Climate Change Mitigation and Adaptation Policy) are guided Bank's sustainability management operations. Policies are reviewed periodically and within the actual changes and improvements of related subjects. Review of Sustainability Committee and approval of Board are needed before published.
Other, please specify (Ongoing process)	Reviewing and guiding risk management policies	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	The Bank has adopted Three Lines of Defense Approach, which is an effective method in managing physical and transition risks from climate change by integrating them in risk management processes and controlling operational activities. In the first Line, all relevant business units and management bodies review and assess incoming loan applications for climate risks in terms of risks arising from the loan portfolio. They also evaluate how building operation activities are impacted by climate risks in terms of operational risks. As the first step of risk management, these units carry out a multidimensional risk assessment with their subject matter expertise. In the Second Line, activities and controls are performed through structures reporting to the Board of Directors and the Executive Committee in line with the Bank's risk appetite and policies. In the Third Line, all activities, including the management of climate risks, are independently audited by the Internal Audit Department reporting to the Audit Committee, which is composed of the members of the Board of Directors.

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
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
Chief Executive Officer (CEO)	Reports to the board directly	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
Other, please specify (Sustainability and Corporate Governance Coordinator)	CEO reporting line	Other, please specify (Guiding of sustainability management operations)	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).

TSKB's organizational structure for sustainability involves the Board of Directors and the Executive Committee and comprises of all employees. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision and goals, particularly climate-related risks and opportunities, are addressed by the Sustainability Committee with the active participation of the Board of Directors and the Executive Committee. Established in 2014, the TSKB Sustainability Committee consists of 3 Board Members as well as the CEO and 2 Executive Vice Presidents as of the end of 2020. This structure enables an effective management at the highest level of all ESG issues, including climate risks, which are among the strategic focuses of the Bank. The scope conducted by the committee matches with the executive responsibility areas of the Executive Vice Presidents, who are members of the committee to enhance the effectiveness further. The members of the committee are appointed via Board resolutions.

Board-level SC 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 a wide range sustainability issues from climate change to ISO management standards. Members are assigned by the Executive Committee's approval within the view of SC. 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.

Under Sustainability Sub Committee there are 8 different working groups which are namely "ISO Management System Standards", "Reporting", "Stakeholders Dialogue", "Sustainability Index", "Gender Equality", "Social Impact Analysis", "Cooperation with International Initiatives on Sustainability" and "Climate Risks". 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 SC) on a quarterly basis and prepares annual report that is submitted to the CEO.

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.

Additionally, SMS is designed to promote a culture of responsible banking and awareness among all its employees. SMS is settled via training among the employees and promoted active participation of the employees to the Sustainability Management Organization. As of the end of 2020, 15% of TSKB's employees were members of Subcommittee working groups.

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. Additionally, SMS trainings are provided for employees to raise awareness and settle sustainability culture. Subcommittee working groups members assigned a wide range of departments. As of the end of 2020, 15% of TSKB's employees were members of Subcommittee working groups.

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 incentivized	Comment
Corporate executive team	Non-monetary reward	Other (please specify) (Company's ESG Performance)	Three board members, CEO and two 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	Other (please specify) (Zero Carbon Banking Principles)	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	Other (please specify) (8 Working Groups' targets)	Sustainability Sub-Committee consists of 19 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 (Climate Risks Working Group)	Monetary reward	Other (please specify) (Sector-based heat map project regarding physical and transition risk)	With an aim to include climate risks in all business processes and analyze indirect effects from lending operations, the Bank established the Climate Risks Working Group. Intending to integrate climate risks into its business processes more deeply, the Group develops its capacity and conducts various studies to identify, measure and report portfolio risks within the framework of both physical and transition risks. The Chair of the Working Group also serves as the Head of Loan Monitoring. In order to deal with the climate risks with a collective approach, the Working Group members consist of the representatives from the Economic Research, Development Finance Institutions, Loan Monitoring, Loan Allocation, Corporate Compliance, Engineering and Technical Advisory, and Risk Management departments. The activities of the Working Group are regularly reported to the Sustainability Subcommittee, Executive Committee and Sustainability Committee. In 2020, TSKB became the only bank from Turkey to participate in the UNEP FI TCFD Phase 2 Banking Pilot Program. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (ISO Standards Management Working Group)	Monetary reward	Emissions reduction target	This Working Group is responsible for the coordination of the measurement, monitoring and auditing of internal effects from the Bank's operations. As part of ISO 14001 and 14064 Certifications, the Working Group regularly monitors the carbon footprint from internal consumption, implements action plans aiming to reduce its impacts and sets targets to improve performance. Performance results are periodically monitored and reported to the Sustainability Subcommittee. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Social Impact Analysis Working Group)	Monetary reward	Other (please specify) (SDG Mapping Project)	The Social Impact Analysis Working Group was established to develop the social impact analysis approach in TSKB's lending activities. The Group carries out detailed matching and reporting studies regarding the contribution of investment and business loans by the Bank to the United Nations Sustainable Development Goals (SDG) and determines actions to improve the social benefits of investments. Accordingly, the impact of the Bank from financing operations within the scope of all SDGs, particularly of SDG 13: Climate Action, is regularly analyzed and reported. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Cooperation with International Initiatives on Sustainability Working Group)	Monetary reward	Other (please specify) (Participation in the working groups of international initiatives (IDFC, IIF, UNEP FI etc.))	The Group endeavors to determine the funding needs for the work to be carried out with international and development financial institutions and international initiatives with which the Bank cooperates within the scope of sustainability and to organize the mutual efforts. It works in coordination with the Climate Risks Working Group and is responsible for capacity building and experience sharing on climate change practices. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Sustainability Index Working Group)	Monetary reward	Other (please specify) (Company performance in sustainability indices)	The Sustainability Index Working Group manages relations with the BIST Sustainability Index and international sustainability rating companies. To that end, it develops suggestions for improvement and coordinates such efforts. All sustainability indices and ratings, which include the Bank's operational and financing activities to the extent of their relationship with climate change, are evaluated by the Working Group. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Gender Equality Working Group)	Monetary reward	Other (please specify) (Advancing gender equality practices within the organization and with stakeholders)	The Gender Equality Working Group works on gender equality, one of the strategic focuses of the Bank, in order to increase effectiveness on various platforms. TSKB believes that tackling a global problem such as climate crisis is only possible by empowering women and aims to make an impact on combating and adapting to climate change by bringing women into the economy and raising awareness through gender equality efforts. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Reporting Working Group)	Monetary reward	Other (please specify) (Sustainability reporting (Integrated Annual Report, CDP Report, TCFD Report etc.) alignment with international initiatives' recommendations and frameworks)	The Reporting Working Group is responsible for publications such as the Carbon Disclosure Project (CDP) Climate Change Report, the Integrated Annual Report and the UNEP FI Principles for Responsible Banking Progress Report. To that end, it closely follows local and global best practices and latest developments and observes highly-recognized international standards. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.
Other, please specify (Dialogue with the Stakeholders Working Group)	Monetary reward	Other (please specify) (Project development within #equalsteps and #cevreciyiz platform)	Dialogue with the Stakeholders Working Group contributes to the Bank's ESG work at a communication level. It raises awareness on climate change, inclusiveness and conducts capacity building activities by sharing information on zero-carbon activities and ESG-focused platforms. 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 serving only to Turkish local clients. The Bank does not have operations abroad. 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. European Green Deal is expected to have some ramifications for Turkish exporters. In July 2021, EU Commission released a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Closely following the developments in the region, Turkey is planning to release Climate Change Law and By-Law on Greenhouse Emission Trading soon. Recently announced Green Deal Action Plan, which is composed of 32 targets and 81 actions under 9 main themes, aims to support Turkey's transition to a sustainable economy in line with the SDGs. Next one year is considered to be as short term for the Bank.
Medium-term	1	5	With the recent natural disasters and pandemic, climate change has become a highly debated topic even raised in the agenda of developed countries' central banks which started to accept climate change as a financial and economic risk. Although Turkey is one of the countries which have not yet ratified the Paris Agreement, the fast evolving developments not only adjacent to Turkey but also in the global arena will inevitably shape local policies and regulations in Turkey in the next 5 years. Taking European Green Deal into consideration, this period also seems to be a transition period for carbon tax. Therefore, next 5 years is considered to be as the medium term for the Bank. Accordingly, TSKB has a number of targets in line with its strategy and a 5 year-roadmap regarding its efforts on climate change.
Long-term	5		Long term is defined as more than 5 years. In the long term, 2030 and 2050 will be marking years. In order to limit the global temperature rise to 1.5°C, 2050 is widely accepted as the target year for the transition to a net zero energy system whereas 2030 will be an important step to see the progress achieved so far. For the next 10 years, TSKB has a target of financing SDG linked investments amounting to USD 8 bn. The Bank will follow up the developments with respect to European Green Deal as well as Turkey's stance and provide solutions to the private sector in their transition to a circular and zero carbon economy.

C2.1b

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

TSKB defines climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks. Considering the TCFD recommendations, a portfolio heat map with a 5-tier risk categorization was developed in order to monitor the climate risk vulnerability of the sectors in TSKB's portfolio. It aims to enable an initial assessment of the pressures on costs and incomes of sectors affected by climate change. The sub-sectoral breakdowns in the loan portfolio and their climate change vulnerability have been analyzed in terms of both physical and transition risks.

From this point of view, it examines the risks and opportunities created by climate change within the organization in terms of direct and indirect effects. The Bank defines direct and indirect risks and opportunities in the short, medium and long term and analyzes the effects of these risks and opportunities on the organization's activities, strategy and financial structure.

Our loan based climate risks approach comprises our ERET Model for evaluating the environmental and social risks of projects and our Climate Risks Assessment Tool for creating loan-specific action plans to mitigate physical and transition risks.

The amount of substantive financial impact from the Bank's operations for 2020 is calculated by having 10 percent of the pre-tax net income of the Bank. USD 129 million of pre-tax net income TSKB posted as of 2020 year-end indicates around USD 13 million for the reporting period. To note, there has been nearly 25 percent depreciation during the same period and should there be no depreciation during 2020, this figure would have been USD 16 million.

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 defines climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks. From this point of view, it examines the risks and opportunities created by climate change within the organization in terms of direct and indirect effects. Direct risks and opportunities focus on the effects of climate change on TSKB's operations and activities, whereas indirect risks and opportunities focus on the effects of climate change on TSKB's products and services as well as its loan portfolio. The Bank defines direct and indirect risks and opportunities in the short, medium and long term and analyzes the effects of these risks and opportunities on the organization's activities, strategy and financial structure. TSKB identifies and assesses its direct and indirect impacts via its Sustainability Management System (SMS) under the Sustainability Committee. The SMS serves the purposes of reducing the environmental and social impacts of the activities by TSKB. TSKB's Sustainability Policy which is supported by several ESG-backed complementary policies constitutes the basic framework of the SMS. ISO Standards Management Working Group is responsible for the coordination of the measurement, monitoring and auditing of direct effects resulting from the Bank's operations. As part of ISO 14001 and 14064 Certifications, the Working Group regularly monitors the carbon footprint from internal consumption, implements action plans aiming to reduce its impacts and sets targets to improve performance. Performance results are periodically monitored and reported to the Sustainability Subcommittee. The indirect effects are being assessed through the Environmental Management System prior to loan allocation. Regardless of the amount, all investment loans are evaluated according to Environmental and Social Risk Evaluation Tool (ERET). Taking into account the results of the evaluation and risk categorization, TSKB determines whether or not to finance an investment and formulates a plan with the client to monitor the environmental impact and mitigate for the loans it will allocate. In the next step, loan monitoring starts once the credit is approved. Moreover, starting from 2021, TSKB commits to apply ERET to its working capital loans as well. Combatting with the climate change and supporting Turkey's transition to zero-carbon economy have been among the top strategic priorities of the Bank. Accordingly, TSKB has published its "Climate Change Declaration" in 2016, stating clearly its strategy and goals regarding climate change. In 2021, "Climate Change Mitigation and Adaptation Policy" has been released to set out the scope and principles of its strategy to combat climate change. In order to integrate climate risks into all business processes and analyze indirect effects from lending operations comprehensively, the Bank established the Climate Risks Working Group in 2020. The Working Group develops its capacity and conducts various studies to identify, measure and report portfolio risks within the framework of both physical and transition risks. The Chair of the Working Group also serves as the Head of Loan Monitoring department. In order to consider all the angles of climate risks within a collective approach, the Working Group members consist of the representatives from the Economic Research, Development Finance Institutions, Loan Monitoring, Loan Allocation, Corporate Compliance, Engineering and Technical Advisory, and Risk Management departments. The activities of the Working Group are regularly reported to the Sustainability Subcommittee, Executive Committee and Sustainability Committee. In 2020, TSKB became the only bank from Turkey to participate in the UNEP FI TCFD Phase 2 Banking Pilot Program. The Climate Risks Working Group represented TSKB in the subject program and conducted studies in line with the TCFD recommendations. As of 2021, the Bank has been participating in the UNEP FI TCFD Phase 3 Program, which is a follow-up of the Phase 2 studies. In the first half of 2021, the first TCFD Climate report was published with the efforts of the Climate Risks Working Group. Having become a founding signatory of the UNEP FI Principles for Responsible Banking in 2019, TSKB has issued its first progress report within 2020 Integrated Annual Report developed by the reporting working group. The study basically focused on the positive and negative impacts of the lending operations and certain targets have been set to mitigate the determined negative impacts. Moreover, 2020 Integrated Annual Report also comprised of capital based short, medium and long term targets.

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 start to operate before the end of June 2021. At the end of 2020, the Government announced a new mechanism to be applicable after June, 2021, in which the guarantee price of the purchased electricity will be determined in TL terms, again for the first ten years of operation. The purchasing unit price is going to be escalated every quarter with a formula combining the inflation rate and FX rates. Should there be an instant termination of this incentive mechanisms, the demand for new renewable energy investments would decrease sharply. This situation may be considered as an asset level risk.
Emerging regulation	Relevant, always included	The EU Green Deal proposes a carbon border adjustment mechanism as an option, which may bring along the practice of imposing carbon tax on products exported from Turkey to the EU region. Such a tax may increase the cost of Turkish export products and reduce their competitiveness. The launch of the emissions trading mechanism in Turkey as an alternative/complementary element for the carbon border tax has led to discussions in the country. The mechanism will establish a trading system to include emission-intensive sectors. These two developments may affect the sectors that are in TSKB's loan portfolio and will be included in the tax or trading system.
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 and social impacts and mitigate the impacts effectively. 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 such as cement, iron and steel, aluminium and fertilizer 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	Having placed sustainability at the heart of its business model, TSKB has been breaking new grounds in ESG issues for the last 3 decades. 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. Having published the first Climate Risk Report in May 2021, the Bank has introduced a roadmap with numerical targets as well as preparing a sector-based heat map which constitutes the basis of the future scenario analysis and stress test studies. The failure to meet these targets without any meaningful rationale can also cause loss of reputation for TSKB.
Acute physical	Relevant, always included	Climate change has the potential to cause extreme weather events such as storms, hurricanes, floods, droughts, etc. In 2017 summer, Istanbul city experienced two extreme weather events 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. It should be noted that the Bank has implemented the remote working system after March 2020 due to the Covid-19 pandemic. On the other hand, extreme weather and climate events can affect the operations and efficiencies of renewable energy power plants. For example, hurricanes could prevent wind power plants from functioning due to high wind speeds. In the meantime, droughts and floods can affect the hydro power plant operators. 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 such as agriculture, textiles and chemicals 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 the chronic physical risks are analysed, TSKB foresees that number of investments related to water efficiency 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 and adapting climate change. Accordingly, the number of efficiency projects that has been financed by TSKB so far has been nearly 150 as of 2020 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 identified impacts. And, the implementation of the mitigation and adaptation actions of the clients are monitored closely once the loan is extended. Accelerating its efforts on climate change, which is among the Bank's top strategic priorities, TSKB established the Climate Risks Working Group in 2020. The Working Group aims to use scenario analysis and stress test tools effectively to identify the potential consequences of climate-related risks and opportunities under different time and conditions and to include the results accordingly into the business processes with a strategic planning.
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 (including the climate change-related 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. Starting from 2021, TSKB committed to apply ERET to all working capital loans, as well. In 2021, "Climate Change Mitigation and Adaptation Policy" has been released to set out the scope and principles of its strategy to combat climate change. TSKB defines direct and indirect risks and opportunities in the short, medium and long term and analyses the effects of these risks and opportunities on the organization's activities, strategy and financial structure. For these analyses, the Bank make use of internationally accepted sectoral guidelines and tools, including those published by TCFD, IDFC and UNEP FI. First UNEP-FI Responsible Banking Principles progress report was published within 2020 Integrated Annual Report. It comprises the sectoral analysis of the Bank's loan portfolio and targets for mitigating the negative impacts. Having published the first Climate Risk Report in May 2021, the Bank has prepared a sector-based heat map which constitutes the basis of the future scenario analysis and stress test studies. Within the framework of TSKB's 2021-2025 roadmap, the Bank intends to keep the SDG-linked loans in the total portfolio at the level of 90 percent and above. TSKB aims he ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of 60%. Besides, TSKB intends to limit the share of power plants generating electricity from non-renewable sources within the Bank's entire loan portfolio to 5%. The Bank also commits not to finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes. The Bank's mission, strategy and governance structure enables TSKB to integrate ESG issues in its daily business. Opportunities emanating from climate risks are also analysed and evaluated in an efficient manner under the Bank's sustainability management system. In addition, sustainability workshops comprising of all employees are organized on a regular basis, to collect new ideas and reshape the Bank's sustainability strategy. 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 create new funding themes and innovative products.
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 and wastewater treatment technologies, wastewater discharge limits and receiving bodies are analysed during 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 potential adverse impacts on flora and fauna are of the projects analysed during 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. TSKB has also started to follow the guidelines of the Taskforce on Nature-related Financial Disclosures (TNFD) initiative.
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 inhouse 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 or to be emitted during the operation phase is assessed by the 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 level which is lower or parallel with sectoral average limits (benchmarks). For resilience, TSKB reviews supply chain management structure of its clients. Vulnerability of raw materials is the most common adverse impact of climate change that the clients may face. Therefore, 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, GHG Monitoring Legislation has been published which mandates energy-intensive industries to prepare measurement reports to be submitted to the Ministry of Environment and Urbanization starting from 2016, in 2014. Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, implementation of an emission trading system 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 announced the European Green Deal which is followed by several related directives, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Turkey. The EU Green Deal proposes a carbon border adjustment mechanism as an option, which may bring along the practice of imposing carbon tax on products exported from Turkey to the EU region. Such a tax may increase the cost of Turkish export products and reduce their competitiveness. The launch of the emissions trading mechanism in Turkey as an alternative/complementary element for the carbon border tax has led to discussions in the country. The mechanism will establish a trading system to include emission-intensive sectors. These two developments may affect the sectors that are in TSKB's loan portfolio and will be included in the tax or trading system. Moreover, in July 2021, EU Commission released a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Following this development, Turkey published its Green Deal Action Plan, which is composed of 32 targets and 81 actions under 9 main themes and aims to support Turkey's transition to a sustainable economy in line with the SDGs.

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)

5500000

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 consider 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. 16% of TSKB's loan portfolio is composed of energy-intensive sectors such as non-renewable energy, steel, automotive, cement and chemicals. With the assumption that 5 percent of the energy-intensive investments might be affected negatively in the form of temporary cash flow problems, the Bank may incur extra provisional burden as the loan classifications can change. The total financial impact to TSKB is calculated as \$5.5M.

Cost of response to risk

100000

Description of response and explanation of cost calculation

TSKB has committed not to finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes. For other energy-intensive sectors, to follow up 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-intensive 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, regardless 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 procedure 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. TSKB conducts various studies to analyze the Bank's exposure to and possible impact on sectors that may incur additional carbon costs. Accordingly, the Bank actively follows the studies of PMR Turkey Project, which works on Turkish carbon markets, and monitors the developments closely. In addition, case studies are being conducted regarding the proportion of vulnerable sectors within the portfolio and sectoral risks of carbon pricing for the case that carbon trading systems would be put into practice. During 2020, Climate Risks Working Group worked on a heat map to identify current climate-related risks in TSKB's portfolio and evaluate sectors and clients exposed to transition risk. This study is considered to constitute the basis of future scenario analysis and stress test studies. In addition, TSKB continues to build 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?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms
---------------------	---------------------------

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

Company-specific description

An increase in greenhouse gas emissions from the Bank's use of natural resources, electricity consumption, vehicle use, business trips may pose a transition risk.

Time horizon

Long-term

Likelihood

About as likely as not

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

TSKB will continue to grow in order to fulfil its mission of supporting the sustainable and inclusive development of Turkey. As the scope of operations get larger, the Bank will consume more natural resources. Accordingly, the vehicle use and business trips will surge. Regulatory changes can bring new obligations such as neutralizing carbon emissions resulting from direct operations. Subsequently, any non-compliance might result in severe punishments and sanctions.

Cost of response to risk

20000

Description of response and explanation of cost calculation

TSKB periodically monitors and reports all greenhouse gas emissions from its activities within the scope of the SMS in accordance with the ISO 14064 Greenhouse Gas Accounting and Verification Management System. TSKB became a signatory of the Science-Based Targets Initiative (SBTi) in 2015. TSKB has set its science-based reduction targets for GHG from its operational activities by taking the year 2020 as the reference. The Bank undertakes to reduce Scope 1 emissions by 42% as of 2030 and 63% as of 2035. These targets comply with the goal of the Paris Agreement to limit the rise in temperature to 1.5 °C. To meet these targets, management has allocated a budget of \$72K for 2021. TSKB has been offsetting greenhouse gases from its operations since 2008 and has been crowned as the first carbon-neutral bank in Turkey. The Bank has met all its electricity needs (Scope 2) from renewable energy power plants with IREC certification since 2009 and will continue to do so. 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.

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)
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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 June 2021. 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 97,7 GW, whereas the total electricity demand for the year of 2020 was 304,8 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 June 2021. At the end of 2020, the Government announced a new mechanism, which guarantees the purchase of electricity for the first ten years in TL terms, applicable after June, 2021. The purchasing unit price is going to be escalated every quarter with a formula combining inflation rates and FX rates. The new prices are relatively lower than the old mechanism.

Time horizon

Short-term

Likelihood

Unlikely

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)

8000000

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 33% within the total loan portfolio of TSKB, through an installed capacity of 6,594 MW as of 2020 year-end. A reduction in the renewable energy investments due to an instant termination of feed-in tariff mechanism 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 \$8M.

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 2020, TSKB took place in Energy Efficiency Association events, TUSIAD Energy Working Group studies, Turkey Wind Energy Association events, Turkey Sustainable Energy Financing Facility – Renewable Energy Supply Agreement group, etc. Moreover, TSKB holds the presidency of the Banks Association of Turkey Sustainable Finance Working Group in which climate related issues are monitored closely and efforts are carried out to raise awareness in engagement with the stakeholders from the state. The cost of attending events like seminars, workshops etc. including governmental organizations consists of labor costs and travel costs. Given the pandemic, there has not been any travels during the last 9 months of the year. 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
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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)

35000000

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 22% 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 \$35M.

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. The engineering team of TSKB assesses all projects specifically and calculates gains from resource savings. As of 2020, 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 71 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 increase in cost due to TSKB's office heating and cooling systems. Besides, it may also lead to an increase in TSKB's green gas emissions.

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 has met all its electricity needs (Scope 2) from renewable energy power plants with IREC certification since 2009 and will continue to do so. In addition to the certification, periodic maintenances and improvement activities are carried on by the maintenance team and outsourced companies in accordance with the annual schedule.

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 increase the average surface and water temperatures and to cause extreme weather events such as storms, hurricanes, floods, droughts, etc. These could affect the operations and efficiency of renewable energy power plants. For example, hurricanes could prevent wind power plants from functioning due to high wind speeds. In the meantime, droughts and floods can affect the hydro power plant operators. In conclusion, climate change 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)

20000000

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. Taking the extreme weather conditions in Turkey into account, that would mainly be the hydro power plants which might 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 income is calculated as \$20M.

Cost of response to risk

100000

Description of response and explanation of cost calculation

To closely follow up 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-intensive sectors and specifically for the projects that are at the appraisal stage at TSKB. Each 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 and social impacts (including the project's impact on climate change as well as the exposure of the project to the climate change) and mitigate the identified impacts. 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 71 years via its experienced team. TSKB attends to the related international sectoral 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, at least two employees from TSKB participate in COP meetings. Since hydro-power plants are in the high risk group in terms of climate-related physical risks, TSKB prepared a comprehensive internal study called "The Effects of the 2020-2021 Drought on Hydroelectric Power Plants and the Climate Change Outlook for the Period 2030-2040" to make a general assessment of the negative effects of climate change in the medium term as for the Bank's loans portfolio. The study includes technical evaluations of extreme climate events, such as river floods, together with long-term climatic changes such as average temperature increases and changes in precipitation regimes, which are also closely related to HPPs and are caused by climate change. Given the outcomes of this project, the Bank developed a road map to monitor some certain regions closely and continue conducting comprehensive studies.

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
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Primary potential financial impact

Other, please specify (Decreased access to DFI funding and other innovative funding products)

Climate risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

As a 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)

15000000

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 \$15M.

Cost of response to risk

120000

Description of response and explanation of cost calculation

Every safeguard issue (climate change, ESG issues, 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 change mitigation and adaptation 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 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. In 2021, "Climate Change Mitigation and Adaptation Policy" has been released to set out the scope and principles of its strategy to combat 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

The year 2020 was the year in which the most extreme events were seen in Turkey, with the total number of 984, according to the yearly report of Turkish State Meteorological Service. Most hazardous extreme events recorded in 2020 were heavy rain and floods, wind storms/tornadoes and hail. The report depicts that there is an increasing trend in the number of recorded extreme weather conditions in the past 20 years. Besides, 2020 has been the third warmest year since 1971. Excessive rainfall and hail have become more frequent in Turkey due to climate change particularly in recent years and have caused floods in Istanbul. This may pose a risk for the Bank's operations and business continuity.

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

TSKB has prepared the necessary action plans (Emergency and Contingency Plan) against climate events such as excessive rainfall, floods and drought in a way to include all service buildings. Regular updates are in place. Following floods in Istanbul in the past years, infrastructure improvements were made in service buildings. Efforts to strengthen the Bank's business continuity and resilience are coordinated by the Business Continuity Management Committee and the Building Operation and Administrative Affairs Unit. 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 became available for all employees in 2020. 87 percent of the Bank employees are working remotely as of 2020 year-end. The license of the system and employee cost for installing the system has cost around \$25K. With remote working, there has been a substantial decline in the natural resource usage, such as electricity, water, paper and natural gas consumption in 2020. To note, hybrid working system will be in use once the pandemic is over. 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, GHG Monitoring Legislation was published which mandates energy-intensive industries to prepare measurement reports to be submitted to the Ministry of Environment and Urbanization starting from 2016, in 2014. 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 has announced European Green Deal in 2020, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Turkey. Moreover, in July 2021, EU Commission released a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Thus, next step is likely to be introduction of a cap and trade system and/or taxation for the carbon. Companies in energy-intensive 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 lift the investment appetite of renewable energy investors. The both cases are expected to boost 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)

10000000

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. Moreover, the total share of Renewable Energy, Energy Efficiency,

Resource Efficiency and Environment-focused loans is 53%. Also, The Bank aims the ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of 60%. 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 \$350M per year of additional financing opportunities to satisfy the above-mentioned elevated demand. The net interest income from these investments is estimated as \$10M 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 Ministry of Energy and Natural Resources, Turkey plans to increase its solar power plant capacity to 10 GW, and wind power plant capacity to 10 GW until 2030 using Renewable Energy Resource Area model. 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)

10000000

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 \$350M on an annual basis. The net interest income impact from these investments is estimated as \$10M. 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, and the total share of Renewable Energy, Energy Efficiency, Resource Efficiency and Environment-focused loans is 53%. Also, The Bank aims the ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of 60%. The Bank has renewable energy portfolio of the 13% of total renewable energy of Turkey. 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, nearly \$6B 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 40 advisory services through its subsidiary Escarus in 2020. The total labor costs of Escarus pertaining to year 2020 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 2020, GHG emission reduction target has been achieved for this target. Comparing to last year, TSKB has decreased GHG emission by 25%. Besides, TSKB consumes 17% less electricity, 2.73% less natural gas, 61% less paper and 38% less water compared to previous reporting period. Explanation about decreases is provided in the following relevant questions.

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, CEO and 2 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 2020.

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 numerous pioneerhips in the Turkish finance sector with respect to ESG issues. These efforts not only enhances accumulation of knowledge and experience but also boost Bank's reputation, helping 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, 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 contribute to integrate climate related 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 2020, TSKB provided 41 advisory services through/together with its subsidiary Escarus. As of 2020 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 41 advisory services through/together with its subsidiary Escarus. The total labor costs of these projects pertaining to year 2020 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 with FX rates will be valid until the end of June 2021. This situation has accelerated the renewable energy investments in the recent years. At the end of 2020, the Government announced a new mechanism, which guarantees the purchase of electricity for the first ten years in TL terms. The purchasing unit price is going to be escalated every quarter with a formula combining inflation rates and FX rates. As a result of the announcement of a new mechanism, 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)

9000000

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 33% within the total loan portfolio. Recently announced regulatory incentives and new technological developments are likely to continue boosting the renewable energy investments which will contribute to TSKB's financial strength. TSKB estimates that up to 2021, the potential for financing this area is about \$300M. The net interest income from these investments is estimated as \$9M 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 6,594 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 12.2 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 nearly 150 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 water efficiency and water 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

Efficiency investments are expected to gain more importance in the near future and TSKB has financed efficiency projects surpassing \$1 billion so far. To note, The Bank targets to provide \$8 billion of SDG related finance to its clients in the next ten years. Considering that water intense sectors such as hydroelectric power generation, non-renewable electricity generation, electricity power distribution, paper and forestry products etc. constitute 22% 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 engineering 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 change issues. This adopted manner

has provided opportunity to access as well as secure climate specific loans. More than 80% of the Bank's funding is ESG linked. Accordingly, 74% of the Bank's overall loan portfolio is sustainability themed, and the total share of Renewable Energy, Energy Efficiency, Resource Efficiency and Environment-focused loans is 53% as of 2020. These loans are developed to tackle climate change through mitigation and adaptation investments. Supporting transition to a low-carbon economy and enlarging the green markets of Turkey are at the top of TSKB's strategic priorities. In line with its strategy, TSKB has been in constant engagement with its stakeholders, including investors, International Financial Institutions, policy makers, NGOs, etc. As a result of these efforts, TSKB has gained reputation and the opportunity that enables the Bank to access more environmentally responsible funding.

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)

475000000

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 raise nearly \$475M climate related funding comprising of DFI funding and sustainable eurobond in 2021. With respect to its loan book, 74% is composed of sustainability themed investments and nearly 90% is SDG-linked. Moreover, the total share of Renewable Energy, Energy Efficiency, Resource Efficiency and Environment-focused loans is 53% as of 2020 year-end. TSKB has a target of financing USD 8 billion of SDG-linked investments between 2021-2030, and the Bank committed to keep the SDG linked loans weight over 90 percent between 2021-2025. TSKB expects a surge in the demand for its ESG 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, CEO and 2 executive vice presidents. The Sustainability Sub-Committee and its 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 2020 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, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, and we do not intend it to become a scheduled resolution item within the next two years	Annual General Meetings we hold every year in March are conducted in compliance with the Turkish legislation. In the current environment, at these meetings, resolution items are mostly about financial data, financial audits, and board of directors. Nonetheless, the Chairman of the Board of Directors and the Bank's CEO present key ESG developments from the year. There is no doubt that, in the upcoming meetings our low carbon transition plan and long-term targets will be at their agenda, however, in order to become a scheduled resolution item, there must be changes in general practices as well as legislative settings. We consider the stakeholder priorities and expectations in the process of determining the strategic focus areas. We determine our strategy and corporate priorities by considering the needs and demands of the stakeholders. Accordingly, we realize stakeholder and materiality analysis with all stakeholder groups, every two years. This year's analysis carried out in November. The results show us that, "Combating climate change" and "Supporting transition to a low-carbon economy" are our stakeholder's expectations.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative, but we plan to add quantitative in the next two years

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
IEA 450 RCP 4.5 RCP 8.5 IEA B2DS IEA Sustainable development scenario IEA NPS IEA CPS Nationally determined contributions (NDCs) Other, please specify (IPCC, 2DII (PACTA), NGFS)	Accelerating its work on climate change, which is among the top strategic priorities, with the Climate Risks Working Group it established in 2020, TSKB aims to use scenario analysis and stress test tools effectively to identify the potential consequences of climate-related risks and opportunities under different time and conditions and to include the results accordingly into the business processes with a strategic planning. To that end, the current climate-related risks in TSKB's portfolio were identified through a sector-based heat map. This study is considered to constitute the basis of future scenario analysis and stress test studies. TSKB reinforces its climate risk scenario analysis by case studies. These studies evaluate the resilience of sectors which have weight in the Bank's loan portfolio being vulnerable to climate change. In this context, scientific data generated by running different global climate models with RCP4.5 and RCP8.5 climate scenarios were used in the scenario analysis performed for hydroelectric power plants and cement industry within the scope of physical risks. The energy sector is closely monitored as it has a significant weight in TSKB's lending portfolio, and is a sector that is both critical for Turkey and vulnerable to climate-related risks. The Bank's Energy Working Group (EWG) functions effectively in this regard. Recently, an internal model study which estimates the Turkish market clearing price (MCP) for the period 2021-2035 has been put into use within the EWG. The aforementioned MCP estimate considers various issues such as electricity demand, market developments, energy profile, investments to be commissioned, exchange rate and power plant input prices. The study also considers scenarios that may arise from various climate risks such as drought and heavy rainfall and monitors their effects. By being the first example of climate-oriented scenario analysis studies within the Bank, the related process is updated and revised periodically. Consequently, the aim is to integrate the results from climate risk scenario analysis to be developed quantitatively and qualitatively on an international and local basis into risk management and financial planning processes. Since the climate scenario studies is needed to continuously improve, it is of utmost importance to build capacity and ensure continuity in this field. In the near future, TSKB aims to develop its climate scenario analysis and stress testing processes in line with the recommendations, considering the forecasts and studies of various international institutions such as the IPCC, IEA and 2DII (PACTA). In addition to these, climate scenarios published by the "Network of Central Banks and Supervisors for Greening the Financial System" (NGFS), an initiative established by central banks and financial authorities, are analyzed to be used in the scenario analysis related to climate risks. Sectors that may be affected by new regulations such as carbon border tax to be implemented as part of the Green Deal announced in EU in line with the goal of offsetting net greenhouse gas emissions by 2050 are also evaluated separately.

C3.3

(C3.3) 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	TSKB revises its strategy and renews the products and services it offers, taking into account potential climate-related risk and opportunities. In the evaluation and monitoring process of loans, that are great importance in the product range, the Bank addresses climate risk and opportunities. As of 2020 year-end, the share of sustainability-themed loans in the total loan portfolio is 74%, and the total share of Renewable Energy, Energy Efficiency, Resource Efficiency and Environment-focused loans is 53%. The share of non-renewable electricity generation, which is considered to be a high-risk sector in terms of transition risks, is negligible within TSKB's loan portfolio. As of 2020-year end, the coal-fired power plants have a 3.6% share in the total portfolio and TSKB declared that it will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes in its 2020 Integrated Annual Report. Also, within the framework of the Bank's 2021 – 2025 road map, TSKB aims the ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of 60%. Aiming to enrich the activities in a manner which includes sustainable finance opportunities within the scope of Investment Banking, TSKB realized globally first sustainable lease certificate issuance in 2020. This transaction going beyond the renewable energy-related goals in the few Green Sukuk issuances of the past as it covers goals such as sustainable utilities and clean transport within a framework compatible with the 4 basic standards of the International Capital Markets Association (ICMA) breaks a new ground both in Turkey and across the world. With this issuance, TSKB was awarded The Banker Magazine's "Islamic Finance Deal of the Year 2020 in Europe" prize. Climate change is expected to cause greater physical damage both in the world and in Turkey in the future. Therefore, it is necessary to raise awareness and support capacity building and development in real sector companies about managing climate risks. Advisory services, which have recently grown more significant for TSKB, are facilitating new cooperation about climate change. The Green Swan Platform, which was founded in 2020, aims to increase awareness about climate risks and opportunities by bringing stakeholders from many sectors together.
Supply chain and/or value chain	Yes	Aiming to integrate climate-related risks and opportunities into all business processes, TSKB sees the dedicated efforts against the climate crisis as a key part of its mission in cooperation with its stakeholders and from an inclusive development banking perspective. In 2016, TSKB set out the scope of the strategy to combat climate change in the Statement on Climate Change published. Also, in 2021 TSKB published its "Climate Change Mitigation and Adaptation Policy". With this policy, TSKB explains how it will address climate risks and opportunities in all value creation model.
Investment in R&D	Yes	With its increasing importance, climate risks and opportunities also come to the fore in R&D studies. TSKB aims to address climate-related risks, so far being handled within the ERET Model, with a separate model in detail and to create loan-specific action plans by evaluations within the framework of physical and transition risks. Thereby, it aims both to prevent credit risk and also to enhance awareness and capacity development regarding clients. Similar to developing the ERET Model, the Bank decided to increase its capacity and expertise internally in engagement with its stakeholders while establishing a functional climate risk assessment tool. The Bank aims to start pilot practices for the Climate Risks Assessment Tool by 2021. By the end of 2023, the Bank plans to integrate the evaluation results into its internal rating model as it is the case with the ERET Model, in doing so the Bank will be working with various stakeholders.
Operations	Yes	TSKB's well-structured Sustainability Management System (SMS) 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. TSKB has been purchasing renewable energy from IREC-certified power plants since 2009 and thus offsetting its Scope 2 emissions. TSKB became a signatory of the Science-Based Targets Initiative (SBTi) in 2015 in order to be a pioneering institution and increase its awareness in combating the climate crisis. The initiative houses organizations aiming to reduce greenhouse gas emissions (GHG) by considering science-based climate scenarios. As a member of the initiative, TSKB has set GHG reduction targets for direct emissions from its operations.

C3.4

(C3.4) 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	Revenues Direct costs Indirect costs Access to capital Assets Liabilities Provisions or general reserves	TSKB defines climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks. From this point of view, it examines the risks and opportunities created by climate change within the organization in terms of direct and indirect effects. The Bank defines direct and indirect risks and opportunities in the short (< 1 year), medium (1-5 years) and long term (> 5 years) and analyses the effects of these risks and opportunities on the organization's activities, strategy and financial structure. As part of physical and transition risks, transition to a low-carbon economy is expected to present new opportunities for TSKB in the fields of financing, investment banking and advisory services. It is predicted that the transitionary process will increase the demand for renewable energy as well as other products and services with a low carbon footprint. Case Study – Carbon Pricing Policies The EU Green Deal proposes a carbon border adjustment mechanism as an option, which may bring along the practice of imposing carbon tax on products exported from Turkey to the EU region. Such a tax may increase the cost of Turkish export products and reduce their competitiveness. The launch of the emissions trading mechanism in Turkey as an alternative/complementary element for the carbon border tax has led to discussions in the country. The mechanism will establish a trading system to include emission-intensive sectors. These two developments may affect the sectors that are in TSKB's loan portfolio and will be included in the tax or trading system. TSKB conducts various studies to analyse the Bank's exposure to and possible impact on sectors that may incur additional carbon costs. Accordingly, the Bank actively follows the studies of PMR Turkey project, which works on Turkish carbon markets, and monitors the developments closely. In addition, case studies are being conducted regarding the proportion of vulnerable sectors within the portfolio and sectoral risks of carbon pricing for the case that carbon trading systems would be put into practice. The relevant heat map study also contributes to the evaluation of the sectors and clients exposed to the aforementioned transition risk.

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

TSKB, which adopts sustainability and inclusion as its main business model for Turkey's qualified development, is aware of the physical and transition risks arising from climate change, the steps to be taken to manage these risks and the opportunities which will also arise. As one of TSKB's main strategic focus areas, mitigating and adapting to climate change directly and indirectly affects other priority areas of focus. Leveraging on its experience regarding the sustainable banking principles and in line with its strategies, TSKB will continue to play an active role in combating climate change and Turkey's transition to a low-carbon economy. Accordingly, TSKB sets out the scope and principles of the strategy to combat climate change in the Statement on Climate Change published in 2016 and the "Climate Change Mitigation and Adaptation Policy" published in 2021.

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

C-FS3.6a

(C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Risk policy	Majority of the portfolio	In 2012, TSKB expanded the scope of its Environmental Policy published in 2006 and then revised it as the Sustainability Policy. The Bank's Sustainability Policy is supported by ESG-backed complementary policies. In line with its responsible banking approach, TSKB has identified the activities not to be financed and published them as an annex to its Environmental and Social Impact Policy, which is one of the complementary policies. Climate change, transition to a low carbon economy, and other climate-related issues are addressed in these policies. In addition, in the first half 2021 TSKB published the Climate Change Mitigation and Adaptation Policy. Taking a consistently active role in the combat against climate change and contributing to Turkey's industrial transition to a low carbon economy are among TSKB's top priorities as part of its sustainable banking strategy. TSKB sets out the scope and principles of its strategy to mitigate and adapt to climate change with a policy framework. Also, in 2020, within the scope of combating climate change, TSKB committed that it will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes. Credit Policy TSKB has designed the Environmental and Social Risk Evaluation Model (ERET) based on the standards of development finance institutions as well as the Equator Principles in order to measure the environmental and social risks of projects. Since 2007, ERET has been applied to all eligible investment projects within a sustainability approach that meets the environmental and social standards of development finance institutions. Following environmental and social evaluation and risk categorization by ERET, the environmental and social management plans that should be prepared by the company or the consultant are determined in order to minimize the potential negative effects of investment projects while maximizing their positive effects. The model is periodically reviewed and updated. This model includes questions that enable the rating of electricity consumption, water consumption and greenhouse gas emission levels in order to measure the impact of projects on climate change during the loan evaluation process as well as their contribution and adaptation to combating climate change. Furthermore, regarding the degree of exposure to climate-related risks, there are also questions related to determining the total environmental and social credit risk of the evaluated project or activity in terms of climate risks. Expanding its environmental and social risk management approach in a way that includes working capital loans, TSKB has played a pioneering role in the sector and created ERET for working capital loans, the environmental and social risk measurement tool for working capital loans, in 2020. During the loan monitoring process, TSKB is committed to using ERET for all working capital loans to monitor the environmental and social impacts and ESG performances of its customers that receive operating loans. Risk Policy Climate-related physical and transition risks are evaluated within the scope of existing risks defined at the Bank and are included in the Bank's risk management processes. In this regard, both physical and transition risks of climate change are classified, monitored and managed under credit, market, operational, liquidity and reputation risks. Considering the investment loans allocated by the Bank in accordance with its vision and mission, for the sustainable development in the country, it is anticipated that the fundamental impact of climate change may stem from credit risk. Therefore, in loan evaluation, allocation and monitoring stages, in addition to the ERET rating, the greenhouse gas emissions and energy and resource efficiency dimensions of the financed projects are taken into consideration. Credit risk, concentration risk, collateral quality and relevant internal rating levels of all clients including those exposed to climate risks are monitored. In the Bank's internal rating model, climate risks are currently considered in the judgmental evaluation chapter. While the relevant metrics are closely monitored in order to manage such risks, risk monitoring processes will be further developed. TSKB aims to address climate-related risks, so far being handled within the ERET Model, with a separate model in detail and to create loan-specific action plans by evaluations within the framework of physical and transition risks. The Bank aims to start pilot practices for the Climate Risks Assessment Tool by 2021. By the end of 2023, the Bank plans to integrate the evaluation results into its internal rating model as it is the case with the ERET Model.
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	

C-FS3.6b**(C-FS3.6b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.**

Type of exclusion policy	Portfolio	Application	Description
Coal	Bank lending	New business/investment for new projects	In 2020, within the scope of combating climate change, TSKB committed that it will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes. To note, as of 31 December 2020, the coal-fired thermal power plants has a 3.6% share in the total portfolio.

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)

927.8

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

100

Target year

2021

Targeted reduction from base year (%)

10

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

835.02

Covered emissions in reporting year (metric tons CO2e)

779.38

% of target achieved [auto-calculated]

159.96982108213

Target status in reporting year

Achieved

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

<Not Applicable>

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. 2016 is defined as the base year as it is stated in reporting guidance since target has been based on average GHG emissions over 5 years period. Average GHG emissions (Scope 1+ Scope 2 + Scope 3(upstream)) of TSKB was 927.80 tons CO2e over 2012-2016. Target is to reduce to 835.02 tons over 2017-2021. In reporting year, total GHG emissions calculated as 578.5 tons/year which is drastically lower than the year before and this is due to Covid-19 Pandemic. This resulted in considerable decrease in 4 years average GHG emissions. Thus, this made TSKB target as achieved. However, the last 3 years (2017-2019) average was 846.33 tons CO2e which means 87.8% of the target was achieved at the end of the 2019 and it seems now it is beyond to achieve the target. Despite it seems like it was achieved, TSKB decided to track the same target in the next year as it is since 2020 was a year that all the world locked down, struggled and worked from home. Science Based Targets initiative (SBTi) published a guideline for financial institutions on September 2020 and it is written that if you are a financial institution that have commitment to have SBT before, you will have 2 years to set your target. In reporting year after the guideline published by SBTi, TSKB evaluated emissions released due TSKB operations to reduce its contribution on climate change and target was keeping its contribution below 1.5°C. This study does not cover Scope-3 emissions and as well as emissions from portfolio. At the end of 2020, TSKB decided to extend evaluation beyond Scope 1 and 2 to Scope 3. It is aimed to collect relevant data from customers, evaluate the data and see where the biggest challenge is and the most potential effect can be created in terms of aligning portfolio to a well below 2-degree world.

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

Other climate-related target(s)

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

2008

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

100

Figure or percentage in reporting year

100

% of target achieved [auto-calculated]

100

Target status in reporting year

Achieved

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 Aydem Energy. The official document taken from Aydem 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.

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2017

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Waste management	Percentage of total waste generated that is recycled
------------------	--

Target denominator (intensity targets only)

<Not Applicable>

Base year

2020

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

100

Figure or percentage in reporting year

100

% of target achieved [auto-calculated]

100

Target status in reporting year

Achieved

Is this target part of an emissions target?

No, it is not. It is company target evaluated under 2020 natural capital targets and realizations were disclosed and shared transparently with our stakeholders, employees, investors etc. via Integrated Report which is public and available on our website.

<https://www.tskb.com.tr/i/assets/document/pdf/2020%20TSKB%20Integrated%20Annual%20Report.pdf> page 92

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

This target was a yearly company target. Because of that reason, base year and target year are disclosed as 2020. All paper, glass, plastic waste in TSKB buildings had been collected separately and sent to recycling facilities. The application of a 100% recycling target on paper waste was solid and achieved in 2020 and will be valid in the years to come. GHG emissions due to purchasing paper was included in target explained C4.1a and also disclosed in C6.5 purchased goods and services. 0.049 tons of paper waste of 0.141 tons disclosed GHG emissions from waste generated in operations in C6.5 did not included in C4.1a because the amount of GHG emissions from waste generated in operations were accepted as negligible compared other categories.

Target reference number

Oth 2

Year target was set

2020

Target coverage

Business activity

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance	Percentage of green investments
---------------	---------------------------------

Target denominator (intensity targets only)

<Not Applicable>

Base year

2020

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

70

Figure or percentage in reporting year

74

% of target achieved [auto-calculated]

105.714285714286

Target status in reporting year

Achieved

Is this target part of an emissions target?

No, it is not. It is company target evaluated under 2020 natural capital targets and realizations were disclosed and shared transparently with our stakeholders, employees, investors etc. via Integrated Report which is public and available on our website. Besides, this target was verified by PwC which is one of the Big Four financial reporting and accounting advisory services. <https://www.tskb.com.tr/i/assets/document/pdf/2020%20TSKB%20Integrated%20Annual%20Report.pdf> page 92

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

This target was a yearly company target. Because of that reason, year was target set, base year, target year disclosed as 2020. Figure in base year written as '0' because it was aimed to stabilize the share of renewable energy, energy efficiency and resource efficiency investments finance portfolio in the total loan portfolio, excluding the finance sector, at least 70%. At the end of the year it was realized as 74%.

Target reference number

Oth 3

Year target was set

2019

Target coverage

Business activity

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance	Other, please specify (Within the scope of innovative renewable energy financing, TSKB aimed to sign new loan contracts for renewable energy projects with at least 450 MW total installed capacity.)
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Target denominator (intensity targets only)

<Not Applicable>

Base year

2018

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

450

Figure or percentage in reporting year

904

% of target achieved [auto-calculated]

200.888888888889

Target status in reporting year

Achieved

Is this target part of an emissions target?

No it is not. It is company target evaluated under 2019-2020 natural capital targets and realizations were disclosed and shared transparently with our stakeholders, employees, investors etc. via Integrated Report which is public and available on our website.

<https://www.tskb.com.tr/i/assets/document/pdf/2020%20TSKB%20Integrated%20Annual%20Report.pdf> page 92

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

This target was set as a year on year rolling company target for 2 years. It was aimed to sign new loan contracts which were only renewable energy investment projects. As of the end of 2020, agreements for renewable energy projects with a total of 904 MW were signed.

Target reference number

Oth 4

Year target was set

2019

Target coverage

Business activity

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance	Other, please specify (TSKB planed to sign 10 new loan agreements on energy and/or resource efficiency projects by the end of 2020.)
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Target denominator (intensity targets only)

<Not Applicable>

Base year

2018

Figure or percentage in base year

0

Target year

2020

Figure or percentage in target year

10

Figure or percentage in reporting year

8

% of target achieved [auto-calculated]

80

Target status in reporting year

Expired

Is this target part of an emissions target?

No, it is not. It is company target evaluated under 2019-2020 natural capital targets and realizations were disclosed and shared transparently with our stakeholders, employees, investors etc. via Integrated Report which is public and available on our website.

<https://www.tskb.com.tr/i/assets/document/pdf/2020%20TSKB%20Integrated%20Annual%20Report.pdf> page 92

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

This target was set as a year on year rolling company target for 2 years. Out of the target of a total of 10 energy efficiency and/or resource efficiency projects, 8 were realised. The deviation in the realization was a result of the pandemic.

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	4	
To be implemented*	1	78.17
Implementation commenced*	3	79.99
Implemented*	0	0
Not to be implemented	0	

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)
--------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

79.92

Scope(s)

Scope 1

Voluntary/Mandatory

Voluntary

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

4286

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

0

Payback period

No payback

Estimated lifetime of the initiative

1-2 years

Comment

Due to Covid-19 pandemic, our employees have started to work from home since April 2020. In order to ensure safe air ventilation to reduce infection risk in the buildings, 100% fresh air supplied to the buildings rather than previous supply scheme which is 20% fresh air supply. Since ventilation system changed, fuel consumed for space heating increased due to 100% cold air supply. In order to reduce natural gas consumption and in relation GHG emissions due to space heating, some part of buildings closed since November 2020. This brought us 79.92 tons CO2e/ two months reduction in 2020 which means reduction will be higher annually. Realisation will be reported in 2021 CDP Climate Change Report.

Initiative category & Initiative type

Company policy or behavioral change	Change in procurement practices
-------------------------------------	---------------------------------

Estimated annual CO2e savings (metric tonnes CO2e)

0.07

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

1951

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

0

Payback period

No payback

Estimated lifetime of the initiative

1-2 years

Comment

Due to Covid-19 pandemic, our employees have started to work from home since April 2020. So far, TSKB kept closed its dining hall and supply lunch boxes to the employees who has been in the bank for required case in order to reduce infection risk and also cut unnecessary food consumption and emissions from over food production and operating dining hall. However, estimated annual saving has been calculated by taking saving due to household waste reduction into account and for this reason scope was selected as Scope-3. TSKB does not pay for wastes to be collected. Annual monetary saving was the saving from electricity, water, natural gas bills for 1,5 months that decision was implemented. 3 initiatives of implementation commenced in the reporting year stated above. 2 of them attributed in the category of 'Company policy or behavioural change - change in procurement practices' and first is explained above. The other one is behavioural change in cleaning services. As employees were at the bank for required case, TSKB wants from employees to put red flag to meeting rooms or tables they used in order cleaning staff to understand which places needs to be disinfected or cleaned. This brought decreased consumption in cleansers however there is no material data about reduction in GHG emission, it could not be projected to this report.

C4.3c

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

Method	Comment
Financial optimization calculations	Semi-annually, 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 analysed. If a potential reduction opportunity is identified, the monetary cost of implementation will be 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 counter measures 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. Investment decisions have been done according to the payback period and investment cost gathered from financial optimization calculations. After approval of reduction strategies for next year by top management, 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". The procedure has been revised according to new SMS Management Structure of TSKB.
Internal price on carbon	Based on its internal impacts (consumption of natural resources), TSKB calculates its carbon emissions each year. These emissions are verified according to ISO 14064-3 by an accredited 3rd party consultant since 2012 and offset via purchasing voluntary Gold Standard Certificate annually, since 2009. It is anticipated that price on Gold Standard Certified 1 ton of CO2 will develop over time since emerging regulations like carbon taxes on exports which will affect many industries that are carbon intense. Thus, demand on credit certificates will increase and raise the price of carbon credits. Thus, TSKB keeps an eye on carbon offset price since it is accepted as internal carbon price and included in yearly budget plan.
Other (Lenders expectations arising from regulatory requirements like European Green Deal)	According to scientific researches, if we do not transform businesses from as usual to low carbon businesses, we cannot limit the increase in global mean temperature 2°C below to the pre-industrial levels and results will be catastrophic for humankind. In order to limit temperature, increase several regulatory mechanisms developed and precautions continue to be taken all around the world. Since lenders of TSKB are financial institution on global scale, they expect from TSKB also to have some emission reduction targets. In order to meet the expectations and take the advantage of lower interest ratios for long term debts, TSKB searching for new emission reduction activities to reduce its contribution on global temperature rise.

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 highly efficient solutions. Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. Rate of sustainability themed loans in loan portfolio as at end of 2020 is 74%. By the end of 2020, TSKB funded renewable energy installed capacity has reached to 6594 MW and 330 projects, with a total investment amount of \$11.3B of which \$4.9B was committed by TSKB, between 2003 and 2020. As of 2020, TSKB allocated \$1B to 149 EE and RE projects. Annual GHG emissions in Turkey were reduced by 15.2M tons by financing these sustainable products including renewable energy, EE and RE investments. TSKB published Turkey's first Green/Sustainable Bond Framework with Second Party Opinion (SPO) provided by an independent third party, which was followed by the issuance of the first green/sustainable (USD 300 million) bond of Turkey and CEEMEA region in 2016 and globally first subordinated sustainable bond (USD 300 million) in 2017. Green and ESG focused investors, were of a great importance in both issuances. In 2020, TSKB published its revised Sustainable Finance Framework and new themes such as youth employment, inclusiveness and Covid-19 have been included considering recent ICMA Principles and best practices. In January 2021, TSKB issued its third Sustainable Bond (USD 350 million) backed by the revised Framework. The Bank started to publish Allocation and Impact Reports (A&I Report) of the respective green and sustainable bonds a year after the issuance. TSKB's 2017 A&I Report was the first impact report out of Turkey. These reports include TSKB's internal calculation of the impact it generates, without taking any consultancy thanks to its capacity in impact assessments and experienced staff including sectoral analysts and engineers, assurance obtained by independent auditor and the verification of SPO provider. 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.

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

Green Bond Principles (ICMA)

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

69.2

% of total portfolio value

74

Asset classes/ product types

Bank lending	Project Finance
--------------	-----------------

Comment

The effective and accurate use of renewable energy resources is of key importance in the process of combating climate change and transitioning to a low carbon economy in Turkey. Electricity generation has the largest share of TSKB's loan portfolio, with a 38% share. Renewable energy projects account for 88% of electricity generation projects. The projected total installed power of a total of 330 projects financed is 6,594 MW and represents 13.3% of Turkey's total installed capacity in renewable energy. Contribution of these projects to reduction of CO2 emissions is 12.2 million tonnes CO2e/year in total. To date, the Bank has provided USD 1 billion in financing for a total of 149 projects in the fields of energy and resource efficiency, production processes and waste management to companies in the iron and steel, cement, textile, aluminium, automotive supply industry and chemicals sectors. Contribution of these projects to save CO2 emissions is 3 million tonnes CO2e/year in total.

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 2011

Base year end

December 31 2011

Base year emissions (metric tons CO2e)

735

Comment

Scope 2 (location-based)

Base year start

January 1 2011

Base year end

December 31 2011

Base year emissions (metric tons CO2e)

0

Comment

Scope 2 (market-based)

Base year start

January 1 2011

Base year end

December 31 2011

Base year emissions (metric tons CO2e)

0

Comment

C5.2

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

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

ISO 14064-1

US EPA Center for Corporate Climate Leadership: Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases

Other, please specify (IPCC Fourth Assessment Report)

C5.2a

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

In order to convert N2O and CH4 emissions to CO2 emissions and report all the emissions in CO2equivalent, we used IPCC Fourth Assessment Report (AR4 – 100 year) for the conversion factors. We collected activity data from electricity/natural gas bills, bills from fuel company, reports kept about business travels, hotel stay and employee commuting activities, submission forms about wastes, maintenance/installation forms of fire suppression and cooling systems. We follow the methodology that IPCC Guidelines for National Greenhouse Gas Inventories recommends for accounting.

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)

420

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 not to disclose.

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

2.1

Emissions calculation methodology

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

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

100

Please explain

Emission due to paper consumption has been calculated by multiplying GWP factor of paper consumption given in UK Government GHG Conversion Factors for Company Reporting, 2020 with the activity data (paper consumption).

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes all upstream emissions from the production of capital goods purchased or acquired by the reporting company in the reporting year. Capital goods are final products that have an extended life and are used by the company to manufacture a product, provide a service, or sell, store, and deliver merchandise. Examples of capital goods include equipment, machinery, buildings, facilities, and vehicles. Since TSKB is a financial institution, there is no product is been sold and TSKB does not have any manufacturing facility or machinery. Additionally, TSKB did not purchase any equipment, machinery, buildings, facilities, and vehicles in the reporting year as in the previous years.

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

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in scope 1 or scope 2. It is decided that fuel-and-energy-related activities are not relevant in Scope 3 emission sources of TSKB since TSKB is a financial institution. The main Scope 3 emission source for TSKB is Category 15 'Investments' emissions and emissions due to fuel-and-energy-related activities deduced as negligible.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from the transportation and distribution of products purchased or acquired by the reporting company in the reporting year in vehicles and facilities not owned or operated by the reporting company, as well as other transportation and distribution services purchased by the reporting company in the reporting year. As explained in the category of Scope 3 emissions from purchased good and services, emissions due to paper consumption have considered. Since TSKB is a financial institution, the main Scope 3 emission source for TSKB is Category 15 'Investments' emissions and emissions due to transportation of purchased paper deduced as negligible.

Waste generated in operations

Evaluation status

Not relevant, calculated

Metric tonnes CO₂e

0.141

Emissions calculation methodology

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

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

100

Please explain

Emissions generated from paper waste, domestic waste, waste oil, batteries, glass, plastic, waste electrical and electronic equipment have been calculated by multiplying GWP factors given in UK Government GHG Conversion Factors for Company Reporting, 2020 with the activity data. However, amount of emissions generated deduced as not relevant when it is been compared with other Scope-3 emission sources.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

72.6

Emissions calculation methodology

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

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, air travel and hotel stay have been reported as emissions from business travels. UK Government GHG Conversion Factors for Company Reporting, 2020 has been the reference for the determination of emissions from hotel stay and air travel. For the remaining, 2006 IPCC Guidelines for National Greenhouse Gas Inventories -Mobile Combustion reference has been used.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

83.9

Emissions calculation methodology

2006 IPCC Guidelines for National Greenhouse Gas Inventories -Mobile Combustion

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 employee commuting activities.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from the operation of assets that are leased by the reporting company in the reporting year. There is no leased and operated assests by TSKB.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from transportation and distribution of products sold by the reporting company in the reporting year between the reporting company's operations and the end consumer in vehicles and facilities not owned or controlled by the reporting company. TSKB is a financial institution and has no product sold, transported and distributed physically. All operations have been done virtually.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from processing of sold intermediate products by third parties (e.g., manufacturers) subsequent to sale by the reporting company. TSKB is a financial institution and has no products sold to third parties and processed physically .

Use of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from the use of goods and services sold by the reporting company in the reporting year. TSKB is a financial institution and has no goods and services sold physically. All operations have been done virtually.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from the waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life. TSKB is a financial institution and has no product sold physically. Emissions sourced from sold product of TSKB has been evaluated in Investments category of Scope 3 emission.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from the operation of assets that are owned by the reporting company (acting as lessor) and leased to other entities in the reporting year. TSKB has no owned assests to lease to other entities.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

This category includes emissions from the operation of franchises. Business of TSKB is not operated under a licence which is sold or distributed to another company's goods or services within a certain location which defines franchise business model. Since, this model does not fit the business model of TSKB, this emission category is not relevant.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

There is no other Scope 3 emission sources relevant to TSKB operations.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

There is no other Scope 3 emission sources relevant to TSKB operations.

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
0.000042

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
420

Metric denominator
unit total revenue

Metric denominator: Unit total
99908521

Scope 2 figure used
Market-based

% change from previous year
39.6

Direction of change
Increased

Reason for change
Gross combined scope 1 and scope 2 emissions that is numerator increased in the reporting year. there are several reasons for that increase. One of them is the maintenance period of chiller which recurs in every 2 years period. Fugitive emissions of filling of chiller system calculated was higher in reporting year than the year before because maintenance was held in the reporting year. In addition to fugitive emissions sourced from chiller, another reason for higher numerator is fugitive emission sourced from air conditioning system of control room. In reporting year, pipings of air conditioning system had been stolen and refrigerant leaked from the system and we considered that leaked gas into account as fugitive emissions. Besides, revenue of 2020 was less than 2019 and that was another reason of increased intensity figure.

Intensity figure
1.251

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
420

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
335.5

Scope 2 figure used
Market-based

% change from previous year
11.3

Direction of change
Increased

Reason for change
Gross combined scope 1 and scope 2 emissions that is numerator increased in the reporting year. there are several reasons for that increase. One of them is the maintenance period of chiller which recurs in every 2 years period. Fugitive emissions of filling of chiller system calculated was higher in reporting year than the year before because maintenance was held in the reporting year. In addition to fugitive emissions sourced from chiller, another reason for higher numerator is fugitive emission sourced from air conditioning system of control room. In reporting year, pipings of air conditioning system had been stolen and refrigerant leaked from the system and we considered that leaked gas into account as fugitive emissions.

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?
Increased

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	100% contractual instrument (REC certificate) is used to purchase electricity used in the buildings. Since the emission factor is zero, there is no change in emissions due to change in renewable energy.
Other emissions reduction activities	0	No change	0	Not relevant.
Divestment	0	No change	0	Not relevant
Acquisitions	0	No change	0	Not relevant
Mergers	0	No change	0	Not relevant
Change in output	0	No change	0	Not relevant
Change in methodology	24	Increased	24	Reference document used previous year than the reporting year about yearly leakage percentage from fire suppression system could not be verified in the reporting year. Another reference document which yearly leakage percentage is higher (2.5%) than previous one (2.0%) is used in reporting year calculations. Calculated emission was 100 tonnes CO2e for last year and 124 tonnes CO2e for the reporting year.
Change in boundary	0	No change	0	Not relevant
Change in physical operating conditions	49	Increased	78	Gross combined scope 1 and scope 2 emissions increased in the reporting year. There are several reasons for that increase. One of them is the maintenance period of chiller which recurs in every 2 years period. Fugitive emissions of chiller system was higher in reporting year than the year before because maintenances were held in the reporting year and refilled. In addition to higher fugitive emissions sourced from chiller, another reason for higher fugitive emission is sourced from air conditioning system of the control room. In reporting year, pipings of air conditioning system had been stolen and refrigerant leaked from the system and we considered that leaked gas into account as fugitive emissions. In 2019, fugitive emissions from cooling systems were 63 tonnes CO2e and 112,4 tonnes CO2e in the reporting year. Difference was 49,4 tonnes CO2e and 78 % increase.
Unidentified	0	No change	0	Not relevant
Other	4.4	Decreased	3.8	Due to Covid-19 pandemic, people have started to work from home since April 2020 which was the end of winter season so there was a little decrease on natural gas consumption for space heating. though emissions sourced from space heating activities were less (110.6 tonnes CO2e) than previous year (115 tonnes CO2e) as 3.8%.

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 0% but less than or equal to 5%

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	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

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)	0	813.17	813.17
Consumption of purchased or acquired electricity	<Not Applicable>	883.18	0	883.18
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
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>	447.89	<Not Applicable>	447.89
Total energy consumption	<Not Applicable>	1331.07	813.17	2144.24

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

Waste

Metric value

6.61

Metric numerator

tons

Metric denominator (intensity metric only)**% change from previous year**

999

Direction of change

Decreased

Please explain

Metric numerator had been written in previous year by mistake was wrong. If it were true, it would be kilograms. For this reason, it seems it were decreased 999%. However, the truth is 55%. All in all, the amount of waste has been decreased from 2019 to the reporting year. This decrease is because of Covid-19 Pandemic and employees of TSKB started to work from home since April 2020 due to pandemic. As an improvement, additional waste resources (waste paper, domestic waste, waste oil, batteries, waste electrical and electronic equipment) were included in metric value that has been already tracked by TSKB before but did not included in 2019 reporting year. If we compare waste generated from the same waste resources (wastes generated from business activities, plastics, glass) between two years which is the best way for comparison, decrease would be 72% in reporting year.

Description

Energy usage

Metric value

0.15

Metric numerator

kwh

Metric denominator (intensity metric only)m²*capita**% change from previous year**

11

Direction of change

Decreased

Please explain

Decrease is because of Covid-19 Pandemic that employees of TSKB started to work from home since April 2020. Electricity consumption decreased in TSKB buildings. Additionally, average employee number which is one of the factors affecting intensity metric was 23.5 less than previous year and if it remained the same, change from previous year would be more than 11% which means much more decrease in intensity metric in the reporting year.

Description

Other, please specify (Energy Source)

Metric value

0.01

Metric numerator

m3

Metric denominator (intensity metric only)m²*capita**% change from previous year**

4.3

Direction of change

Increased

Please explain

Intensity metric was 0.00948 in 2019. Average employee number which is one of the factors affecting intensity metric was 23.5 less than previous year which means it affected intensity metrics in increasing direction. However, if it remained the same, change from previous year would be 2.5 % in decreasing direction. Due to Covid-19 pandemic, people have started to work from home since April 2020 which was the end of winter season so there was a little decrease on natural gas consumption for space heating.

Description

Other, please specify (Water Consumption)

Metric value

12.98

Metric numerator

m3

Metric denominator (intensity metric only)

capita

% change from previous year

34

Direction of change

Decreased

Please explain

Due to Covid-19 pandemic, people have started to work from home since April 2020. So, water consumption was less than previous year in the reporting year. Besides, average employee number which is one of the factors affecting intensity metric was 23.5 less than previous year which means it affected intensity metrics in increasing direction. If it remained the same, change from previous year would be 38 % in decreasing direction.

Description

Waste

Metric value

2686

Metric numerator

kg

Metric denominator (intensity metric only)**% change from previous year**

29.7

Direction of change

Decreased

Please explain

Employees of TSKB started to work from home since April 2020 because of Covid-19 Pandemic so less amount of recycled glass, plastic and paper waste realized compared to 2019 in 2020. In 2019, recycled glass, plastic and paper waste amount was 3,822 kg and verified.

Description

Other, please specify (Energy source)

Metric value

55564

Metric numerator

m3

Metric denominator (intensity metric only)**% change from previous year**

2.73

Direction of change

Decreased

Please explain

Due to Covid-19 pandemic, people have started to work from home since April 2020 which was the end of winter season so there was a little decrease on natural gas consumption for space heating. In 2019, natural gas consumption was 57,122 m3 and verified.

Description

Energy usage

Metric value

883175

Metric numerator

kwh

Metric denominator (intensity metric only)**% change from previous year**

17

Direction of change

Decreased

Please explain

Decrease is because of Covid-19 Pandemic that employees of TSKB started to work from home since April 2020. Electricity consumption decreased in TSKB buildings. In 2019, electricity consumption was 1,064,530 kWh and verified.

Description

Other, please specify (Water consumption)

Metric value

4357

Metric numerator

m3

Metric denominator (intensity metric only)**% change from previous year**

38

Direction of change

Decreased

Please explain

Decrease is because of Covid-19 Pandemic that employees of TSKB started to work from home since April 2020. Water consumption decreased in TSKB buildings. In 2019, water consumption was 7,025 m3 and verified.

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

Verification opinion statement Scope 1&2 .pdf

Page/ section reference

Page 1 and 2

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 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

Verification opinion statement Scope 1&2 .pdf

Page/ section reference

Page 1 and 2

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

Limited assurance

Attach the statement

Verification_Report_TSKB_2020.pdf

Page/section reference

Page 3 and 10. Paper usage was considered as purchased goods and services.

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Waste generated in operations

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

Verification_Report_TSKB_2020.pdf

Page/section reference

Page 3 and 10. Category of the Scope 3 emissions can be seen on page 10. Even though waste generated in operations were included in Scope-3 emission calculations, verifier did not report in his report and we did not notice. Next year, we will specifically check categories included.

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

Limited assurance

Attach the statement

Verification_Report_TSKB_2020.pdf

Page/section reference

Page 3 and 10. Category of the Scope 3 emissions can be seen on page 10. Emissions from hotel stay also included in business travels.

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

Verification_Report_TSKB_2020.pdf

Page/section reference

Page 3 and 10.

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Investments

Verification or assurance cycle in place

Annual process

Status in the current reporting year

No verification or assurance of current reporting year

Type of verification or assurance

Third party verification/ assurance underway

Attach the statement**Page/section reference****Relevant standard**

ISO14064-3

Proportion of reported emissions verified (%)

0

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	Energy consumption	ISO 14064-3	Green energy usage of TSKB has been verified by BSI for the year 2020 under the scope of verification and assurance of GHG emmissions. (page 3). Verification_Report_TSKB_2020.pdf
C9. Additional metrics	Other, please specify (Water Consumption)	Limited Assurance within the scope of ISAE 3000	Water consumption (m3) was verified and assured by PwC within the scope of verification of performance metric reported in 2020 Integrated Report. (page 93) 2020 TSKB Integrated Annual Report.pdf
C9. Additional metrics	Energy consumption	Limited Assurance within the scope of ISAE 3000	Electricity consumption (kwh) was verified and assured by PwC within the scope of verification of performance metric reported in 2020 Integrated Report. (page 93) 2020 TSKB Integrated Annual Report.pdf
C9. Additional metrics	Other, please specify (Natural Gas Consumption)	Limited Assurance within the scope of ISAE 3000	Natural gas consumption (m3) was verified and assured by PwC within the scope of verification of performance metric reported in 2020 Integrated Report. (page 93) 2020 TSKB Integrated Annual Report.pdf
C9. Additional metrics	Other, please specify (Waste recycled)	Limited Assurance within the scope of ISAE 3000	Recycled glass, plastic and paper waste amount (kg) was verified and assured by PwC within the scope of verification of performance metric reported in 2020 Integrated Report. (page 93) 2020 TSKB Integrated Annual Report.pdf
C9. Additional metrics	Other, please specify (Water consumption per capita)	Limited Assurance within the scope of ISAE 3000	Water consumption per capita (m3/capita) was verified and assured by PwC within the scope of verification of performance metric reported in 2020 Integrated Report. (page 93) 2020 TSKB Integrated Annual Report.pdf
C11. Carbon pricing	Other, please specify (Verified Emission Reductions)	Gold Standard	579 tonnes of CO2e emissions were off-set by Some-Polat Wind Farm Project. Credit Retirement _ 181540.pdf Credit Retirement _ 181537.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

Wind

Project identification

Soma-Polat Wind Farm Project

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

579

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

579

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

Soma-Polat Wind Farm Project- Purpose of purchase is voluntary offsetin of GHG emissions from CSR activities.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

4

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

4

Credits cancelled

No

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

TSKB calculates its carbon emissions each year. These emissions are verified according to ISO 14064-3 by an accredited 3rd party consultant since 2012 and offset via purchasing voluntary Gold Standard Certificate annually, since 2009. There is specific budget item that every year purchase order created for offsetting by the department who has responsible for GHG accounting and verification.

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

1.2

Variance of price(s) used

Uniform pricing methodology is used while tangible impact has been calculated since TSKB has only two office buildings that has been located at the same place. So, prices do not vary by region and geography. However, it is also assumed that price will develop over time since emerging regulations like carbon taxes on exports which will affect many industries that are carbon intense. Thus, demand on credit certificates will increase which will raise the price of carbon credits.

Type of internal carbon price

Offsets

Impact & implication

Risk and opportunities related with climate change and adaptation measures are assessed by Climate Related Risks Working Group reporting to Sustainability Committee. Risks are well defined in Adaptation and Tackling with Climate Change Policy of TSKB with a holistic approach. Risks related with carbon pricing are defined as Operational Risks. Since emerging regulations like carbon taxes on exports which will affect many industries that are carbon intense and demand on credit certificates will increase, price of carbon credits will increase as a result. Increase in carbon credit price will also reflect to the budget shared for carbon off-setting in TSKB. Besides, GHG emissions due to Scope-3 Category 15 Investments have not been calculated yet. GHG emissions of TSKB will be higher in the following years when emissions from investments will be added and it means TSKB will need to purchase much more carbon off-set credits. In the last seven years, TSKB did not finance any greenfield or significant capacity increase investments of high carbon emitting industry projects. However, it is decided at the end of the reporting year that, we have to identify all climate related risks possibly we will be affected transparently and reset business strategies accordingly. TSKB is planning to publish Climate Risk Report by following TCFD recommendations publicly. TSKB conducts various studies to analyse the Bank's exposure to and possible impact on sectors that may incur additional carbon costs. and actively follows the studies of PMR Turkey project, which works on Turkish carbon markets and monitors the developments closely. In parenthesis, when renewable energy projects financed by TSKB, getting voluntary VCS or Gold Standard Certificate to sell in the voluntary carbon market and revenue of sales is considered in the cash flow while credibility of the project is been evaluated.

C12. Engagement

C12.1

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

Yes, our suppliers
Yes, our customers
Yes, other partners in the value chain

C12.1a

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

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Other, please specify (Fuel consumption data related with employee commuting activities are collected from suppliers. Emissions related with these activities calculated and shared with our suppliers.)

% of suppliers by number

% total procurement spend (direct and indirect)

19.44

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

52.93

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 stationary & office stuff services. Environmental and social adverse impacts of the suppliers have been evaluated and scored when there are more than 2 suppliers and less risky one is been selected as a new supplier.

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. 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. However, emissions sourced from domestic waste has not been considered while emissions were being calculated since it was less than 1%. On the other hand, the entire emissions sourced from road 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

Compliance & onboarding

Details of engagement

Climate change considerations are integrated into customer screening processes

% of customers by number

100

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

0

Portfolio coverage (total or outstanding)

Majority of the portfolio

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 classifies clients' and their projects' risks as A, B+, B and C, where A is the highest. 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. Once the management plan is prepared and liabilities are accepted by the investor credit is approved and monitoring period starts. There are also some project types that are not financed by TSKB. Thanks to TSKB, project owners are enforced to design, construct and operate projects in an environmentally responsible way. 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 highly efficient solutions. In 2020, TSKB decided to collect information from customer to calculate Scope 3 emissions due to investments. Information that will be collected can be sustainability reports, verification opinion statements of GHG emissions or amount of energy resource used/electricity used and others to calculate their emissions.

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 2020 year-end. For renewable energy finance, TSKB financed 330 projects varying from hydro to solar, wind, biomass and geothermal, with a 6,594MW total installed capacity representing 13.3% 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 CO₂e emission reduction by 12.2 million tons. Also, as of 2020, 1.2M m3 of water, 14.7M tonnes of raw material, 55,530 tonnes of waste savings have been realized annually by financing resource efficiency investments from various industries like cement, steel, tourism, chemical, automotive, plastics, textile etc.

Type of engagement

Collaboration & innovation

Details of engagement

Other, please specify (Run a campaign together with our client to increase awareness of the community about how water consumption is crucial for the world)

% of customers by number

0.22

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

0

Portfolio coverage (total or outstanding)

Minority of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement

In 2019, TSKB had published a report publicly which is 'SU: Yeni Elmas'. This report targets to draw attention of the community to water scarcity and Reckitt Benckiser interested in the findings. After all, Reckitt Benckiser ask TSKB to develop a metric that tracks daily water scarcity and this expectation realized with an index 'The Finish Water Index (FSE)' updated weekly. Relationship between Reckitt Benckiser and TSKB has been started in February 2020. TSKB decided to collaborate with Reckitt Benckiser because goal of Reckitt Benckiser matches with the goal of TSKB which is to increase awareness on water scarcity and climate change.

Impact of engagement, including measures of success

The Finish Water Index (FSE) is a project that aims to encourage responsible water use. It has been conducted for Reckitt Benckiser within the scope of consultancy services. FSE is a value that considers agriculture, household and industry water consumption with renewable water assets in Turkey under certain assumptions. The index takes a value between 70 and 130. The decrease in the index indicates that the water use increases according to the water assets. In the meantime, an increase in the index means that water use decreases according to water assets. Although FSE is not an indicator of the amount of water availability and water use, it is a value based on the relationship between these two values. FSE is also an award-winning project which contest is attributed to show leverage effect of advertising and marketing. Besides, TSKB has started to meetings about collaboration with other partners like Reckitt Benckiser who wants to raise awareness about water scarcity within the company.

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

TSKB has a blog called TSKB Blog where it shares short articles with all stakeholders under the category of sustainability in order to increase awareness of environmental issues (<https://www.tskb.com.tr/kategori/surdurulebilirlik>). TSKB has also a comprehensive environmental portal which is cevreciyiz.com, launched in 2007. cevreciyiz.com provides various content on different topics such as most up-to-date news about the environment, business ideas on sustainability, environmentally friendly designs, alternative energy sources, nature-friendly consumption trends, examples of green architecture, climate change etc. TSKB also spreads this impact creating with www.cevreciyiz.com to large segments of the society through its social media channels. In addition, TSKB has established Green Swan platform in 2020 in order to act jointly against the climate crisis. Within this scope, TSKB shares content-rich information on climate change and its affects with our stakeholders with the report series "On Climate". TSKB encourages all other partners in the value chain think together and create solutions against the climate crisis with this platform.

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-related issues especially.	TSKB regularly attends meetings of working groups under TBCSD and TUSIAD 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. Apart from contribution to development and revision of several environmental related regulations, TSKB provided remarkable suggestions on proposed law on Climate Change in 2020. In this regard, it is recommended to enrich sources to be used in development of the Climate Change Policy of Turkey, to include finance sector representatives in administrative boards and to clarify use of proceeds part of the law to ensure that it is allocated to climate related activities.
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.
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.	It was not possible to hold an international conference in 2020 due to the Covid-19 pandemic. The 26th Conference of the Parties (COP26), where governments will present their strengthened climate plans and which will be held in Glasgow, has been postponed until November 2021. TSKB will closely monitor developments which may occur ahead of the COP26 and the outcomes of the conference.
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. 2020 report is given in the following link. https://www.idfc.org/wp-content/uploads/2020/11/idfc-2020-gfm-full-report_final-1.pdf
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. TSKB also attends regularly to the monthly update meetings which are organized as online meetings. In 2020, TSKB has involved in consultation process of IFRS Foundation's Sustainable Reporting through IIF SFWG. It is suggested that it would be valuable to get the support of existing initiatives, including the CDP, the CDSB, the GRI, the IIRC, the SASB, the TCFD, etc.
Climate finance	Support	TSKB is a member of the Banks Association of Turkey. Since 2009, TSKB has carried out the presidency of The Banks Association of Turkey (TBA) Sustainable Finance Working Group and re-elected once again in 2019 and continued to lead the Group studies and closely cooperates with other members in 2020. TBA, as an important stakeholder of the Turkish financial sector, has been consulted during the planned legislative studies conducted by the Ministry of Environment and Urbanisation in 2020 regarding eco-labeling for financial products.	TSKB conducted review studies regarding eco-labeling applications for financial products in the EU and informed the TBA members regarding its findings. TBA members, exchange opinions with Banking Regulation And Supervision Agency (BRSA) and then prepared a common opinion letter to the Ministry of Environment and Urbanisation on the issue. 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.
Adaptation or resilience	Support	"Enhancing Adaptation Action in Turkey" Project, co-funded by the European Union and Republic of Turkey, and carried out by UNDP aims to build societal resilience by strengthening climate change adaptation by developing adaptation plans particularly at sector and urban level. Within the scope of the Project, consultative meetings were held with the participation of representatives from the relevant general directorates, municipalities, provincial directorates, associations, universities and private sector.	TSKB actively participated in the consultation meetings organized within the scope of the Project in 2020. TUSIAD (including Climate Change and Paris Agreement Sub-Working Group) also hosted several meetings with the participation of the experts from the UNDP. During the meetings, as a TUSIAD members TSKB provided its feedbacks regarding the potential impacts on industry and selected indicators. TSKB will continue to closely follow the TUSIAD meetings regarding adaptation and resilience during 2021 and share its know-how with the private sector representatives. The adaptation plans developed as the output of the Project will constitute the basis of future legislative frameworks on climate change adaptation.

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

TÜSİAD, 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?

TÜSİAD 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 Environment and Climate Change Working Group (ECCWG) 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. It is all known that the European Union (EU) announced the climate change targets of its European Green Deal (EGD) which puts climate change and environmental concerns at the centre of all policy areas. One of challenging requirement of EGD is carbon border adjustment mechanism (CBA) which involves new trade taxes and non-tariff barriers in order to avoid carbon leakage and to oblige business stakeholder to adopt the EU's goal of global greenhouse gas reduction. Therefore, a quantitative and comprehensive analyse of the fight against climate change based on the possible direct effects of the new climate regime in Turkey's economy and trade was carried out in 2020 under leadership of TÜSİAD ECCWG. The "New Climate Regime Report through the Lens of Economic Indicators" project was conducted in this regard and TSKB was supported the study both through the consultancy and membership of the Steering Committee. The report can be found at the link below. <https://tusiad.org/en/press-releases/item/10643-tusiad-s-the-newclimate-regime-through-the-lens-of-economic-indicators-report-wasinroduced>

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 maintain its position as the chairman and 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. In this context, TSKB coordinated the studies in order to update the "Sustainability Guidelines for the Banking Sector", which was published in 2014 and sets out the good practices and includes good practices in the banking and financial sector.

- TSKB is a member of Turkish 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 "sustainable agriculture and access to food" working groups of BCSD Turkey. Since 2017, TSKB conducting the presidency of the "women employment and equal opportunities" working group and focus on raising awareness on women's employment and gender equality among BCSD Turkey members.

- TSKB was one of the founding members of the International Development Finance Club (IDFC) in 2011 which is a leading group of 26 national, regional and bilateral development banks from all around the world, working together to promote and leverage sustainable development investment worldwide. Since its creation, the mobilization of climate finance has been a priority for the IDFC, and the Members have committed to align all financial flows with the Paris Agreement and the SDGs. IDFC also provides valuable platforms to discuss applicable ways to comply with the newly introduced regulations by EU and enhance existing practices of the financial institutions. In this context, TSKB is actively involved in the various working group and webinar series such as IDFC/MDB Common Principles for Climate Change Mitigation Finance Tracking (CP-MIT), Peer Learning Workshops on GHG Accounting, Making Finance Work for Nature Working Group.

Being part of the IDFC Steering Group, TSKB acts as the coordinator of the IDFC Gender Equality Working Group and participates in other working groups such as Biodiversity and SDG Alignment. TSKB also conducts the directorship of the Coordination Unit of the IDFC Climate Facility. Moreover, under the Finance in Common Summit organized by IDFC in November 2020, TSKB announced its support for the "Joint Declaration of all Public Development Banks in the World" as well as joint statements on themes such as climate, biodiversity and gender. TSKB has also organized a high-level event during the Finance in Common Summit on gender equality theme.

- TSKB is a member of D20 Long-Term Investors Club (LTIC) which brings together 18 major financial institutions and institutional investors from all over the world, 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 European long-term financial institutions 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 addition, TSKB is also conducting the studies of the TUSIAD's work on the Horizon 2020 Program European Green Deal Call.

- 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. In addition, TSKB planning to support TCFD and its recommendations in 2021, and address climate change from a more strategic perspective, evaluate the impact of climate change within a context of risks and opportunities.

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

In TSKB, combating and adapting to climate change is a matter addressed through the active participation of the Board of Directors and the Executive Committee. The Board of Directors guides the Bank's operations by ensuring that the Bank is being managed in accordance with its strategic focuses and predetermined targets. 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. This structure enables an effective management at the highest level of all Environmental, Social and Governance (ESG) issues, which are among the strategic focuses of the Bank. 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 addresses its actions and targets for mitigating and adapting to climate change in 3 main pillars within the scope of its Sustainability Strategy: - Supporting Turkey's sustainable development model, - Playing an active role in tackling climate change, - Contributing to Turkey's industrial transition to a low-carbon economy. 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>

Accordingly, TSKB planning to publish a policy to set out the scope and principles of its strategy to mitigate and adapt to climate change with a focused framework in 2021.

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. Since 2018, TSKB illustrates its performance, value creation scheme and impacts driven by its operations via Integrated Annual Report. These reports are prepared in compliance with the International Integrated Reporting Framework recommended by International Integrated Reporting Council (IIRC) and Core Option of GRI Reporting Guidelines published by GRI and are subject to assurance audit for financial and non-financial data.

In addition, TSKB undertakes the directorship of the Coordination Unit jointly with the Latin American Development Bank (CAF), the German Development Bank (KfW) and the French Development Agency (AFD) within the scope of 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

2020 TSKB Integrated Annual Report.pdf

Page/Section reference

Natural Capital (page 76-95)

Content elements

- Governance
- Strategy
- Risks & opportunities
- Emissions figures
- Emission targets
- 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.

Publication

In mainstream reports

Status

Complete

Attach the document

TCFD-eng-2021-05-24.pdf

Page/Section reference

Metrics and Targets (Page 33-36)

Content elements

- Governance
- Strategy
- Risks & opportunities
- Emissions figures
- Emission targets

Comment

This report is a study that summarizes TSKB's journey to combat and adapt to climate change and explains its alignment with TCFD recommendations over the 4 major headlines (Governance, Strategy, Risk Management, Metrics and Targets). With this report, TSKB defines its climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks. In proceeding with its mission and commitments, TSKB disclosed its targets and respective key performance indicators transparently. The information regarding the strategies, metrics and targets included in the report will be reviewed periodically.

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 2020 TSKB has participated in the Phase II of the UNEP FI TCFD Phase 2 Banking Pilot Program and became the only participant bank from Turkey. 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. As of 2021, the Bank has been participating in the Phase 3 Program, which is a follow-up of the Phase 2 studies. In 2020, the Climate Risks Working Group developed capacity and carried out various activities for the determination, measurement and reporting of portfolio risks within the framework of both physical and transition risks. TCFD-related works are carried out by Climate Risks Working Group which try to conduct stress tests on the loan portfolio against a range of climate, energy and development scenarios. 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 2021 TSKB aims to further intensify its efforts regarding climate-related risks assessment and apply the TCFD recommendations with a dedicated climate-related risks approach and a stand-alone Climate Risk Report. In September 2019, TSKB became a Founding Signatory of the Principles for Responsible Banking (PRB), a set of six principles developed by the UN Environment Programme Finance Initiative (UNEP FI) to provide a unique framework for ensuring a sustainable banking system and helping the banking industry to demonstrate how it makes a positive contribution to society. The Principles are designed to guide banks in embedding sustainability into their business at the strategic, portfolio and transactional levels, and across all business areas to align with the SDGs, the Paris Climate Agreement and relevant national/regional frameworks. In line with the reporting requirements of the Principles, TSKB set a target to published its first PRB reporting in 2021, within 2020 Integrated Annual Report. Through this reporting, TSKB aims to map the Principles to its core activities and report on its progress as of 2020 year-end.
Industry initiative	UNEP FI Principles for Responsible Banking Science-Based Targets Initiative for Financial Institutions (SBTI-FI) UNEP FI TCFD Pilot	On October 2020, SBTi published the science-based target setting guideline for financial institutes and announced that FIs who have committed to set science-based emission reduction targets aligned with Paris Agreement before will have two years to set their targets and be approved by SBTi. TSKB has committed to set science-based emission reduction target in 2015 and as a matter of fact that there were some gaps about accounting of GHG emissions due to 'Investments' for FIs till the guideline had been published. At the end of 2020, TSKB has started to work on setting Scope 1 and Scope 2 emission reduction targets and portfolio analysis to categorize customers with respect to estimated GHG emissions, size of the company, impact on Turkey's emission intensity etc. to set Scope 3 emission reduction target. TSKB became a member of the United Nations Environment Program Finance Initiative (UNEP FI) in 2009 and publicly announced its commitment to the UN Global Compact. In September 2019, TSKB became a Founding Signatory of the Principles for Responsible Banking (PRB), a set of six principles developed by the UN Environment Programme Finance Initiative (UNEP FI) to provide a unique framework for ensuring a sustainable banking system and helping the banking industry to demonstrate how it makes a positive contribution to society. There are currently more than 200 banks worldwide who signed up to the Principles. The Principles are designed to guide banks in embedding sustainability into their business at the strategic, portfolio and transactional levels, and across all business areas to align with the UN Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. In line with the reporting requirements of the Principles, TSKB published its first PRB reporting in March 2021, within 2020 Integrated Annual Report. Through this reporting, TSKB mapped the Principles to its core activities and reported on its progress as of 2020 year-end. By using the Impact Assessment Tool, TSKB identified the areas in which it has its most significant positive and negative impact and set SMART targets which address the identified impact areas. TSKB will continue to integrate the Principles into its business and report on its progress on annual basis.
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)**

We do not conduct analysis on the impact of our total loan portfolio yet. Methodologies used to calculate Scope 3 Category 15 Investment emissions are still developing. Yet, PCAF is the methodology that TSKB follows the updates. The other driver is data gap for certain asset classes that its relevance cannot be predicted by the customer. Therefore, there is already no system to measure accurately. On the other hand, awareness on climate change and upcoming regulations are being accelerated in every day. These developments and our transformative power in capacity building alert customers and motivate them to calculate their emissions. We have been recognizing the impact of our investments on Scope-3 emissions, which is the key relevance for us than the other Scope 3 emission categories. By 2022, as we declared with Scope 1, we are planning to get a science-based Scope 3 emission reduction target by performing portfolio analysis with respect to estimated GHG emissions, size of the company, impact on Turkey's emission intensity etc.

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	In 2020, TSKB evaluated emissions released due TSKB operations to reduce its contribution on climate change and target was keeping its contribution below 1.5°C. This study does not yet cover Scope-3 emissions and as well as emissions from portfolio. At the end of 2020, TSKB decided to extend evaluation beyond Scope 1 and 2 to Scope 3. It is aimed to collect and evaluate relevant data from customers, and see where the biggest challenge is and the most potential effect can be created in terms of aligning portfolio to a well below 2-degree world in line with the applicable methodologies.
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	TSKB has developed several financial instruments, including green bond insurance, renewable energy loans, energy efficiency loans, etc. to promote investments playing key role in combat with the climate change, especially through mitigation of CO2. Since 2010s, those sustainable loans have been introduced to market by TSKB in order to encourage decreasing emissions in various industrial sectors. During client visits, TSKB engineers and social experts accompany with marketing team to enable discussion of all applicable climate change actions that might be taken by the Client. Moreover, TSKB has dedicated consultancy service from design to supervision for several industrial owners who are planning to develop and implement climate related projects.

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	The TSKB Sustainability Committee was set up to conduct and coordinate all sustainability related activities at the bank. Chairman of Committee and CEO is the responsible for also CDP reporting.	Chief Executive Officer (CEO)

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