

# T.SINAI KALKINMA BANKASI A.Ş. - Climate Change 2019

## C0. Introduction

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### C0.1

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

Founded in 1950 with the mission to finance Turkey's private sector investments, TSKB (Industrial Development Bank of Turkey) is Turkey's first privately-owned development and investment bank. TSKB offers its clients a wide array of products and services in corporate banking, investment banking and advisory business lines. With its long term funding base secured from development finance institutions, accumulated know-how and synergy created with its subsidiaries, TSKB systematically contributes to the continuous development of Turkish private sector. TSKB supports investments of renewable energy, energy efficiency, resource efficiency, sustainable tourism, environmental and SME loans as well as social themes such as women empowerment. With the World Bank actively involved in its foundation, TSKB operates in continuous cooperation with leading participants of global markets. TSKB's international partners include international and supranational institutions such as -IBRD, EIB, KfW, CEB, IFC, AFD, EBRD, OeEB, JBIC, IDB and AIIB. TSKB is the only private bank besides state-owned banks, which has an access to Turkish Treasury and Fiscal Ministry guarantee for the funds secured from development financial institutions.

With respect to TSKB's shareholders, 50.9% is held by Isbank (Türkiye İş Bankası) Group and 8.4% belongs to Vakıflar Bankası T.A.O. The remaining portion is in free float. TSKB shares are traded on Borsa İstanbul (BIST) Star Market under "TSKB" ticker. As of 2018-end, the Bank's registered capital stood at \$900M while its paid-in capital was \$540M. Being ranked the 13th bank in terms of asset size, total assets of TSKB amounted to \$7.2B as of the end of 2018. With 329 employees working in its core banking activities, TSKB makes up a family of 578 employees taken together with its subsidiaries.

Over the last two decades, TSKB has covered substantial ground about sustainability. Long before the enactment of the environmental legislation in Turkey, TSKB started to include environmental due diligence as part of its project appraisal activities. TSKB prepared its environmental management system (EMS) and put it into practice as of 2006. Holding the EMS (ISO 14001) and Verification of Greenhouse Gas Emissions (ISO-14064-1) certificates, TSKB is Turkey's first carbon-neutral bank and has been awarded Turkey's first ISO 14001:2015 certificate. Between 2009 and 2015, TSKB issued annual sustainability reports, which were replaced by Integrated Reports in the following two years. Proudly, the Bank became the leader of the Turkish financial sector issuing first integrated report.

The way TSKB manages and organizes its sustainability activities distinguishes the Bank among its peers, as it is assigned to a Sustainability Committee composed of employees of different departments. This structure enables adoption of sustainability principles at the employee level and provides a widespread awareness. The Committee's mission is to integrate sustainability into bank's business processes, develop new products and business opportunities in sustainable banking area, and increase the level of sustainability awareness. The Sustainability Committee consists of three members of the Board of Directors and three Executive Vice Presidents. The committee has a sub-committee consisting of 17 members from various departments. Under the sub-committee, there are 6 working groups in different areas.

Holding its place within the companies with the highest corporate governance ratings in BIST Corporate Governance Index since 2009, TSKB has also been a constituent of BIST Sustainability Index and FTSE4Good Emerging Index. TSKB has placed its name among achievements such as the first sustainability and the first integrated reports in Turkish finance sector and the first 'Green/Sustainable Bond' issuance in CEEMEA region. Moreover, the Bank issued world's first subordinated sustainable bond. With its distinctive best practices, TSKB has been awarded by international platforms such as Euromoney, Financial Times, IFC, CDP, Global Capital, and IFR.

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TSKB provides equal opportunity for all employees without discrimination by gender. 55% of the Bank's employees and 55% of the

executive staff are women.

Sustainability themed loans including energy efficiency and renewable energy projects account for 73% in TSKB's loan portfolio as of 2018-end. The Bank's ability to secure thematic funds from development finance institutions and its adoption of green financial instruments like green bonds pave the way for reserving such a large sustainability weight.

In line with its "Sustainable Banking" mission, TSKB constructs its social responsibility projects around the idea of fostering an awareness of climate change, energy and carbon management, and all other environmental issues especially in the business and academic communities.

## C0.2

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**(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
Row 1	January 1 2018	December 31 2018	No	<Not Applicable>

## C0.3

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

Turkey

## C0.4

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

USD

## C0.5

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**(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 consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Operational control

## C1. Governance

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### C1.1

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

Yes

## C1.1a

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

Position of individual(s)	Please explain
Board-level committee	The highest level of direct responsibility for climate change lies with the TSKB board of directors. All the sustainability and climate change related strategy are set by the board which has authorized the TSKB Sustainability Committee (SC), including 3 Board Members and 3 Executive Vice Presidents, to set the Bank's climate change vision and strategy, formulate applicable action plans and coordinate associated activities according to the Sustainability Policy and its supplementary policies. Being approved by the Board of Directors, Sustainability Policy covers the environmental and social dimensions of sustainable development in TSKB. 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, HR management, stakeholder engagement and governance are also mentioned.

## 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	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>All TSKB's direct and indirect activities that influence policy on climate change are coordinated and managed by the Sustainability Committee which is the highest level of direct responsibility for climate change. TSKB Sustainability Committee, that includes 3 Board Members and 3 Executive Vice Presidents, is responsible for the Sustainability Management in the Bank. Committee sets the Bank's sustainability vision and strategy, formulates applicable action plans, duties and responsibilities, activities to be done, time plans, bi-annual progression reports and budget. 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. Being approved by the Board of Directors, Sustainability Policy and its supplementary policies cover the environmental and social dimensions of sustainable development in TSKB. 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. The Sustainability Committee meets every three months to define the Bank's sustainability vision and strategy, to formulate applicable action plans, to coordinate associated activities according to the Sustainability Policy and its supplementary policies. Besides, the Sustainability Committee is supported by the Sustainability Management System. 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. In the meetings, the SC reviews each sustainability target of the bank. In case needed, extra budget can be created.</p>

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	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	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)	Responsibility	Frequency of reporting to the board on climate-related issues
Other, please specify (Head of Sustainability Sub-Committee )	Both assessing and managing climate-related risks and opportunities	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).**

The highest level of direct responsibility for climate change lies with the TSKB executive board of directors. All the sustainability and climate change related strategy are set by the board. The board has authorized the TSKB Sustainability Committee, including three Board Members and three Executive Vice Presidents, to set the Bank's climate change vision and strategy, formulate applicable action plans and coordinate associated activities according to the Sustainability Policy and its supplementary policies such as Environmental and Social Impact Policy, Human Rights Policy, Anti-Bribery and Anti-Corruption Policy, Occupational Health & Safety Policy and Sustainable Procurement Management Policy. Being approved by the Board of Directors, Sustainability Policy and its supplementary policies cover the environmental and social dimensions of sustainable development in TSKB. 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.

Underneath the Sustainability Committee, and reporting directly to it, is the Sustainability Sub-Committee, which consists of 17 members from various departments. Main duties of the sub-committee 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. The Sub-committee holds regular meetings. 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 Subcommittee annually and these targets are reflected on the performance assessment of all members.

Under Sustainability Sub Committee there are six different working groups which are namely "ISO 14001 & ISO 14064 Management System Standards", "Reporting", "Stakeholder Communication", "Sustainability Indices", "Gender Equality" and "Social Impact Analysis". These working groups report to the Sustainability Sub-Committee. TSKB Sustainability Sub-Committee presents regular reports to the Executive Vice Presidents (who are members of Sustainability Committee) on a quarterly basis and prepares annual report that is submitted to the CEO.

The Sustainability Management System (SMS) of TSKB, which includes climate change issues, 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 TSKB holds ISO 14064 since 2012. The responsibilities for climate change issues are discussed at the top management level through management review meetings. Our corporate goals include ensuring that the concept of sustainability is embraced by all employees and integrated into our business processes and services, developing new products and business opportunities in sustainable banking and increasing the level of sustainability awareness in the banking sector and business community.

## C1.3

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

Yes

## C1.3a

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

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names of individuals).

**Who is entitled to benefit from these incentives?**

Corporate executive team

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Other, please specify (Sustainability Management System Targets)

**Comment**

Three board members and three Executive Vice Presidents of the Sustainability Committee are responsible for setting the sustainability vision and strategy of the bank and the relevant targets to achieve this strategy. The Committee also formulates applicable action plans, and coordinates associated activities according to the Bank's Sustainability Policy and its supplementary policies. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, environmental and social impact assessment application to all investment projects.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Other, please specify (Communicating climate change issues )

**Comment**

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.

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**Who is entitled to benefit from these incentives?**

Other, please specify (Sustainability Sub-Committee )

**Types of incentives**

Monetary reward

**Activity incentivized**

Behavior change related indicator

**Comment**

Sustainability Sub-Committee consists of 17 members from various departments of TSKB. They are responsible for the integration of sustainability concept into all business processes and services, developing new services and opportunities in sustainable banking, increasing the level of sustainability awareness in the banking sector and business community. The Sub-Committee targets are assigned to sub-committee members and relevant sustainability related working groups. Achievement status of the targets are followed and evaluated in annual performance reviews. Incentives are determined based on these evaluations. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, environmental and social impact assessment application to all investment projects.

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**Who is entitled to benefit from these incentives?**

Other, please specify (ISO 14001/ISO 14064 Working Group)

**Types of incentives**

Monetary reward

**Activity incentivized**

Other, please specify (Emission & energy reduction target)

**Comment**

Performance indicator about CO2 emission reduction, energy and natural resources consumptions. These data are verified according to both ISO 14001 and ISO 14064 standards annually. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews. Via these targets, the bank can achieve the aimed annual emission

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reduction levels and levels of natural resources consumption.

**Who is entitled to benefit from these incentives?**

Other, please specify (ISO 14001/ISO 14064 Working Group)

**Types of incentives**

Monetary reward

**Activity incentivized**

Other, please specify (ISO14001 EMS Recertification)

**Comment**

This working group is responsible for successful audit and re-certification of ISO 14001 and ISO 14064 certifications. It involves management of all internal environmental KPIs, including consumption of natural resources, generation of wastes, and application of environmental and social impact assessment to each investment project and emitting of CO2 emissions. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

**Who is entitled to benefit from these incentives?**

Other, please specify (Sustainability Index Working Group )

**Types of incentives**

Monetary reward

**Activity incentivized**

Other, please specify (To be listed in BIST S. Index)

**Comment**

EIRIS assessed TSKB based on international sustainability criteria. Sustainability Index Working Group is responsible for providing the required feedback and execute the in-house improvement activities in order to enhance the KPIs that are not scored in the assessments. For the activities with the related departments in the Bank, briefings to relevant departments are conducted and improvement studies are coordinated. In 2018, TSKB has been listed for the fourth time in the index but the assessment will continue in the following years and the SI Working Group targets will be revised for the KPI score improvements. TSKB has been a constituent of FTSE4GOOD Emerging Markets Index since 2016. Sustainability Index working group activities also cover the relevant activities for this index. The Working Group targets assigned directly to group members and they are tracked in annual performance reviews.

## C2. Risks and opportunities

### C2.1

**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

	From (years)	To (years)	Comment
Short-term	0	2	TSKB is a development bank with operations only in Turkey. Full credit portfolio and activities are in the territory of Turkey. Therefore, TSKB's climate-related risks and opportunities are directly linked to the country policy, regulations, international agreements and the climate conditions of the country. In such conditions, short-term is considered as the term until the year 2020.
Medium-term	2	5	Turkey has not yet ratified Paris Agreement and its stance is expected to be clarified by 2020. The relevant political and regulatory environments will be shaped accordingly. Also Turkey's national climate change action plan covers the years 2011-2023. On the other hand, TSKB's strategic plan is prepared for a period of 3 years, being revised annually. So, since 2020 is considered as short term, the plan will cover years 2020 -2023. For the above mentioned reasons, year 2023 is considered as medium-term.
Long-term	5	12	Turkey's INDC was given until the year 2030. For the year 2023 and beyond, the political or regulatory environment regarding climate change cannot be foreseen clearly. For this reason, 2023-2030 is considered as long-term horizon.

### C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

C2.2a

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	The Sustainability Committee meets every three months to define the Bank's sustainability vision and strategy. If deemed necessary, Sustainability Committee has the authority to submit items to board of directors' meeting agenda in order to discuss on sustainability concern. On the other hand, TSKB's strategic plan is prepared for a period of 3 years, being revised annually. In all above mentioned meetings, climate-related risks and time horizons are reviewed and revised if necessary.

C2.2b

**(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.**

TSKB developed a well-structured Management System in 2005 in order to manage its risks and opportunities on environmental issues including climate change. It has been certified with ISO 14001 since 2007. TSKB applies its experience in sustainability to its internal operations and documents according to Sustainability Policy. TSKB ensures that all level risks & opportunities are identified and managed via Sustainability Management System (SMS)'s internal procedures.

Company level risks occur due to uncontrolled use of natural sources for Bank's operation activities. They are identified, measured and their performance is continually improved within the SMS framework by the ISO 14001 & 14064 Working Group. The group works on environmental dimension list of internal impacts, risks and describing waste/source specific methodologies and actions should be taken to prevent the occurrence and tracking the performance. Moreover, GHG emissions of the bank are also calculated, verified, offset and reduced by the same working group according to ISO 14064, since 2012.

At asset level, external environmental and social risks of the clients and their projects related with the lending activities of TSKB is managed within the SMS framework by the ISO Working Group. TSKB developed a tool (ERET) that includes a detailed query to determine the clients' and their projects' environmental and social risks. It classifies clients' and their projects' risks as A, B, B+ and C, where A is the highest. The risk category clarifies acceptable limits for risks involved and ensures that the project complies with general lending policies of TSKB. It determines a risk score and offers a proper action plan to minimize and manage environmental and social risks of projects. In terms of asset level opportunities, one of the responsibilities of sustainability sub-committee -which consists of members from corporate marketing, engineering and development finance institutions departments- is climate-related new thematic funds and market development.

C2.2c

**(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?**



	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	The Turkish Government has been supporting the renewable energy investments financially via regulations since 2005. According to the related regulation, there is a purchasing guarantee per kWh electricity generation from a determined price for the first ten years of their operation for the power plants. To benefit from this support mechanism, new power plants have to be operative before the end of 2020. There has been no official government decision on the incentives that may be introduced for power plants that come into operation after 31 December 2020, resulting in an acceleration of renewable energy investments. In case this support mechanism is halted suddenly or incentive fees are reduced after 2020, renewable energy investments may decelerate. Till then, the renewable energy investments are boosted. As TSKB finds the opportunity to finance such projects with its climate-themed funds, this contributes to TSKB's financial strength. If the support mechanism is not continued further, renewable energy investments in Turkey and hence the demand for TSKB's climate change themed funds in terms of renewable energy may decrease. This situation is considered as an asset level risk.
Emerging regulation	Relevant, always included	Even though it is not yet ratified by the parliament, Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. Thus, next step is expected to be a regulation concerning the 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 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.
Technology	Relevant, sometimes included	With the development of technology, it is predicted that the foreign-origin equipment of wind and solar power plants will cheapen. In this case, the investment costs of these projects are expected to decline. This may increase investment appetite and encourage 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 analyze social and environmental risk with respect to international and Turkish legislation. In asset level, every project is analyzed in terms of its environmental and social impacts in detail (via Environmental Risk Evaluation Tool – ERET), taking into consideration both the current and future aspects and financial and legal liabilities, independent of the investment amounts. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Loan monitoring starts once the credit is approved. Hence especially environmental and social legal aspects are always considered and analyzed 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-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 increase the investment appetite of renewable energy investors. Both cases are expected to increase the demand for TSKB's products for financing of these potential investments. This situation is considered as an asset level opportunity.
Reputation	Relevant, always included	TSKB breaks new grounds in sustainability related fields by placing sustainability at the heart of its business model. To start with, TSKB is the first company in Turkish finance industry that developed an environmental management system. In 2016, TSKB published its first integrated report in the Turkish finance sector. Moreover, in the same period Turkey's first Green/Sustainable Bond that was issued by TSKB received five awards on prestigious platforms such as Thomson Reuters, Bonds and Loans and EMEA Finance. In 2017, TSKB issued first "Subordinated Sustainable Bond" in the world. In 2018, TSKB released its first Integrated Annual Report. This pioneering position helps TSKB to gain a competitive advantage in the market and also trust of its stakeholders, including investors and several international financial institutions. With these invaluable experiences, TSKB attracts demand 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. This is considered as an asset level opportunity for TSKB. Having a mission of being the pioneering bank in Turkey's sustainable and inclusive development, failure to address climate change issues in strategies, daily businesses or poor disclosure of environmental and social management and climate change management methodology may impose a risk on TSKB's reputation in this manner. As a result, TSKB's stakeholders may lose interest on TSKB, which may lead to a drop in the demand for its services and also on its stocks. This situation is considered as an asset level risk for TSKB.
Acute physical	Relevant, always included	Climate change has the potential to alter weather patterns and precipitation extremes such as storms, hurricanes, typhoons, heavy rains, droughts, etc. The risk of mean weather alteration could affect the working conditions of the Bank. In 2017 summer, Istanbul city experienced two altered weather conditions on separate days. TSKB employees were unable to reach the office building. In total, the Bank lost two work days. To manage this risk, physical measures were taken for infrastructure strengthening studies of the office building. This is considered as a company level risk for TSKB. Also, the Bank invested on a remote working system for such conditions which will become operative in 2018. On the other hand, the mean weather alteration can affect the working principles of renewable (especially wind, solar and hydro) energy power plants. For example, hurricanes/typhoons could prevent wind power plants from functioning due to high wind speed. In the meantime, changes in precipitation patterns can affect the clients mostly the farmers and hydro power plant owners. Abovementioned renewable power plants wouldn't function efficiently at extreme weather conditions. In conclusion, these conditions could negatively affect the electricity generation in renewable energy power plants. In such cases, the operating/owning companies would not be able to repay their loans. This is considered as an asset level risks.
Chronic physical	Relevant, sometimes included	Studies show that Turkey will confront serious problems regarding water scarcity by 2050. 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. When this risk is analyzed, TSKB foresees that number of investments related to water consumption reduction and desalination will increase. The Bank considers this as an asset level opportunity that involves financing these new investments, increasing number of clients and developing new products for tackling climate change. Accordingly, the number of resource efficiency projects that has been financed by TSKB so far has been 57 as of 2018 year-end.

	Relevance & inclusion	Please explain
Upstream	Relevant, always included	TSKB is a non-deposit taking institution so that all the external financial resources mostly rely on loans from multilateral development finance institutions and issued bonds. Securing funds can be considered as the upstream risks/opportunities for TSKB. Being the pioneer bank in the industry, TSKB has gained reputation and the opportunity that enables TSKB to access more, environmentally responsible and also long-term stakeholders in business. The collaboration with stakeholders enables TSKB to access both climate specific loans and investors in its long-term competitive success. TSKB expects to increase the number and size amount of the sustainability thematic loans. 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 TSKB to construct new thematic loans. In 2017, TSKB issued Basel 3 compliant Sustainable Tier 2 Bond worth of \$300M. In 2018, total amount of funding agreements on a social and climate change themes reached \$160M despite adverse economic and market conditions. Accordingly, the weight of sustainability themed loans in the total loan book has been 73% as of 2018 year-end.
Downstream	Relevant, always included	TSKB's client-related risks and opportunities could be considered as its downstream risks and opportunities as described in all the above risk/opportunity types (current regulation, emerging regulation, etc.), at asset level.

## C2.2d

### (C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

Company level risks are measured and monitored continually. Their performance is tracked by the ISO 14001 & 14064 Working Group within the SMS framework. The group implements action plans, sets targets to improve the performance and reports to Sustainability Sub-Committee. The Sub-committee reports the results to Sustainability Committee. Thus, these risks are managed in board-level.

Internal consumptions and carbon footprint caused by Bank's operational activities are main influence sources of SC for building the Bank's sustainability and climate change tackling strategy. The strategy includes climate change related tackling methodologies in where risks and opportunities take an important role during development phase. All internal consumptions and GHG emissions are calculated according to ISO 14001 and ISO 14064 standards within the scope of SMS framework.

TSKB's asset level risks are defined with Environmental Risk Evaluation Tool. Every project is analyzed in terms of its environmental and social impacts in detail with this tool, 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 an action plan with the customer to monitor and minimize the risks. Loan monitoring is performed after the credit is approved. In terms of asset level opportunities, the Sustainability sub-committee, consisting of members from corporate marketing, engineering and development finance institutions departments, is responsible for climate-related new thematic funds and market development.

The asset level risks are prioritized considering the feedback from its stakeholders via stakeholder engagement process, potential cost/profit impact, its brand value, impacts on TSKB's core business activities and carbon footprint, international developments and agreements on climate change and the bank's sustainability policy. As a development bank, TSKB takes into consideration its investments' contribution to the national development and climate change strategy of the country.

## 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) 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?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Increased pricing of GHG emissions

**Type of financial impact**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

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

**Time horizon**

Long-term

**Likelihood**

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)**

2000000

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

In case some of TSKB's customers are not well prepared for the changes in regulation, and not take into account all the cost increase anticipations, customers may face risk of not achieving desired and planned levels of profitability and hence risk of repaying their loan amounts. Almost 25% of TSKB's loan portfolio is composed of energy-intense sectors such as non-renewable energy, construction and logistics. As an investment and development bank, which does not take deposits, TSKB's non-performing loan (NPL) ratio is 2.1% whereas the banking sector average in Turkey is around 3.7%. Although it is quite difficult to quantify the effects, an increase in TSKB's NPL ratio is certainly expected. A relevant cost as high as \$2M could be expected.

**Management method**

In the last 7 years, TSKB didn't finance any greenfield/significant capacity increase investments of high carbon emitting industry projects (like coal fired thermal plants). For other energy-intense sectors, in order to take into account, the impacts of climate-change and climate-change related costs and regulations; TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intense sectors and specifically for the projects that are at the appraisal stage at TSKB. Every project is analyzed in terms of its environmental and social impacts in detail (via ERET), taking into consideration both the current and future aspects and financial and legal liabilities, independent of the investment amounts. According to the results of

the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Loan monitoring start once the credit is approved. The cost of loan monitoring actions consists of labor costs and traveling costs. The ERET activities cause additional workload during the lending operations of the projects. The costs consist mainly of labor costs which occurs during inspections. Also TSKB builds inner capacity and attends conferences held by Ministry of Environment and Urbanization on PMR (Partnership for Market Readiness Programme) conducted with World Bank. The total annual cost estimation of all above mentioned activities are \$100K.

#### **Cost of management**

100000

#### **Comment**

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#### **Identifier**

Risk 2

#### **Where in the value chain does the risk driver occur?**

Customer

#### **Risk type**

Transition risk

#### **Primary climate-related risk driver**

Policy and legal: Increased pricing of GHG emissions

#### **Type of financial impact**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

#### **Company- specific description**

Before COP21, Turkey submitted its Intended Nationally Determined Contributions (INDC) on 30 September 2015 in order to declare its emission reduction strategy. According to the Paris agreement that was signed by 195 countries including Turkey, all countries committed to realize their INDC's and report their progress in every 5 years. Other than this, Turkey has an objective to be a member of European Union and this objective requires new regulations for Turkey. Therefore, new environmental regulations have been introduced in line with European Union Norms. In order to achieve its objectives, Turkey will have to adopt these new regulations and also make new laws regarding to the control of SO<sub>x</sub>/NO<sub>x</sub> emissions in stricter limits towards the minimization of its impact on climate, or else. These new regulations may force energy intense companies to launch new investments to comply with these regulations. Furthermore, these companies may have to shut down their stranded assets, which could not meet the legal requirements and generate their expected economic returns anymore due to new regulations. As a result, this may affect the cash flow of TSKB's customers and their repayments to TSKB, increasing also TSKB's business risk.

#### **Time horizon**

Medium-term

#### **Likelihood**

About as likely as not

#### **Magnitude of impact**

Medium-low

#### **Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

#### **Potential financial impact figure (currency)**

2000000

#### **Potential financial impact figure – minimum (currency)**

<Not Applicable>

#### **Potential financial impact figure – maximum (currency)**

<Not Applicable>

#### **Explanation of financial impact figure**

In case of some customers of TSKB would not be well prepared for the changes in regulation, and would not take into account all the cost increase in their future plans, they would face risk of not achieving desired and planned levels of profitability and hence risk of repaying their loan amounts. Almost 30% of TSKB's loan portfolio is composed of energy-intensive sectors such as non-renewable energy, construction, logistics, etc. As an investment and development bank, which does not take deposits, TSKB's non-performing loan (NPL) ratio is 2.1% whereas the banking sector average in Turkey is around 3.7%. Although it is quite difficult to quantify the effects, TSKB certainly expects an increase in its NPL ratio. A relevant cost as high as \$2M could be expected.

#### **Management method**

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In order to take into account, the impact of climate-change related costs and regulations, TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intensive sectors and specifically for the projects that are at the appraisal stage at TSKB. Every project is analyzed in terms of its environmental and social impact in detail (via ERET), taking into consideration both the current-future aspects. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Moreover, loan monitoring is performed after the credit is approved. If any disruptions occur in repayments, TSKB will recover the related amount from warranty letter or mortgaged assets. TSKB have been managing this process for 68 years via its experienced team. TSKB attends to the related international meetings (i.e. COP24) that could contribute to its strategy. The cost of loan monitoring activities consists of labor costs and travel costs. The ERET activities cause additional workload during the lending operations of the investment projects. Additionally, two people from TSKB attended to the COP24 in Katowice in 2018. In Katowice, TSKB attended two different panel discussions as speaker and gave information about significance of sustainability investments, financing renewable energy and climate change investments, negative effects of climate change and green bonds.

#### **Cost of management**

75000

#### **Comment**

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#### **Identifier**

Risk 3

#### **Where in the value chain does the risk driver occur?**

Customer

#### **Risk type**

Transition risk

#### **Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

#### **Type of financial impact**

Increased costs and/or reduced demand for products and services resulting from fines and judgments

#### **Company- specific description**

The Turkish Government has been supporting the renewable energy investments financially via regulations since 2005. According to the related regulation, there is a purchasing guarantee per kWh electricity generation from a determined price for the first ten years of their operation for the power plants that have come into operation before the end of 2020. The government will decide on the incentives that will be given to power plants that come into operation after 31 December 2020. This support mechanism prompts investors to invest in renewable energy investments. Including 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 90 GW, whereas the total electricity demand for the year of 2018 was 301 GWh. The excess supply in the electricity market has been pressuring the electricity market price, therefore the renewable energy power plants benefitting from the feed-in tariff mechanism with the current price structure have been bringing additional cost to the system. This is one of the main reasons for the government to decide on not extending the feed-in tariff mechanism with current conditions after 2020. Once this support mechanism is not continued or incentive fees are reduced after 2020, renewable energy investments may decrease. This situation may also lead to a decrease in demand for TSKB's renewable energy finance products as well.

#### **Time horizon**

Short-term

#### **Likelihood**

Likely

#### **Magnitude of impact**

Medium-low

#### **Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

#### **Potential financial impact figure (currency)**

10000000

#### **Potential financial impact figure – minimum (currency)**

<Not Applicable>

#### **Potential financial impact figure – maximum (currency)**

<Not Applicable>

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### Explanation of financial impact figure

Renewable energy loans attained a weight of around 30% within the total loan portfolio of TSKB, through an installed capacity of 4,452 MW. Therefore, reduction in the renewable energy investments due to discontinuation of feed-in tariff mechanism after 2020 may be expected to influence TSKB's business negatively and cause a reasonable decrease in income that can be estimated as \$10M.

### Management method

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 2018, TSKB took place in IICEC-TUSIAD "World Energy and Climate Outlook After Paris Climate Change Conference", 9th Energy Efficiency Forum and Fair, 3rd International Geothermal Energy Congress and Exhibition, 5th İstanbul Carbon Summit, COP24 etc. The cost of attending events like seminars, workshops etc. including governmental organizations consists of labor costs and travel costs. To sum up, the total cost of new renewable energy theme development, inner capacity development, green bond issuance and reporting efforts are \$120K per year.

### Cost of management

120000

### Comment

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### Identifier

Risk 4

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

Customer

### Risk type

Physical risk

### Primary climate-related risk driver

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

### Type of financial impact

Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions)

### 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 2050. The precipitation in the Mediterranean reservoir has decreased by 20% during last 25 years. 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)

50000000

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**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 21% of the loan portfolio of TSKB, this portion of the loan portfolio may be effected negatively and TSKB's income may decrease around \$50M.

**Management method**

TSKB believes that sustainability of fresh water is a global issue has a very critical role for sustainability of life. Believing in the important role played by efforts energy efficiency(EE) and resource efficiency(RE) in tackling climate change, TSKB has been supporting the EE-RE projects of many enterprises that manufacture in an array of industries, with medium and long term loans. In that regard, TSKB finances resource efficiency projects including water efficiency. Up to now, 57 RE projects have been financed by TSKB. The engineering team of TSKB assesses all projects specifically and calculates gains from resource savings. As of 2018, 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 experiences, TSKB provides 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.

**Cost of management**

150000

**Comment**

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**Identifier**

Risk 5

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

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Rising mean temperatures

**Type of financial impact**

Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants)

**Company- specific description**

The gradual increase in the average global temperature can cause significant cost increases due to TSKB's office heating and cooling systems.

**Time horizon**

Current

**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.

#### Management method

The business world bears tremendous responsibilities for ensuring that the growth and development that it brings today do not threaten the lives and resources of future generations. Through the trail-blazing sustainability practices, TSKB has integrated sustainability into all of its own banking service processes. TSKB also does the required energy efficiency investments for its own buildings, when required. In order to decrease the greenhouse gas emissions, TSKB supplies its electricity from a distribution company, which uses renewable energy. Therefore, TSKB uses 100% green energy in all its offices. Every year maintenance team of TSKB and outsourced maintenance companies, perform periodic maintenances and improvement activities in accordance with the annual schedule. In 2018, such activities costed \$150K.

#### Cost of management

150000

#### Comment

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#### Identifier

Risk 6

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

Customer

#### Risk type

Physical risk

#### Primary climate-related risk driver

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

#### Type of financial impact

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

#### Company- specific description

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

#### Time horizon

Medium-term

#### Likelihood

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)

100000000

#### 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. Currently, the magnitude of the impact could be \$100M.



### Management method

In order to take into account, the impact of climate-change related costs and regulations, TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intensive sectors and specifically for the projects that are at the appraisal stage at TSKB. Every project is analyzed in terms of its environmental and social impact in detail (via ERET), taking into consideration both the current-future aspects. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental impact and mitigate. Moreover, loan monitoring is performed after the credit is approved. If any disruptions occur in repayments, TSKB will recover the related amount from warranty letter or mortgaged assets. TSKB have been managing this process for 68 years via its experienced team. TSKB attends to the related international meetings (i.e. COP24) that could contribute to its strategy. The cost of loan monitoring activities consists of labor costs and travel costs. The ERET activities cause additional workload during the lending operations of the investment projects. Additionally, two people from TSKB attended to the COP24 in Katowice in 2018. In Katowice, TSKB attended two different panel discussions as speaker and gave information about significance of sustainability investments, financing renewable energy and climate change investments, negative effects of climate change and green bonds.

### Cost of management

120000

### Comment

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### Identifier

Risk 7

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

Direct operations

### Risk type

Transition risk

### Primary climate-related risk driver

Reputation: Increased stakeholder concern or negative stakeholder feedback

### Type of financial impact

Reduction in capital availability

### Company- specific description

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

### Time horizon

Medium-term

### Likelihood

About as likely as not

### Magnitude of impact

Medium

### 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

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. In 2018, the total amount of funding agreements that TSKB secured under the scope of climate change has been \$200M. Moreover, the Bank issued two sustainable/green bonds each amounting to \$300M between 2016 and 2017. Should the Bank have to resort to eurobonds instead of DFI funding and greenbonds, the additional cost of funding per year is calculated as \$20M.

### Management method

Every safeguard issue (climate change, E/S issues, governance, etc.) which can adversely affect TSKB's reputation is considered in the Bank's daily business. SMS enables significant issues to be discussed with senior managers, including board members. All projects are analysed in terms of their E/S impacts by engineering department during credit evaluation processes. According to results, TSKB seeks for solutions with investors to manage investments' risks. The financing is only possible if TSKB is sure that investor has implemented necessary E/S control and management measures. TSKB also has the right to drop the credit, withdraw the previous disbursed amount due to projects' and adverse impacts. Climate mitigation is also in the focus of DFIs which provide funding to the Bank. 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. 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 & opps that result from climate change. TSKB developed & published Declaration of Climate Change to express its position regarding climate change in 2016. Every multilateral development bank has its own E/S requirements which TSKB has to fulfill & TSKB has arranged its SMS accordingly.

### Cost of management

#### 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 and others. These costs equate to approximately \$120K annually.

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### Identifier

Risk 8

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

Direct operations

### Risk type

Physical risk

### Primary climate-related risk driver

Acute: Increased severity of extreme weather events such as cyclones and floods

### Type of financial impact

Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism)

### Company- specific description

In Istanbul city, two extreme weather events occurred in 2017. Istanbul was hit by a flood on July 2017, with hail during the heavy rainfall increasing the damage. At least ten people have been injured as heavy rain, hail and strong winds knocked down trees and a stone wall and flooded streets in the Turkish city. Nine days after the hailstorm, Istanbul was once again pounded by heavy rains and winds of up to 50 mph, which flooded streets and metro stations. The rain in Istanbul inundated roads, causing havoc in the city. Some cars were even submerged in torrential downpours that followed lightning flashes across the city. Due to the hail storm and the flood, TSKB employees were unable to reach the office building on both occasions which affected the workforce negatively. 2018 was the second-warmest year on record since 1971. Temperature experienced in Turkey has been realized over ordinary levels throughout the year. The temperature in some of the cities in the central and eastern regions was recorded as 3°C higher than the average. Accordingly, the number of extreme weather conditions have risen sharply in Turkey. Between 2017 and 2018, this figure jumped from 598 to 840. Moreover, the regional rainfall surged by 14.8 percent compared to the average figure of 1981 and 2010 period.

### Time horizon

Current

### 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)

105000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Due to the hail storm and flood on different days, 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.

**Management method**

For health and safety issues and to prevent lost work days in such cases, TSKB installed remote working system infrastructure to start functioning in 2018. The license of the system and employee cost for installing the system has cost around \$25K. Moreover, physical measures were taken for infrastructure strengthening studies of the office building such as front and rear façade insulation works, additional discharge and pump line construction. The cost of these studies were \$35K.

**Cost of management**

60000

**Comment**

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**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

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**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?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact**

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

**Company-specific description**

After the publication of the regulation concerning measurement, verification and reporting of GHG Emissions for some of the energy intense sectors in Turkey in 2011, in 2014 GHG Monitoring Legislation has been published which mandates energy-intensive industries to prepare measurement reports to be submitted to the Ministry of Environment and Urbanization, starting from 2016. Republic of Turkey signed the Paris Climate Change Agreement on 22nd of April 2016. Parallel to the content of the Paris Agreement, emission trading systems and carbon tax issues have been widely in discussion in the last years by the Ministry of Environment and Urbanization and other relevant authorities in Turkey. Thus, next step is expected to be a regulation concerning the 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 increase the investment appetite of renewable energy investors. The both cases are expected to increase the demand for TSKB's lending and hedging products for financing of these potential investments.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

100000000

**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. 73% of TSKB's loan portfolio consists of sustainable investments including energy-efficiency and renewable energy projects. TSKB achieves this with the thematic funds it secures from multilateral development finance institutions and also green financial instruments like SRI / green bonds it issues. Together with these instruments, TSKB may expect about \$100M per year of additional financing opportunities to satisfy the above-mentioned increased demand.

**Strategy to realize opportunity**

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. 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 is also one of the key strengths of the Bank in terms of issuance of Green/SRI Bond. The cost of inner capacity development, including research, attending conferences and trainings amounts up to \$120K per year.

**Cost to realize opportunity**

120000

**Comment**

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact**

Increased revenue through demand for lower emissions 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 Turkey's declared INDC, Turkey plans to increase its solar power plant capacity to 10 GW, and wind power plant capacity to 16 GW until 2030. These plans indicate a potential increase also in TSKB's business volume especially in renewable energy sector with the support of the legislations.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

500000000

**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 \$500M on an annual basis. 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.

**Strategy to realize opportunity**

73% of TSKB's loan portfolio is sustainability themed. The Bank has renewable energy portfolio of the 13% of total renewable energy of Turkey. Besides, the weight of RE and EE projects in the loan book has been 6% as of 2018 year-end. TSKB's experienced engineering team and energy experts closely monitors renewable energy industry enabling TSKB to have a high capability of assessing the renewable energy, energy efficiency and resource efficiency projects and also to perform a detailed environmental and social risk evaluation. So far, more than \$5B financing has been provided to such projects. TSKB also has a dedicated marketing team for solar, wind, geothermal and energy and resource efficiency projects. On the funding side, sustainability sub-committee helps developing new funding themes with supranational 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 25 advisory services through its subsidiary Escarus company with a paid-in capital of \$800K.

**Cost to realize opportunity**

1150000

**Comment**

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**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Other

**Type of financial impact**

Reduced operating costs (e.g., through efficiency gains and cost reductions)

**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**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium

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**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

50000

**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 avoidance is approximately \$10K for the reporting year. TSKB has set a new target of reducing its average GHG emissions at least 10% below of the average consumption value of the last 5 years till the end of 2021. At the end of 2018, GHG emission reduction target has been achieved for this target. Comparing to last year, TSKB has decreased GHG emission by 3.4%. Besides, TSKB consumes 28% less electricity, 48% less natural gas, 44% less paper and 20% less water today since the management system first developed.

**Strategy to realize opportunity**

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 2 board members and 2 executive vice presidents. The Sustainability Sub-Committee and its 6 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 agreements. 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 2018.

**Cost to realize opportunity**

20000

**Comment**

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**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Access to new markets

**Type of financial impact**

Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)

**Company-specific description**

TSKB has broken new grounds in the Turkish finance sector in different areas. TSKB is the first company in Turkish finance industry with an environmental management system. TSKB has implemented ISO 14001 and ISO 14064 standards which enables to identify and control environmental and social impacts and especially constantly improve environmental performance through more efficient use of resources and reduction of waste. TSKB has published its first "Integrated Report" in 2016 which incorporates sustainability approach with the Bank's future strategy and reports the value created as a result of its operations. In 2016 Turkey's first Green/Sustainable Bond that was issued by TSKB received five awards on prestigious platforms such as Thomson Reuters, Bonds and Loans and EMEA Finance. In the following year, TSKB issued first "Subordinated Sustainable Bond" in the world. In 2018, TSKB released its first Integrated Annual Report. These helps 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.

**Time horizon**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**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**

With its valuable experiences, through its subsidiary Escarus Sustainability Consultancy, TSKB provides SMS and EMS, green bond issuance, reporting (CDP, sustainability and integrated report, carbon emission report) consultancy services to other companies both in finance and other sectors. These services contribute to integrate climate-related issues to the agendas of the related companies with an organized structure. In 2018, TSKB provided 25 advisory services through its subsidiary Escarus. The additional income created with these services is confidential since Escarus is a subsidiary group.

**Strategy to realize opportunity**

TSKB has given 25 advisory services through its subsidiary Escarus company with a paid-in capital of \$800K.

**Cost to realize opportunity**

800000

**Comment**

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**Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact**

Increased revenue through demand for lower emissions products and services

**Company-specific description**

Turkish government policies about renewable energy sector have been changing fast over the last few years and the Turkish government strongly supports the renewable energy investments in order to fulfill the electricity demand and maintain its own energy security. Additionally, feed-in tariff mechanism will be valid until 2021. This situation prompts the renewable energy investments in the next couple of years until 2020. In near future, new promoting regulations and support mechanisms may come in force in order to encourage the investors. As a result, the demand for TSKB's renewable energy financing products is expected to increase.

**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)**

300000000

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**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 increased in the recent years with the decreasing cost of technology and established legislative promoting mechanism. TSKB's renewable energy loans attained a weight of around 30% within the total loan portfolio. In the future, regulatory incentives or any other supports and new technological developments may boost the renewable energy investments which will contribute to TSKB's financial strength. TSKB estimates that up to 2020, the potential for financing this area is about \$300M.

**Strategy to realize opportunity**

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 financed 6,066 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 13 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 141 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. TSKB has DFI, Engineering and Technical Advisory, Corporate Marketing and Project Finance Departments in order to manage the activities like finding international funds, developing customer relations and analyzing 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 \$450K can be considered as the cost to manage all of these activities including inner capacity development, trainings and market research.

**Cost to realize opportunity**

450000

**Comment****Identifier**

Opp6

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company-specific description**

According to the water risk report of Turkey prepared by WWF, Turkey will confront with serious problems regarding water scarcity by 2050. Some regions of Turkey are already faced with drought and water shortages due to the temperature increase. Therefore, number of investments which are related to decrease the water consumption and desalination are expected to increase. TSKB considers this as an opportunity that involves financing these new investments, increasing number of clients and developing new products for tackling climate change.

**Time horizon**

Long-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

50000000



**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Resource efficiency investments are expected to gain more importance in the near future and TSKB has financed water efficiency projects amounting to a total of \$73.5M investment so far. On the other hand, TSKB set a target of financing 15 new EE/RE projects in 2017 – 2018 period. TSKB has achieved this target successfully as of 2018, having financed 9 EE and 10 RE projects. At least 10 new EE/RE projects are targeted for the 2019-2020 period. Considering that water intense sectors such as cement, steel, tourism, chemical, automotive, plastics, textile etc. constitute 21% of the loan portfolio of TSKB, in the future this portion of the loan portfolio will conduct water consumption reduction and desalination projects which will create a new investment opportunity for TSKB that would be around \$50M.

**Strategy to realize opportunity**

TSKB targets to finance water efficiency projects in order to protect the natural resources. Especially technical team of TSKB specifically studies these projects. Also employees from various departments attend to water efficiency trainings, panels and summits related to water issues. TSKB's engineering team studies water scarcity issue. Marketing team seeks for water efficiency projects to finance such investments. Also, TSKB works on a project to secure water efficiency theme funds from DFIs. The estimated cost of market and technical research, allocated working hours is approximately \$100K.

**Cost to realize opportunity**

100000

**Comment**

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**Identifier**

Opp7

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact**

Increased revenue through demand for lower emissions products and services

**Company-specific description**

TSKB has been proceeding its activities with mission of being the pioneering bank in sustainability growth of Turkey and also climate chance issues. This adopted manner has provided opportunity to access as well as secure climate specific loans, which comprise the 73% of the Bank's overall portfolio as of 2018. These loans are developed to tackle climate change through mitigation and adaptation investments. There are many things to do to support transition to a low-carbon economy, and enlarge the green markets of Turkey. In this way, TSKB is a partner of its stakeholders, including investors, International Financial Institutions, policy makers, NGOs, etc. In this manner, TSKB has gained reputation and the opportunity that enables TSKB to access more, environmentally responsible and also long-term stakeholders in business. Moreover, this reputation gains attention to TSKB advisory services in this field. Through its subsidiary Escarus, TSKB provides SMS and EMS, green bond issuance, reporting (CDP, sustainability and integrated report, carbon emission report) advisory services to other companies both in finance and other sectors. These services contributes to integrate climate relate issues to the agendas of the related companies with an organized structure.

**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)**

300000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

TSKB has a wide range of sustainable products. The collaboration with stakeholders enables TSKB to access both climate specific loans and investors in its long-term competitive success. Given the sustainability themed funding base, TSKB will continue to support sustainable finance. For this issue, TSKB is expected to sign nearly \$300M sustainability themed loan agreements in 2019. One of the Bank's KPI is the share of loans with sustainability theme in the overall loan portfolio. Having reached to 73% as of 2018y-e, the share of sustainability themed loans are targeted to be at least at 60% levels. TSKB also expects to receive higher demand for its other green products. Accordingly, TSKB issued the first Sustainable Basel 3 Compliant Subordinated Tier 2 Bond in the global international market in 2017. In 2018, TSKB provided 25 advisory service through its subsidiary Escarus. The additional income created with these services is confidential since Escarus is a subsidiary group.

**Strategy to realize opportunity**

TSKB has a well-structured Sustainability Management System (SMS) in which tasks and roles are defined clearly and distributed across different departments. The SMS is managed by the Sustainability Committee consisting of 3 board members and 3 executive vice presidents. The Sustainability Sub-Committee and its 6 working groups (WG) 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. For Sustainable Basel 3 Compliant Subordinated Tier 2 Bond, Sustainability Committee supported bond issuing departments in development phase of the concept, use of proceeds, and eligibility criteria of the Bond. 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 2018 which arises from the internal works, including man-hours of various department's staffs. In addition, the advisory services of TSKB through its subsidiary Escarus company costs with a paid-in capital of \$800K.

**Cost to realize opportunity**

950000

**Comment**

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C2.5

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**(C2.5) Describe where and how the identified risks and opportunities have impacted your business.**

	Impact	Description
Products and services	Impacted	i. The Turkish Government has been supporting the renewable energy (REN) investments financially via regulations since 2005. It is a question mark that the government will continue this support mechanism after 2020. In case this support mechanism ends in 2020, REN investments may decrease which may lead to a shrink in demand for TSKB's REN finance products as well which is a risk. On the other hand, this situation triggers more appetite for new REN investments in the next couple of years until 2020. In near future, new incentives and regulations may come in force in order to encourage the investors. As a result, the demand for TSKB's REN financing products is expected to surge in the short term. By the end of 2018, TSKB funded REN installed capacity has reached to 6,066 MW, with a total investment amount of \$9.9B of which \$4.4B was committed by TSKB, between 2003 - 2018. ii. Due to water scarcity, companies in water intense industries can 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. TSKB could be negatively affected because of the investment limitation in the water-related industries. Nevertheless, number of investments which are related to the water consumption reduction and desalination are expected to increase. TSKB considers this as an opportunity that involves financing these new investments, increasing number of clients and developing new products for tackling climate change. As of 2018, 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. iii- TSKB has broken new grounds in the Turkish finance sector in different areas. To share these valuable experiences, TSKB established its subsidiary Escarus which provides advisory services on sustainability issues. TSKB provides advisory services (through Escarus) on SMS and EMS, green bond issuance, reporting (CDP, sustainability and integrated report, carbon emission report) to other companies both in finance and other sectors. These activities could be classified as new services of TSKB.
Supply chain and/or value chain	Impacted	Being the pioneer bank in the industry, TSKB has gained reputation and the opportunity that enables TSKB to access more, environmentally responsible and also long-term stakeholders in business. The collaboration with stakeholders in its value chain enables TSKB to access both climate specific loans and investors in its long-term competitive success. TSKB expects to increase the number and size amount of the sustainability thematic loans. In 2018, TSKB obtained a total of \$200M climate specific loans from multilateral development finance institutions. TSKB issued its first Green/SRI bond in 2016 which was the first green bond issuance in Turkey and CEEMEA region. In 2017, TSKB issued Basel 3 compliant Sustainable Tier 2 Bond worth \$300M which was the first issuance in the world. TSKB has set an example in the industry in tackling climate change with this new product. With these experiences, TSKB also started to provide Green Bond issuance advisory services to other companies in Turkey via its subsidiary Escarus.
Adaptation and mitigation activities	Impacted	For mitigation activities, TSKB sets numerical improvement targets regarding to 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. TSKB has set a new target of reducing its average GHG emissions at least 10% below of the average consumption value of the last 5 years till the end of 2021. At the end of 2018, GHG emission reduction target has been achieved for this target. Compared to last year, TSKB has decreased GHG emission by 3.4%. Besides, TSKB consumes 28% less electricity, 48% less natural gas, 44% less paper and 20% less water today since the management system first developed. TSKB has achieved \$12K savings in 2018 in this mean. On the other hand, TSKB's renewable energy loans attained a weight of 30% within the total loan portfolio. By renewable energy and energy efficiency investments, TSKB contributes to low-carbon and environmentally friendly economic growth and development by annual CO <sub>2</sub> e emission reduction by 13 million tons.
Investment in R&D	Impacted	As technology develops, companies should keep track with the developments to save their place in the market. TSKB's renewable energy, energy and resource efficiency products provide solution to companies for technology developments. TSKB foresees that energy and resource efficiency projects will increase in the future. In means of R and D investments, TSKB develops its inner technical capacity. To do so, TSKB has three engineers with energy management certification. Two of them have been trained and certified. TSKB invested around \$20K for these trainings. Energy and resource efficiency projects represented 6% of TSKB's loan portfolio as of 2018 year-end. For the last 9 years, TSKB has been supporting efforts to improve resource efficiency in our country's private sector by offering medium-term and long-term funding. The Bank extended a funding of approximately \$1B so far for 141 projects on energy and raw material efficiency.
Operations	Impacted	Climate change has the potential to alter weather patterns and precipitation extremes such as storms, hurricanes, typhoons, heavy rains, droughts, etc. The risk of mean weather alteration could affect the working conditions of the Bank. In 2017 summer, Istanbul city experienced two altered weather conditions on separate days. TSKB employees were unable to reach the office building. In total, the Bank lost two work days. To manage this risk, physical measures were taken for infrastructure strengthening studies of the office building. This is considered as a company level risk for TSKB. Also, TSKB invested on remote working system for such conditions which came into operation in 2018.
Other, please specify	Please select	

**C2.6**

**(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.**

Relevance	Description
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	Relevance	Description
Revenues	Impacted	i. The Turkish Government has been supporting the renewable energy investments financially via regulations since 2005. It is a question mark that the government will continue this support mechanism after 2020. Thus, the renewable energy investments has increased and will increase in the next couple of years until 2020. As of 2018, TSKB has funded an installed capacity of 6,066 MW in renewable energy projects, backing the acceleration of transition to a low-carbon economy through the prevention of 13 million tons carbon emission on an annual basis. Renewable energy investments have increased in the recent years with the decreasing cost of technology and established legislative promoting mechanism. TSKB's renewable energy loans attained a weight of around 30% within the total loan portfolio. In the future, regulatory incentives or any other supports and new technological developments may boost the renewable energy investments which will contribute to TSKB's financial strength. TSKB estimates that up to 2020, the potential for financing this area is about \$300M. ii. TSKB subsidiaries operate in areas that are parallel to or complementing the Bank's main activities. One of TSKB's subsidiaries is Escarus Sustainability Consultancy. The objective of Escarus is to provide the best solutions designed for its clients thanks to its cooperation with advisors and companies having expertise on their fields. Escarus services, which are based on TSKB's long standing environment and sustainability approach, are SMS and EMS consultancy, green bond issuance consultancy, reporting services based on CDP, integrated reporting, sustainability reporting and carbon emission reporting. Also Escarus provides services on energy efficiency and resource efficiency consultancy. In 2018, TSKB provided 25 advisory service through its subsidiary Escarus, that has a paid-in capital of \$800K.
Operating costs	Impacted	Within the framework of ISO 14001 and ISO 14064 Standards, TSKB is committed to having its carbon footprint periodically measured and delivering banking operations through zero-carbon principles by offsetting its carbon footprint in the upcoming years. Also, Bank aims to manage its entire environmental impacts in water, electricity, paper etc. as well as its greenhouse emissions. TSKB sets numerical improvement targets regarding to 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, cost avoidance is approximately \$10K for the reporting year. 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. Besides, TSKB consumes 28% less electricity, 48% less natural gas, 44% less paper and 20% less water today since the management system first developed. ISO Working Group members are responsible for managing these voluntary agreements. 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 \$32K annually as of 2018.
Capital expenditures / capital allocation	Impacted	i- TSKB believes that having the right employees on its side is critical for the growth of the business. One of the main strategies of the Bank is to develop inner capacity. TSKB has Development Finance Institutions, Engineering and Technical Consultancy, Corporate Marketing, Project Finance Departments in order to manage the activities like finding international funds, developing customer relations and analyzing the investments for renewable energy. On behalf of TSKB, all related departments have a vision of assessing, implementing and financing sustainable energy investments. As having built in their daily business definitions, approximately \$450K can be considered as the cost to manage all of these activities including inner capacity development, trainings and market research. Also, TSKB follows recent developments in renewable energy sector and participates in various relevant events. In 2018, TSKB took place in IICEC-TUSİAD "World Energy and Climate Outlook After Paris Climate Change Conference", 9th Energy Efficiency Forum and Fair, 3rd International Geothermal Energy Congress and Exhibition, 5th İstanbul Carbon Summit, COP24 etc. The cost of attending events like seminars, workshops etc. including governmental organizations consists of labor costs and travel costs. To sum up, the total cost for new renewable energy theme development efforts, green bond issuance and reporting efforts is around \$120K per year. These can be listed as investment in human capital.
Acquisitions and divestments	Impacted	In the last six years, TSKB did not finance any greenfield or significant capacity increase investments of high carbon emitting industry projects (like coal fired thermal plants). For other energy intense sectors, in order to take into account, the impacts of climate-change and climate change related costs and regulations, TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy intense sectors and specifically for the projects that are at the appraisal stage at TSKB. Instead of high carbon emitting industry projects, TSKB prefers to invest on projects that creates positive value on climate such as renewable energy projects. 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. This helps TSKB to gain a competitive advantage in the market and also trust of its stakeholders, including investors and several international financial institutions which creates a valuable platform to secure funds from these institutions. 73% of the loan portfolio is sustainability themed as of 2018 year-end. For renewable energy finance, TSKB financed 290 projects varying from hydro to solar, wind, biomass and geothermal, with a 6,066 MW total installed capacity representing 13% of Turkey's total installed capacity. (In 2017, the total estimated installed capacity for the 245 projects financed stood at 5,693 MW) In Turkey, the total investment on projects funded between 2003 and 2018 was \$9.9B of which \$4.4B was committed by TSKB.
Access to capital	Impacted	Rate of sustainability themed loans in loan portfolio as at end of 2018 is 73%. The Bank aims to maintain at least 60% going forward. To ensure this, the Bank will continue its efforts in providing climate related funding. Despite challenging backdrop, TSKB issued its "Subordinated Sustainable Bond" in 2017 worth \$300M. Moreover, \$200M climate change themed loan agreements were signed with AIB in 2018.
Assets	Impacted	TSKB subsidiaries operate in areas that are parallel to or complementing the Bank's main activities. One of TSKB's subsidiaries is ESCARUS Sustainability Consultancy. The objective of Escarus is to provide the best solutions designed for its clients thanks to its cooperation with advisors and companies having expertise on their fields. Escarus services, which are based on TSKB's long standing environment and sustainability approach, are SMS and EMS consultancy, greenbond issuance consultancy, reporting services based on CDP, integrated reporting, sustainability reporting and carbon emission reporting. Also Escarus provides services on energy efficiency and resource efficiency consultancy. In 2018, TSKB provided 25 consultancy service through its subsidiary Escarus, that has a paid-in capital of \$800K.
Liabilities	Impacted	In the scope of climate change mitigation, TSKB supports its customers by offering sustainable products and services that provide low carbon and high efficient solutions. Renewable energy, energy efficiency and resource efficiency finance thematic loans are constituted as sustainability products. TSKB signs new funding agreements with development finance institutions to strengthen its sustainable funding base which are European Investment Bank, German Development Bank, World Bank, French Development Agency and Council of Europe Development Bank. Despite challenging backdrop, TSKB issued its first "Subordinated Sustainable Bond" in 2017 worth \$300M. Moreover, \$200M climate change themed loan agreements were signed with AIB in 2018, along with the funding obtained from IBRD in social themes. Energy and resource efficiency projects represented 6% of TSKB's loan portfolio as of 2018 year-end.
Other	Please select	

## C3. Business Strategy

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### C3.1

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#### **(C3.1) Are climate-related issues integrated into your business strategy?**

Yes

### C3.1a

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#### **(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?**

No, but we anticipate doing so in the next two years

### C3.1c

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#### **(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

i- Having created its own Management System in 2005 and published first Environmental Policy, TSKB has started environmental & social topics' integration into its business processes more than 10 years ago. In following years, the policy was revised in order to meet the needs and expectations of the Bank, finally the current Sustainability Policy was approved in 2015 by the Board. The Policy and strategy are set by Sustainability Committee (SC), having 3 Board members and 3 EVPs. Sustainability strategy is set by considering stakeholder analyses, the brand value, sector assessments, actual developments in fields of sustainability & finance, discussions regarding climate change, regulatory environment, the Bank's portfolio's exposure to climate change related risks & opportunities, measurement of the Bank's internal impacts & carbon footprint calculated each year. SC then provides its recommendations regarding sustainability & climate change related topics to the Board. After all discussions, SC develops the strategy and action plans need to be taken. Sustainability Sub-Committee (SSC) is responsible for conducting the activities sustainability strategy requires on behalf of SC. 6 working groups perform detailed studies & provide feedback on their assigned topics to the SSC. Moreover, TSKB sets the goal of attending COP events annually & playing an active role in climate change related NGOs, primarily in local partners of WBCSD, UNGC, CDP and also UNEP FI. The information & impressions gathered are provided to SC, to be considered in TSKB's sustainability strategy discussions.

ii- Customers of TSKB are faced with climate related risks & opportunities. TSKB supports its customers by offering sustainable products & services that provide low carbon & high efficient solutions. Renewable energy, energy efficiency & resource efficiency finance thematic loans are constituted as sustainability products.

iii- The share of sustainability themed loans is 73% of the portfolio as of 2018 year-end. For renewable energy finance, TSKB financed 290 projects varying from hydro to solar, wind, biomass and geothermal, with a 6,066 MW total installed capacity representing 13% of Turkey's total installed capacity. The total investment of projects funded between 2003 & 2018 was \$9.9B of which \$4.4B was committed by TSKB. As of 2018 year end, the Bank extended a funding of \$1B for 141 EE and RE projects. TSKB aims to set the share of its sustainable and inclusive finance portfolio in the total loan portfolio, except for the finance sector, at 60% minimum by the end of 2020.

TSKB issued its first Green/Sustainable Bond in in Turkey & CEEMEA in 2016. In line with the targets of SC, TSKB has set an example in the industry in tackling climate change with this new product. The bond has a size of \$300M & a tenor of 5 years. The framework of the Bond has been designed to fund climate change mitigation, adaptation & sustainable infrastructure projects. During the development phase, an internationally recognized independent sustainability consultant, Sustainalytics, provided a second party opinion on the bond framework. It includes the assessment of the framework's alignment with the transparency and reporting requirements of the Green Bond Principles (GBPs). The framework has followed the four key pillars of the GBPs that are, use of proceeds, eligible investment selection process, management of proceeds and reporting; it was fully aligned with the GBPs. The

Bond was oversubscribed by 13 times & received the largest ever orderbook for a RegS only transaction out of Turkey. TSKB has been awarded for the 'SRI Bond of the Year' by the IFR, Thomson Reuters Awards 2016 & EMEA Green/SRI Bond Deal of the Year in the CEEMEA region by the Global Capital Awards. In 2017, TSKB has published the Impact Report of the Bond which contains the information about the projects financed by the Bond, the CO2 emissions & the KPI's.

In the following year, TSKB issued its "Subordinated Sustainable Bond". The issuance totaling \$300M on a 10-year maturity, was 4 times oversubscribed by international investors. Such demand was highly welcome as an indicator of the confidence in Turkey's economy as well as the Bank.

As part of its support to Turkey's transition to low carbon economy, TSKB has been setting and realizing its sustainability targets since 2015. The Bank targets extending funds totaling \$300M until the end of 2020 within the framework of Sustainable Development Goals and inclusive finance. Another goal of the Bank is to conclude new loan agreements in renewable energy totaling 150 MW and 10 energy efficiency and/ or resource efficiency projects by 2020.

iv- One of the tools utilized in assessing the asset level (external) risks & opportunities, is TSKB's own environmental & social management approach & risk assessment tool (ERET) for the projects in its portfolio; applied regardless of scope, size and loan amount of investment projects. TSKB's environmental methodology is above and beyond the Turkish official requirements.

v- Company level (internal) risks and opportunities are led by ISO Working Group and audited with ISO14001 & ISO14064. TSKB had successfully recertified its ISO 14001 certificate according to the revised standard in 2015 for the first time in Turkey. TSKB measures its carbon footprint stemming from its operations annually since 2006 and offsets it by purchasing voluntary Gold Standard Carbon Certificate since 2009. TSKB also uses green energy in all its service buildings since 2009. In 2018, GHG emissions fell by 3.5% year-on-year in compliance with the Bank's 2021 target. By the end of 2021, TSKB aims to reduce its GHG emissions by 1% compared to the average of the last 5 years (2012-2016). Besides, TSKB consumes 28% less electricity, 48% less natural gas, 44% less paper and 20% less water today in comparison to 2005.

vi- TSKB has been evaluated by national & international indices that measure the performances of companies' regarding their financial as well as the environmental, social & corporate governance aspects. TSKB stock has been traded on the BIST Corporate Governance Index since 2009 & BIST Sustainability Index since 2015. In addition, TSKB has been a constituent of FTSE4GOOD Emerging Markets Index since 2016.

In 2016, TSKB released the first integrated report in the Turkish finance industry. Published in the IIRC examples database, TSKB's Integrated Report has been one of the best practices for other companies and organizations that will publish their first integrated report.

vii- In 2017, TSKB issued the second integrated report with second party assurance for the first time. Since then, the non-financial information within the integrated report has been audited by an independent auditor which enhanced the credibility of the report. Since 2018, the Bank started to publish its integrated annual report combining the annual report and integrated reports in one document.

### C3.1g

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### **(C3.1g) Why does your organization not use climate-related scenario analysis to inform your business strategy?**

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

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

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

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

Responding to the requests of both the initial TCFD Working Group and the wider UNEP FI banking membership, Phase II of the UNEP FI TCFD Banking Group, which is being launched, building on the experience of the Pilot Phase I and bringing in more diverse group of banks.

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

## **C4. Targets and performance**

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### **C4.1**

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

Absolute target

### **C4.1a**

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

##### **Target reference number**

Abs 1

##### **Scope**

Scope 1+2 (market-based) +3 (upstream)

**% emissions in Scope**

100

**Targeted % reduction from base year**

2

**Base year**

2016

**Start year**

2017

**Base year emissions covered by target (metric tons CO2e)**

928

**Target year**

2018

**Is this a science-based target?**

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

**% of target achieved**

100

**Target status**

Underway

**Please explain**

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

---

**Target reference number**

Abs 2

**Scope**

Scope 1 +2 (market-based)

**% emissions in Scope**

100

**Targeted % reduction from base year**

100

**Base year**

2016

**Start year**

2017

**Base year emissions covered by target (metric tons CO2e)**

530

**Target year**

2018

**Is this a science-based target?**

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

**% of target achieved**

100

**Target status**

Underway



**Please explain**

TSKB measures its carbon footprint stemming from its operations annually since 2006 and offsets it by purchasing voluntary Gold Standard Carbon Certificate since 2009. In 2012, TSKB decided to verify greenhouse gas emissions for the organizational level by a third party. TSKB completed the audit on 7th September 2012. Since 2011, greenhouse gas emission of TSKB has been verified by a third party and since 2012, TSKB has been offsetting verified emissions by Gold Standard Carbon Credits annually. 2018 Scope-1 and Scope-2 GHG emission of TSKB was off-set via ITC Mamak Integrated Solid Waste Management Plant which has verified Gold Standard Carbon Credits.

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**Target reference number**

Abs 3

**Scope**

Scope 3 (upstream)

**% emissions in Scope**

100

**Targeted % reduction from base year**

100

**Base year**

2016

**Start year**

2017

**Base year emissions covered by target (metric tons CO2e)**

398

**Target year**

2018

**Is this a science-based target?**

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

**% of target achieved**

100

**Target status**

Please select

**Please explain**

TSKB measures its carbon footprint stemming from its operations annually since 2006 and offsets it by purchasing voluntary Gold Standard Carbon Certificate since 2009. In 2012, TSKB decided to verify greenhouse gas emissions for the organizational level by a third party. TSKB completed the audit on 7th September 2012. Since 2011, greenhouse gas emission of TSKB has been verified by a third party and since 2012, TSKB has been offsetting verified emissions by Gold Standard Carbon Credits annually. 2017 Scope-3 GHG emission of TSKB was off-set via Alize Keltepe Wind Power Plant which has verified Gold Standard Carbon Credits.

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## C4.2

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**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.****Target**

Renewable electricity consumption

**KPI – Metric numerator**

%100 renewable energy usage

**KPI – Metric denominator (intensity targets only)****Base year**

2009

**Start year**

2009

---

**Target year**

2021

**KPI in baseline year**

53.26

**KPI in target year**

100

**% achieved in reporting year**

100

**Target Status**

Underway

**Please explain**

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

**Part of emissions target**

TSKB intends to use green-electricity in order to achieve zero-emission in Scope 2.

**Is this target part of an overarching initiative?**

Science-based targets initiative

---

**Target**

Waste

**KPI – Metric numerator**

% recycling of waste paper

**KPI – Metric denominator (intensity targets only)****Base year**

2018

**Start year**

2018

**Target year**

2018

**KPI in baseline year**

100

**KPI in target year**

100

**% achieved in reporting year****Target Status****Please explain**

In 2018, all waste paper was separately collected and sent to recycling facilities. TSKB will continue to send all paper consumed in its premises to recycling facilities and maintain the practice of 100% recycling of waste paper in the upcoming years.

**Part of emissions target****Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

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**C4.3**

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

Yes

### C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*		
Implementation commenced*		
Implemented*		735
Not to be implemented		

### C4.3b

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

**Initiative type**

Low-carbon energy purchase

**Description of initiative**

Hydro

**Estimated annual CO2e savings (metric tonnes CO2e)**

655

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

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

11500

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

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

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

**Initiative type**

Other, please specify (Changes in operations)

**Description of initiative**

<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**

5

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

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

5000

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

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

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

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

44

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

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

6400

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

2400

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

Integrating sensors to the lighting units since 2010.

---

**Initiative type**

Fugitive emissions reductions

**Description of initiative**

Other, please specify (Maintenance Program)

**Estimated annual CO2e savings (metric tonnes CO2e)**

106

**Scope**

Scope 1

**Voluntary/Mandatory**

Voluntary

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

2240

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

3680

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

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

---

**Initiative type**

Other, please specify (Changes in operations)

**Description of initiative**

<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**

1

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

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

0

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

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

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

---

**Initiative type**

Other, please specify (Transportation (Emission reduction by sea transport))

**Description of initiative**

<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**

30

**Scope**

Scope 3

**Voluntary/Mandatory**

Voluntary

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

27000

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

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

Since 2000, employees living on the Asian side of Istanbul, has been carried via water transportation rather than the highway for

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the Üsküdar-Kabataş line only. A ferry rented from a private company carries all the employees for this line which is a 4 km route. If these employees were carried on the highway the distance would be 10 km. Annually, the reduction in total km for personnel transportation (about 51000 km) provides 30 tons CO2e saving.

### C4.3c

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

Method	Comment
Financial optimization calculations	Semiannually, the activity data of identified emission sources is collected through work-flows. All related data has to be approved by manager of data-owner. GHG emissions from each source are determined by using Carbonmeter developed by TSKB and contains appropriate calculation methodologies. Distribution of emission sources has been analyzed. If a suitable solution is found, the monetary cost of implementation is calculated. TSKB reports these potential improvements in GHG emissions together with all environmental activities performed by ISO 14001-14064 Working Group (SMS team), annually. Since 2011, TSKB has started to publish its GHG Inventory report including that the results of carbonmeter are compared with GHG emissions of previous years and targets of reporting year, deviations are identified and if needed appropriate countermeasures are proposed. This document is submitted to ISO 14001 and 14064 Working Group Responsible, directly reporting to Sustainability Sub-Committee and Sustainability Committee of TSKB, and published each year. At the end of each year, ISO 14001 and ISO14064 Working Group Responsible presents results of TSKB GHG inventory report, environmental activities of SMS team and shows the all potential GHG reduction strategies to top management. After approval of reduction strategies for next year, ISO 14001 and ISO14064 Working Group plans and organizes their projects with specific targets and time schedule. Finally, after the implementation, the measurements proceed and a comparison with the old values is done to make sure of the emission reduction. All these steps about data management and calculation methodology for GHG inventory have been defined by a procedure which is integrated with Sustainability Management System. On 14th September of 2012, this procedure was published as "P-7: Greenhouse Gas Emissions" together with the first "Greenhouse Gas Emissions Inventory" report verified by a third party. The procedure has been revised according to new SMS Management Structure of TSKB. The seventh inventory report for 2018 had been published and verified again on April 2018. The latest procedure and greenhouse gas inventory documents are attached in the "Further" section below.

### C4.5

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

Yes

### C4.5a

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

**Level of aggregation**

Group of products

**Description of product/Group of products**

TSKB supports its customers by offering sustainable products and services that provide low carbon and high efficient solutions. Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. The share of sustainable finance loans have reached approximately 34% in renewable energy and approximately 6% for EE of the total loan portfolio as of 2018 year-end. Rate of sustainability themed loans in loan portfolio as at end of 2018 is 73%. By the end of 2018, TSKB funded renewable energy installed capacity has reached to 6066 MW and 290 projects, with a total investment amount of \$9.9B of which \$4.4B was committed by TSKB, between 2003 and 2018. As of 2018, TSKB allocated \$1B to 141 EE and RE projects. Annual GHG emissions in Turkey were reduced by 13M tons by financing these sustainable products including renewable energy, EE and RE investments. Additionally, TSKB issued its Green/Sustainable Bond which is the first issuance in Turkey and CEEMEA in 2016. TSKB has set an example in the industry in tackling climate change with this new product. The bond has a size of \$300M and a tenor of 5 years. In 2017, TSKB issued its first subordinated bond, which was also a Subordinated Sustainable Bond and was thus crowned as the first of its kind in the world. The bond issuance worth \$300M was four times oversubscribed through investor diversification, reflecting the long-term confidence investors had in the Bank's issuance. In January 2018, TSKB issued the first Eurobond of the year in the sector. The issuance was worth \$350M and had a maturity of 5 years. In order to report renewable energy funding results based on carbon dioxide reduction and performance indicators, TSKB calculated Turkey's emission factor for its own internal use. Starting from 2009, this emission factor is required to calculate and report carbon reductions in renewable energy and EE investments. To sum up, with its successful sustainable products and services, TSKB has been awarded by international platforms such as Euromoney, Financial Times, IFC, CDP, Global Capital and IFR. TSKB, who became a signatory to the United Nations Global Compact in 2010, contributes directly to 14 of the 17 Sustainable Development Goals.

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

Low-carbon product and avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Finance Sector Products(Climate change))

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

**Comment**

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**C5. Emissions methodology**

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**C5.1**

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

**Scope 1**

**Base year start**

January 1 2012

**Base year end**

December 31 2012

**Base year emissions (metric tons CO2e)**

530

**Comment**

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

**Scope 2 (location-based)**

**Base year start**

January 1 2012

**Base year end**

December 31 2012

**Base year emissions (metric tons CO2e)**

0

**Comment**

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

**Scope 2 (market-based)**

**Base year start**

January 1 2012

**Base year end**

December 31 2012

**Base year emissions (metric tons CO2e)**

0

**Comment**

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

**C5.2**

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**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

Defra Voluntary 2017 Reporting Guidelines

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

ISO 14064-1

US EPA Climate Leaders: Direct HFC and PFC Emissions from Use of Refrigeration and Air Conditioning Equipment

Other, please specify (IPCC Fifth Assessment Report)

**C5.2a**

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**(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

IPCC Fifth Assessment Report (AR5 – 100 year)



## C6. Emissions data

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### C6.1

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(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)**

451

**Start date**

January 1 2018

**End date**

December 31 2018

**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

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(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**

January 1 2018

**End date**

December 31 2018

**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

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

**Source**

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

**Relevance of Scope 1 emissions from this source**

Emissions are relevant and calculated, but not disclosed

**Relevance of location-based Scope 2 emissions from this source**

Emissions are not relevant

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

Emissions are not relevant

**Explain why this source is excluded**

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

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**Source**

TSKB Sariyer Forest

**Relevance of Scope 1 emissions from this source**

No emissions from this source

**Relevance of location-based Scope 2 emissions from this source**

Emissions are not relevant

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

Emissions are not relevant

**Explain why this source is excluded**

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

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## C6.5

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

**Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

5.9

**Emissions calculation methodology**

EPA (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

**Explanation**

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

## Capital goods

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

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

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Upstream transportation and distribution

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Waste generated in operations

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

306

### Emissions calculation methodology

IPCC 2006, Defra, GHG Protocol (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

108

### Emissions calculation methodology

IPCC 2006, Defra, GHG Protocol, EPA (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Upstream leased assets

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Downstream transportation and distribution

### Evaluation status

Not relevant, calculated

### Metric tonnes CO<sub>2</sub>e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Processing of sold products

### Evaluation status

Not relevant, calculated

### Metric tonnes CO<sub>2</sub>e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Use of sold products

### Evaluation status

Not relevant, calculated

### Metric tonnes CO<sub>2</sub>e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## End of life treatment of sold products

### Evaluation status

Not relevant, calculated

### Metric tonnes CO<sub>2</sub>e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Downstream leased assets

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Franchises

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Investments

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Other (upstream)

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## Other (downstream)

### Evaluation status

Not relevant, calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

There is no specific methodology used for this source (Please see the "2018 TSKB Greenhouse Gas Inventory" report for all details about the methodology).

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

100

### Explanation

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

## C6.7

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### (C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

## C6.10

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### (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

0.000003504

#### Metric numerator (Gross global combined Scope 1 and 2 emissions)

451

#### Metric denominator

unit total revenue

#### Metric denominator: Unit total

128710000

#### Scope 2 figure used

Market-based

#### % change from previous year

45.1

#### Direction of change

Increased

#### Reason for change

Compared to 2017, TSKB GHG emissions in Scope-1&2 increased from 416 tons to 451 tons CO2e while TSKB total revenue has been carried out around \$128,710,000 in 2018. Due to decrease in total revenue and increase in Scope-1&2 emission, our intensity rate has been increased by %45,1.

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#### Intensity figure

1.3708206687

#### Metric numerator (Gross global combined Scope 1 and 2 emissions)

451

#### Metric denominator

full time equivalent (FTE) employee

**Metric denominator: Unit total**

329

**Scope 2 figure used**

Market-based

**% change from previous year**

18.96

**Direction of change**

Increased

**Reason for change**

Compared to 2017, TSKB GHG emissions in Scope 1&2 increased from 416 tons to 451 tons CO<sub>2</sub>e while TSKB full time equivalent employee was decreased by 9%. Main reason for %18,96 increase is arising from the decrease in number of employee in the year 2017 and also increase in Scope-1&2 emissions comparing to the last year. GHG emission increase rate in Scope-1&2 is lower than the employee growth rate.

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**Intensity figure**

0.0268708294

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

451

**Metric denominator**

square meter

**Metric denominator: Unit total**

16784

**Scope 2 figure used**

Market-based

**% change from previous year**

11

**Direction of change**

Increased

**Reason for change**

The main reason behind this change is the increase in Scope-1&2 emissions comparing to 2017. There has been no change regarding squaremeter usage in TSKB buildings in the year 2018

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## C7. Emissions breakdowns

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### C7.1

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**(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?**

Yes

### C7.1a

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**(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).**

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	186	IPCC Fifth Assessment Report (AR5 – 100 year)
CH4	1	IPCC Fifth Assessment Report (AR5 – 100 year)
N2O	2	IPCC Fifth Assessment Report (AR5 – 100 year)
HFCs	262	Other, please specify (ASHRAE Standard 34 (for refrigerant blends))

## C7.2

**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

Country/Region	Scope 1 emissions (metric tons CO2e)
Turkey	451

## C7.3

**(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.**

By activity

### C7.3c

**(C7.3c) Break down your total gross global Scope 1 emissions by business activity.**

Activity	Scope 1 emissions (metric tons CO2e)
Natural gas boiler	115
Transportation	72
Cooling units	262
Generators	2

## C7.5

**(C7.5) Break down your total gross global Scope 2 emissions by country/region.**

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Turkey	0	0		1147

## C7.6

**(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.**

By activity

C7.6c

**(C7.6c) Break down your total gross global Scope 2 emissions by business activity.**

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Electricity (green)	0	0

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	Please select	0	TSKB uses green-electricity in its buildings. Thus, there is no emission released for electricity consumption activity.
Other emissions reduction activities		<Not Applicable>		
Divestment	0	No change	0	Not relevant.
Acquisitions		<Not Applicable>		Not relevant.
Mergers		<Not Applicable>		Not relevant.
Change in output		<Not Applicable>		Not relevant.
Change in methodology		<Not Applicable>		Not relevant.
Change in boundary		<Not Applicable>		Not relevant.
Change in physical operating conditions	35	Increased	8.4	Comparing to previous year, TSKB Scope1&2 GHG emissions increased due to change in physical conditions by around 8.4% because of the following reasons; 1- Since average temperatures increased compare to 2017, the cooling gas consumption increased. As a result, chillers and air conditions sourced emissions have risen to 162 from 111 (the year 2017), totally 51 tons of CO2e. 2- Parallel to the fact that the year 2018 was the second warmest year since 1960, natural gas consumption decreased from around 69,000 m3 to 58,000 m3 NG. This led to 21 ton CO2e emission decrease in natural gas consumption sourced Scope 1 emissions of TSKB within the year of 2017, comparing to 2016. 3-On the other side, depending on the banking activities in the operating boundaries, the emissions from business travels by TSKB owned cars were increased around 3 tons comparing to previous year. 4- Generators have been used in 2018 especially for the maintenance activities. This led to 2 tons of CO2 change comparing to 2017. As a total of 4 issues mentioned above, in 2018, Scope 1&2 emissions have been increased 35 tons CO2e which correspond to around %8.4 more comparing to 2017.
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

C7.9b

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

Market-based

C8. Energy

C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 90% but less than or equal to 95%

C8.2

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

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	Please select
Consumption of purchased or acquired cooling	Please select
Generation of electricity, heat, steam, or cooling	Please select

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 MWh
Consumption of fuel (excluding feedstock)	Please select		1098	1098
Consumption of purchased or acquired electricity	<Not Applicable>	1147		1147
Consumption of purchased or acquired heat	<Not Applicable>		568	568
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	1147	1666	2813

C8.2b

**(C8.2b) Select the applications of your organization's consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

**C8.2c**

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

**Fuels (excluding feedstocks)**

Jet Kerosene

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

352

**MWh fuel consumed for self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self-cogeneration or self-trigeneration**

<Not Applicable>

**Comment**

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

706

**MWh fuel consumed for self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self-cogeneration or self-trigeneration**

<Not Applicable>

**Comment**

---

**Fuels (excluding feedstocks)**

Liquefied Petroleum Gas (LPG)

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

40

**MWh fuel consumed for self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self-cogeneration or self-trigeneration**

<Not Applicable>

**Comment**

---

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

568

**MWh fuel consumed for self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self-cogeneration or self-trigeneration**

<Not Applicable>

**Comment**

---

C8.2d

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**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Diesel**

**Emission factor**

0.00272

**Unit**

metric tons CO2e per liter

**Emission factor source**

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

**Comment**

[http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_3\\_Ch3\\_Mobile\\_Combustion.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_3_Ch3_Mobile_Combustion.pdf) - [http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_1\\_Ch1\\_Introduction.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_1_Ch1_Introduction.pdf)

**Jet Kerosene**

**Emission factor**

0.00025

**Unit**

Please select

**Emission factor source**

Defra Voluntary 2017 Reporting Guidelines

**Comment**

ton of CO2e per passenger kilometer (Reference: [https://www.carbonfootprint.com/docs/2016\\_defra\\_emission\\_factors\\_v10.xlsx](https://www.carbonfootprint.com/docs/2016_defra_emission_factors_v10.xlsx))

**Liquefied Petroleum Gas (LPG)**

**Emission factor**

0.00165

**Unit**

metric tons CO2e per liter

**Emission factor source**

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

**Comment**

[http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_3\\_Ch3\\_Mobile\\_Combustion.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_3_Ch3_Mobile_Combustion.pdf) - [http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_1\\_Ch1\\_Introduction.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_1_Ch1_Introduction.pdf)

**Natural Gas**

**Emission factor**

0.00197

**Unit**

metric tons CO2 per m3

**Emission factor source**

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

**Comment**

[http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_3\\_Ch3\\_Mobile\\_Combustion.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_3_Ch3_Mobile_Combustion.pdf) - [http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_1\\_Ch1\\_Introduction.pdf](http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_1_Ch1_Introduction.pdf)

---

**C8.2f**

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

**Basis for applying a low-carbon emission factor**

Contract with suppliers or utilities (e.g. green tariff), not supported by energy attribute certificates

**Low-carbon technology type**

Hydropower

**Region of consumption of low-carbon electricity, heat, steam or cooling**

Europe

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**

1147

**Emission factor (in units of metric tons CO2e per MWh)**

0.571

**Comment**

TSKB has been sourcing green electricity (market-based) from Bereket Energy. The renewable energy portfolio of Bereket consists generally of hydroelectric resources which are Bereket 1-2, Dalaman 1-2-3-4-5, Feslek, Gökyar, Mentaş, Koyulhisar, Toros, Göktaş Hydroelectric Power Plants. Since July 2009, TSKB has been using green electricity from these hydroelectric power plants of Bereket Energy. Since July of 2009, TSKB has been using green electricity (market-based) from renewable energy production plants of Bereket Energy. By this way, TSKB reduced 655 tonnes of CO2e reduction in the greenhouse gas emissions of 2018. Grid emission factor of Turkey has not officially declared yet. The emission factor 0,571 is TSKB's own calculations in accordance with the IPCC's relevant guidelines.

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## C9. Additional metrics

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### C9.1

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

**Description**

Waste

**Metric value**

12703

**Metric numerator**

tons

**Metric denominator (intensity metric only)**

**% change from previous year**

20.6

**Direction of change**

Increased

**Please explain**

Comparing to 2017, recycled waste (including glass,plastics,paper) has been increased by %21. Effective waste collection in accordance with the zero-waste management system played key role in the increase.

---

**Description**

Energy usage

**Metric value**

0.18

**Metric numerator**

kwh

---

**Metric denominator (intensity metric only)**

m<sup>2</sup>\*capita

**% change from previous year**

1

**Direction of change**

Increased

**Please explain**

Due to the increase in electricity consumption in 2018, intensity figure defined above has risen around %1 comparing to previous year.

---

**Description**

Energy usage

**Metric value**

0.01

**Metric numerator**

m<sup>3</sup>

**Metric denominator (intensity metric only)**

m<sup>2</sup>\*capita

**% change from previous year**

16

**Direction of change**

Decreased

**Please explain**

As a result of sharp decrease in the natural gas consumption in 2018 , natural gas consumption based on the intensity figure (m<sup>3</sup> NG/m<sup>2</sup>.capita) were decreased around %16 comparing to year 2017.

---

**Description**

Other, please specify (Water Consumption)

**Metric value**

17.6

**Metric numerator**

m<sup>3</sup>

**Metric denominator (intensity metric only)**

capita

**% change from previous year**

2

**Direction of change**

Decreased

**Please explain**

Total water consumption per capita of TSKB in 2018 was decreased around %2 comparing to previous year.

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## C10. Verification

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### C10.1

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**(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**

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

**Scope**

Scope 1

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

TSKB\_Scope1&2-14064\_Verification Date\_06-02-2019.pdf

**Page/ section reference**

Page 1/3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

TSKB\_Scope1&2-14064\_Verification Date\_06-02-2019.pdf

**Page/ section reference**

Page 1/3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 market-based

**Verification or assurance cycle in place**

---

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

TSKB\_Scope1&2-14064\_Verification Date\_06-02-2019.pdf

**Page/ section reference**

Page 1/3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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**C10.1b**

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

**Scope**

Scope 3- all relevant categories

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

TSKB\_Scope3-14064\_Verification Date\_06-02-2019.pdf

**Page/section reference**

Page 1/3

**Relevant standard**

ISO14064-3

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**C10.2**

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**(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**

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**(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

---

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C7. Emissions breakdown	Year on year change in emissions (Scope 1)	Reasonable assurance by third parties	GHG emission breakdowns of TSKB has been verified by BSI for the year 2018. Please see the attachment, in which relevant statements can be found. TSKB_Scope1&2-14064_Verification Date_06-02-2019.pdf
C7. Emissions breakdown	Year on year change in emissions (Scope 2)	Reasonable assurance by third parties	GHG emission breakdowns of TSKB has been verified by BSI for the year 2018. Please see the attachment, in which relevant statements can be found. TSKB_Scope1&2-14064_Verification Date_06-02-2019.pdf
C7. Emissions breakdown	Year on year change in emissions (Scope 3)	Limited assurance by third parties	GHG emission breakdowns of TSKB has been verified by BSI for the year 2018. Please see the attachment, in which relevant statements can be found. TSKB_Scope3-14064_Verification Date_06-02-2019.pdf
C9. Additional metrics	Other, please specify (Water & recycled waste data)	Limited Assurance by third parties	Water & recycled waste datas were assured by E&Y within the scope of TSKB 2018 Integrated Annual Report, which is attached below. Allocation&Impact_Reporting_2019.pdf TSKB_2018_Integrated Annual Report.pdf
C9. Additional metrics	Other, please specify (Electricity & Natural Gas Consumptions)	Reasonable assurance by third parties	Electricity & Natural Gas Consumption data were assured by E&Y within the scope of TSKB 2018 Integrated Annual Report, which is attached below. Allocation&Impact_Reporting_2019.pdf TSKB_2018_Integrated Annual Report.pdf
C8. Energy	Other, please specify (Renewable energy usage)	Reasonable assurance by third parties	Green energy usage of TSKB has been verified by BSI for the year 2018. TSKB-GREEN ENERGY USAGE LETTER.pdf TSKB GHG INVENTORY REPORT-2018.pdf
C11. Carbon pricing	Other, please specify (Carbon Offset Certificate)	Voluntary Carbon Offsetting of the year 2018.	Voluntary Carbon Offsetting certificate of the year 2018 and Gold Standard approval letter are attached below . Gold Standard Approval of TSKB Carbon Offsetting.pdf TSKB Carbon Offset Certificate 871t.pdf
C6. Emissions data	Other, please specify (GHG Emission Inventory Report)	GHG Emission Inventory Report 2018	GHG Emission Inventory Report 2018, which is verified by BSI, is attached below. TSKB GHG INVENTORY REPORT-2018.pdf
C2. Risks and opportunities	Other, please specify (Financial Data, Renewable energy products, Emissions reduction activities, Ratio of sustainable themed loans, Emissions reduction activities)	Limited Assurance by third parties	All the relevant figures are accessible via TSKB 2018 Integrated Annual Report, which is attached below. TSKB_2018_Integrated Annual Report.pdf
C0. Introduction	Other, please specify (Financial data)	As of 2018-end, the Bank's registered capital stood at US\$900mn (TL4,500mn) while its paid-in capital was US\$540mn (TL2,800mn).	All the relevant figures are accessible via TSKB 2018 Integrated Annual Report, which is attached below. TSKB_2018_Integrated Annual Report.pdf
C3. Business strategy	Renewable energy products	73% of the portfolio is sustainability themed as of 2018 year-end. For renewable energy finance, TSKB financed 290 projects varying from hydro to solar, wind, biomass and geothermal, with a 6,066 MW total installed capacity representing 13% of Turkey's total installed capacity.	All the relevant figures are accessible via TSKB 2018 Integrated Annual Report, which is attached below. TSKB_2018_Integrated Annual Report.pdf

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C0. Introduction	Other, please specify (ISO 14001 Certificate)	TSKB prepared its environmental management system (EMS) and put it into practice as of 2006. Holding the EMS (ISO 14001) and Verification of Greenhouse Gas Emissions (ISO-14064-1) certificates, TSKB is Turkey's first carbon-neutral bank and has been awarded Turkey's first ISO 14001:2015 certificate.	All the relevant certificates are attached below. TSKB_Scope3-14064_Verification Date_06-02-2019.pdf TSKB_Scope1&2-14064_Verification Date_06-02-2019.pdf ISO 14001 Certificate 2018.pdf

## C11. Carbon pricing

### C11.1

#### (C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, but we anticipate being regulated in the next three years

### C11.1d

#### (C11.1d) What is your strategy for complying with the systems in which you participate or anticipate participating?

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

Also, a potential cap and trade market may increase the investment appetite of renewable energy investors. The both cases are expected to increase the demand for TSKB's products for financing of these potential investments. This situation is considered as asset level opportunity. The share of sustainable finance loans have reached approximately 34% in renewable energy and approximately 6% for EE of the total loan portfolio as of 2018 year-end. Rate of sustainability themed loans in loan portfolio as at end of 2018 is 73%.

By the end of 2018, TSKB funded renewable energy installed capacity has reached to 6066 MW and 290 projects, with a total investment amount of \$9.9B of which \$4.4B was committed by TSKB, between 2003 and 2018.

As of 2018, TSKB allocated \$1B to 141 EE and RE projects. Annual GHG emissions in Turkey were reduced by 13M tons by financing these sustainable products including renewable energy, EE and RE investments.

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

## C11.2

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

Yes

## C11.2a

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

**Credit origination or credit purchase**

Credit purchase

**Project type**

Landfill gas

**Project identification**

In the reporting period, TSKB has offset Scope-1&2&3 emissions (871 ton CO<sub>2</sub>e) by Gold Standard Carbon Credit created by ITC Mamak Integrated Waste Management and Biomethanation Plant. (871# VER credits, please see the attachment).

**Verified to which standard**

Gold Standard

**Number of credits (metric tonnes CO<sub>2</sub>e)**

871

**Number of credits (metric tonnes CO<sub>2</sub>e): Risk adjusted volume**

871

**Credits cancelled**

Please select

**Purpose, e.g. compliance**

Voluntary Offsetting

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## C11.3

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

Yes

## C11.3a

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

**Objective for implementing an internal carbon price**

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

**GHG Scope**

- Scope 1
- Scope 2
- Scope 3

**Application**

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

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

1.12

**Variance of price(s) used**

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

**Type of internal carbon price**

Offsets

**Impact & implication**

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

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**C12. Engagement**

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**C12.1**

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

- Yes, our suppliers
- Yes, our customers

**C12.1a**

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

**Type of engagement**

Compliance & onboarding

**Details of engagement**

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

**% of suppliers by number**

50

**% total procurement spend (direct and indirect)**

49.7

**% Scope 3 emissions as reported in C6.5**

25.5

**Rationale for the coverage of your engagement**

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

**Impact of engagement, including measures of success**

TSKB has developed good business relationships with catering and transportation service suppliers (ferry & service buses) in terms of their environmental and social performance. These 3 companies represent 49.7% of TSKB's total spend among all the other suppliers. The catering enterprise has been certified with ISO 14001 certificate to comply with the prerequisite of TSKB to work with. TSKB checks the persistence of the certificate in annual meetings with the Company. On the other hand, the entire emissions caused from highway and ferry transportation are calculated individually by TSKB engineers and declared in "TSKB Greenhouse Gas Emissions Inventory" every year. A softcopy of this report is sent to the Company in order to inform them about their results. TSKB shows best effort to make the Company set GHG emission targets to improve their own performance in this field. Moreover, TSKB offsets the emission sourced from employee transportation annually which depends on the engagement between the Company & TSKB who are in contact by monthly meetings and telephone for safety information flow. To conclude, TSKB has adopted the approach that requires these companies to apply best practices in their workplaces and encourages them to improve environmental and social performances while reducing their GHG emissions.

**Comment**

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**C12.1b**

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

**Type of engagement**

Education/information sharing

**Details of engagement**

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

**% of customers by number**

**% Scope 3 emissions as reported in C6.5**

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

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

**Impact of engagement, including measures of success**

Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. The share of sustainability themed loans is 73% of the portfolio as of 2018 year-end. For renewable energy finance, TSKB financed 290 projects varying from hydro to solar, wind, biomass and geothermal, with a 6,066 MW total installed capacity representing 13% of Turkey's total installed capacity. TSKB with its wide experience and technical knowledge gained in renewable energy sector, assists and encourages investors in this field. Moreover, TSKB calculates financed investments' GHG emission to use in internal and external reports with the corporation of clients. As a development bank, TSKB takes into consideration financed investments' contribution to the national development and climate change strategy of the country which requires a strong engagement with its customers. By renewable energy and energy efficiency investments, TSKB contributes to low-carbon and environmentally friendly economic growth and development by annual CO<sub>2</sub>e emission reduction by 13 million tons. Also, as of 2018, 1.2M m<sup>3</sup> of water savings have been realized annually by financing resource efficiency investments from various industries like cement, steel, tourism, chemical, automotive, plastics, textile etc.

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**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

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**C12.3a**



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

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Climate finance	Support	TSKB has been a member of leading national NGOs, which advocate tackling climate change with collaboration of private sector. Turkish Business Council of Sustainable Development (TBCSD) and the Turkish Industry and Business Association TUSIAD's Environment and Climate Change Working Group, focusing on climate change issues especially.	TSKB attends meetings of working groups to discuss climate change related issues and seek for solutions with industry sector participants. The outcomes of the meetings are shared with related authorities to orient developing policies towards climate change issues.
Cap and trade	Support	The Environment and Urbanization Ministry carries out the Partnership for Market Readiness Project (PMR) which is supported by the World Bank to evaluate different carbon pricing instruments in the country. As part of the project, the Ministry holds several consultation and informative meetings which TSKB also attends.	TSKB supports development of convenient regulations for carbon cap, trade and/or tax according to national carbon market dynamics. TSKB attends these meetings regularly to follow the progress closely and provides feedback if required.
Adaptation or resilience	Support	Turkish Ministry of Development carries out a project called "Due Diligence for Turkey under the UN Sustainable Development Goals". The project aims to establish the current status of Sustainable Development Goals and Objectives in our country, identify those goals that overlap with the policies and priorities of Turkey, determine the areas in which our country lacks policies, projects and indicators in consideration of the goals, and develop policy recommendations.	Using its experience in sustainable development, TSKB was involved in this major project as a stakeholder in 2018. The project called "Due Diligence for Turkey Under the UN Sustainable Development Goals" kicked off by the Turkish Ministry of Development in order to establish the current status of SDGs in Turkey is coordinated by TSKB and Escarus, a TSKB subsidiary offering consultancy services on sustainability.
Cap and trade	Support	Since 2015/COP21, different employees from different departments of TSKB attend United Nations Climate Change Conference of Parties to share the Bank's expertise in international arena as invited panel speakers at the global summit.	Two employees attended COP24 in 2018. Two managers from TSKB that were speakers at two different panels shared their experiences on myriad fields from renewable energy investments to green bond issuances in Turkey.
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. 2018 report is given in the following link. <a href="https://www.idfc.org/wp-content/uploads/2018/12/idfc-green-finance-mapping-2017.pdf">https://www.idfc.org/wp-content/uploads/2018/12/idfc-green-finance-mapping-2017.pdf</a>
Climate finance	Support	The Sustainable Banking Network (SBN) is a unique community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice. To date, 15 countries, including Turkey, have launched national policies, guidelines, principles, or roadmaps focused on sustainable banking.	In 2018, TSKB has fulfilled SBN survey requested by BDDK, to demonstrate its contribution to Turkey's sustainable banking capacity.
Climate finance	Support	The joint public-private sector Green Finance Working Group (GRFIN) brings together key stakeholders to identify and promote capital markets solutions that support the development and growth of green finance. GRFIN includes representatives from major institutional investors, commercial banks, ratings agencies and other interested stakeholders, as well as public sector collaborators. Broad themes covered by GRFIN include scaling the green finance market, collaboration with official sector initiatives and translating political momentum to tangible action that facilitates market development.	TSKB is a member of GRFIN Working Group since its foundation. TSKB is the only member institution from Turkey. The first meeting was held on July 12, 2016. The group comes together 2-3 sessions annually. TSKB is mainly involved in the IIF-IMF Autumn Meetings. The last meeting TSKB attended was held on November 2018. The agenda of the meeting was updates on global green finance developments and green finance in emerging markets.

**C12.3b**

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

Yes

**C12.3c**

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

**Trade association**

Turkish Industry and Business Association

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

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

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

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

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**C12.3e**

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

CEO of TSKB is in the board of The Banks Association of Turkey (TBA). TSKB regularly attends TBA meetings on sustainable finance.

TSKB is a member of Turkish Business Council of Sustainable Development (TBCSD) and has been appointed as a member of board of

directors. TSKB is in the "energy", "circular economy", "sustainable finance" and "women employment and equal opportunities" working

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

TSKB is a founding member (founded in 2011) of International Development Finance Club (IDFC), which works on a program compiling

environmental, climate and social development topics, under the vision of building on climate finance and sustainable development.

TSKB is a member of Long Term Investors Club (LTIC), which is focused on long term vision of finance and economy to get a strong, sustainable and balanced growth in global economy.

TSKB is among the founders of the European Association of Long-Term Investors (ELTI) launched by the most influential 16 long-term

financial institutions of Europe to foster more sustainable, smart and inclusive European growth.

TSKB is a member of TUSIAD's Environment and Climate Change Working Group, focusing on climate change issues especially.

In December 2016, TSKB also became a member of ERTA / Integrated Reporting Network Turkey.

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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, CDP, etc. The aim of TSKB by being a member of

these organizations is not only submitting reports about its enhancements, but also to initiate awareness regarding climate change issues in

the sector.

Apart from these activities, TSKB actively responds to questionnaires and official opinion requests of drafts reports of the Ministries and

Government regarding environment, energy, climate change, etc.

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 from private to public sector
- Serves as a bridge between private sector and public sector
- Creates diversity of funds for economic development
- Contributes to the development of the market / legislation work.

C12.3f

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**(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?**

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

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

TSKB has published its "Climate Change Declaration" in 2016, stating clearly its strategy and goals regarding climate change. The declaration briefly explains how TSKB's main activities are managed in consistency with its climate change strategy. It is publicly available in TSKB's website in the following link.

<http://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking>

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

## C12.4

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**(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).**

## C14. Signoff

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### C-FI

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**(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.**

## C14.1

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**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Ece Börü - Executive Vice President	Other, please specify (Sustainability Committee Member)

## Submit your response

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### In which language are you submitting your response?

English

### Please confirm how your response should be handled by CDP

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

### Please confirm below

I have read and accept the applicable Terms