



# Global Compact COP Report

Industrial Development Bank of Turkey

August, 2012

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# A. INDUSTRIAL DEVELOPMENT BANK OF TURKEY

## 1. ASSESSMENT OF CEO

Esteemed TSKB stakeholders:

TSKB's corporate history represents one of the most impressive examples of sustainable growth. It is growth that has been and continues to be supported by our commitment to customers, employees, shareholders, and the public at large—in other words our commitment to all of our stakeholders. Our past is also a story of an integrated process of value and employment creation in support of economic development on many different fronts.

TSKB celebrated its 62<sup>nd</sup> year of service in 2011 and we may take justifiable pride for the many years of success that have brought us to where we are today. At this point, the most important question which we need to consider and to which we must find an answer is concerned with the degree to which we possess the elements that we need to sustain our corporate success on a long-term basis. Corporate sustainability is an expression of having the self-confidence and strength to be successful in the long term. TSKB is a service provider that has these attributes and is focused on the future. The elements that contribute to our self-confidence are not just our financial strength but also our human resources, our management competencies, and the sustainable banking strategies that make TSKB unique.

In terms of financial structure, TSKB is extremely strong indeed. It is that strength which has enabled it to continue serving customers by successfully managing every sort of market conjuncture that it has encountered throughout its history, however adverse it may have been. Not surprisingly therefore, strong performance that we registered in the immediate aftermath of the recent global crisis represents one of the most important and current indicators of our financial sustainability.

Our human resources are a no less important cornerstone of our corporate sustainability. The dedicated people who sincerely identify with our sustainable banking philosophy, whose day-by-day efforts contribute to our performance, and who strive to serve our customers are the true heroes of TSKB's long-term success.

Our strategy is correct and it will continue to generate the momentum that we will need as we move forward on the path of long-term success. We believe that the key to sustainable development is sustainable banking and we continue to act in line with that conviction. At the same time, we are also well aware that we have a responsibility for the sustainable future not just of Turkey but of the entire world and that our actions must be guided by that responsibility.

Climate change and environmental problems at many different levels confront us with serious issues that are of the utmost concern to the future of humanity. TSKB has itself been making its awareness of this fact a major component of its business processes ever since the 1980s.

The level of corporate awareness, capacity, and sustainable banking that TSKB has achieved today make it an exemplary financial institution not just in Turkey but in its own region and throughout the world.

A large part of our Bank's contributions to efforts towards preventing global climate change and dealing with environmental problems are manifested in the lending activities that also make up the basis of its product line. TSKB focuses on investment projects that will help protect the environment and minimize the adverse effects of climate change and it provides them with financial support. To accomplish this, it always makes use of the most advanced project assessment, management, and oversight methodologies that are currently available.

TSKB's mission is one of supporting sustainable development. It fulfills this mission by supplying financial resources to customers in many different sectors, the foremost of which is energy, while also providing a variety of consultancy and financial mediation services. Immediately after having strengthened its standing as the leading financial services provider for those engaged in renewable energy, our Bank added the financing of energy efficiency projects to its product and service lineup in 2009 as an essential component of its sustainable banking strategy.

Rapidly expanding its service capacity in the area of energy efficiency, TSKB has so far provided financing for nineteen such projects. Our Bank is committed to working with international business partners in its ongoing efforts to supply resources to energy efficiency projects that contribute towards lowering the energy-density of Turkish industry while also reducing industry-sourced carbon emissions

What confronts us now as a rapidly-developing country is the extraordinarily critical process of making the transition to a lowcarbon economy. TSKB is focused on working with customers who similarly identify with its goal of contributing towards Turkey's sustainable economic development.

Just as in the past so too in the future, our Bank is determined to work in close collaboration with its customers as it seeks to maximize total output and thus contribute towards economic development. At the same time, our Bank will also remain on the lookout for ways to encourage the creation of increasingly more added value for society while ensuring that regulatory, environmental, and social risks are managed in the best way possible.

Esteemed TSKB stakeholders:

In 2010 TSKB once again was deemed to be worthy of being cited for its contributions to sustainable banking in the Developing Countries category in Eastern Europe under the auspices of the Sustainable Banking Awards conducted jointly by Financial Times and the IFC. This was the third year in a row that TSKB has earned this award for its sector and its country. It is especially meaningful insofar as it represents the stature that TSKB has achieved. The award is also concrete evidence that TSKB recognizes and fulfills its responsibilities for a sustainable future not just for Turkey but for the whole world.

TSKB continue to give support to sustainable development in 2011 and its achievements are being awarded. TSKB receives award for "The Company with the Highest Corporate Governance Rating Score" by upgrading its corporate governance rating 9.10, which was formerly 8.92 in 2010 (SAHA Corporate Governance and Rating Services Inc.). In order to inform public about energy efficiency, TSKB's comprehensive portal dealing with the subject of energy efficiency went into operation in June 2011. Besides all these, internal studies continued in 2011 to achieve a systematic structure and procedures for TSKB's Environment Management System.

We believe that a more livable world is achievable only through responsible measures and initiatives that are undertaken to address environmental and climate change issues. In the years ahead, TSKB intends to continue building upon its successes in this area at the global level. In that respect therefore, the Bank regards the “Sustainable Bank of the Year” award as a symbol of its systematic and sober approach to the environment and sustainability and to continue focusing on being a worthy recipient of that recognition by raising the standards of its performance even higher.

We are determined to respond to the challenges of global warning bells.

The International Energy Agency announced new figures indicating that worldwide greenhouse gas emissions reached a record-breaking level in 2010. The 29.3 gigaton emission level recorded in 2008 dipped in 2009 largely due to the effects of the global economic crisis. By resuming their upward trend and reaching 30.6 gigatons in 2010, greenhouse gas emissions attained their highest level since records started being kept.

This adverse development was triggered by a rise in the use of fossil fuels. Experts on the subject are now saying that it makes the international goal of limiting the rise in the average global temperature to just two degrees Celsius has become even more difficult than ever.

The period immediately ahead is going to be fraught with difficulties as much for individuals as for economic actors such as ourselves. A rapidly growing world population, environmental pollution, and increasingly limited resources will compel us all to engage in a search for new equilibriums.

TSKB’s prime goal is to continue fulfilling its role as an exemplary and pioneering bank in a rapidly changing world by undertaking still newer projects and creating added value for all of its stakeholders in the future as well. TSKB is well aware of the dangers that confront the world and the people who live in it and it is committed to doing whatever is necessary to deal with them.

TSKB is a bank which has integrated the issues of climate change, sustainable development, and transition to a low-carbon economy into all of its processes. This is what uniquely positions TSKB competitively among the other members of its sector while further amplifying its service strengths.

The uninterrupted support of our stakeholders is what will ensure our long-term success while enabling us to make the most effective and productive use of both our self-confidence and our abilities.

In closing, I extend my sincerest appreciation and respects to everyone who contributes towards our sustainable banking philosophy.



**Fevzi Onat**

**CEO**

## 2. CORPORATE PROFILE

Being the first private investment and development bank of Turkey, TSKB was founded in 1950 with the support of the World Bank and with the cooperation of the Government of the Turkish Republic, the Central Bank of the Turkish Republic and the commercial banks in Turkey.

TSKB continues to generate value for its stakeholders, contributing to macroeconomic developments under all market circumstances, through an unparalleled corporate strategy that focuses on Turkey's economic potential.

TSKB's founding mission is "to finance private sector investments in Turkey". In line with this mission, besides providing corporate loans and project finance to its customers from different sectors, the Bank has reached its current position by most appropriately responding to changing market demands and customers' needs. TSKB has stood by industrial companies in the private sector in developing Turkey, and plays a leading role in meeting the long-term funding needs of these companies.

TSKB is a bank that has gained the unstinting approval and support of its domestic and foreign stakeholders, thanks to its economic, environmental and social achievements. As Turkey's first privately-owned investment and development bank, TSKB (the Industrial Development Bank of Turkey) serves a wide array of customers in the areas of corporate lending, project finance, financial leasing, as well as corporate finance services, capital markets brokerage and portfolio management. TSKB systematically contributes to the continuous development of the Turkish economy through provision of long-term resources for the business world, mainly through investment projects and customer specific consultancy and brokerage services.

TSKB takes into account the environmental and social impact dimension when granting loans and supports investments in various sectors with renewable energy, energy efficiency, environment and APEX (Wholesale Banking) loans procured from international institutions. TSKB which has accumulated a great amount of leading and pioneering achievements for the Turkish banking sector in its 62-year corporate history, has extended a total of USD 6.1 billion funds (USD 5 billion directly and USD 1.1 billion through APEX loans) to the real sector over the last 7 years.



### 3. HIGHLIGHTS OF TSKB

**1950's**

- Provide technical assistance to project sponsors
- Provide medium to long-term loans to private sector on project basis

**1960's**

- Underwrite and guarantee corporate bond issues
- Offer to public mature shares from its equity portfolio
- Issue its own long term bonds
- Have its records audited by an independent auditing company

**1970's**

- Promote private investment in underdeveloped regions
- Mobilize funds through medium term syndicated loans from Euro-market
- Undertake major sector research work on industry and service sectors

**1980's**

- Construct short-term econometric model of the Turkish Economy
- Construct funds flow model of Turkish Financial Sector
- Provide foreign currency based investment loans with FX risk cover
- Issue its own bonds in international capital markets
- Conduct Producer Surveys on various sectors of economy
- Export insurance loans from European and Japanese institutions
- Offer Consultancy and advisory services in textile and other sectors in cooperation with international advisors
- Privatization consultancy for state owned cement factories
- Issue its own short term commercial paper as well as guarantee and market those of its clients
- Prepare Turkey's first Privatization Master Plan
- Realize the first public offering of a company's shares with underwriting
- Establish line of equity relations with Islamic Development Bank

## 1990's

- Enter into long-term currency and interest rate swap agreements with international banks
- Provide floating-rate medium term Turkish Lira loans to industry
- Provide consultancy services to European Bank for Reconstruction and Development (EBRD) in Uzbekistan
- Management of a Risk Capital Fund provided by the European Investment Bank
- Undertook a voluntary "Risk Management Review" supported by World Bank
- The award of "Best Investment Bank of Turkey" 3 years in row between 1997 and 1999 given by Euromoney Magazine
- Highest rating given to a bank within all developing economies by the international rating corporation Thompson Bankwatch in 1998
- The award of "Best Research Institution of Turkey" given by Emerging Markets Investor Magazine in 1997.

## 2000's

- Provision of a credit line specifically for a healthier environment
- First bank to establish a real estate appraisal company with Capital Market Board Approval
- Provision of Secretariat service to the Istanbul Approach
- Creation of a Risk based credit pricing model
- First Turkish Bank to receive a loan from Agence Française de Développement
- First and only Turkish Bank to become a shareholder of European Investment Fund
- The first Turkish Bank to calculate and neutralize its carbon footprint
- The first Turkish owned bank to obtain the ISO 14001 Environment Management Certificate
- The first and only Turkish bank which was awarded Sustainable Bank of the Year of Eastern Europe in 2008, 2009 and 2010 in the event organized by Financial Times and International Finance Corporation.
- Euromoney – "European Utilities Deal of the Year" Uludağ Elektrik Dağıtım A.Ş. (UEDAŞ) and Çamlıbel Elektrik Dağıtım A.Ş. (ÇEDAŞ) Equisition Project Finance
- European Renewables Geothermal Deal of the Year" given by Euromoney in 2008 (Gürmat)
- The award of "European Transport Deal of the Year " given by Euromoney Magazine in 2007 (Mersin Port)
- The award of "EMEA Infrastructure Deal of the Year" given by PFI in 2007 (Mersin Port)
- The award of "Best M&A - Best mergers and acquisitions" given as part of "Awards for Excellence-2005" by Euromoney Magazine in 2005
- The award of "Best Local Partner" given as part of "Awards for Excellence-2004" by Euromoney Magazine in 2004

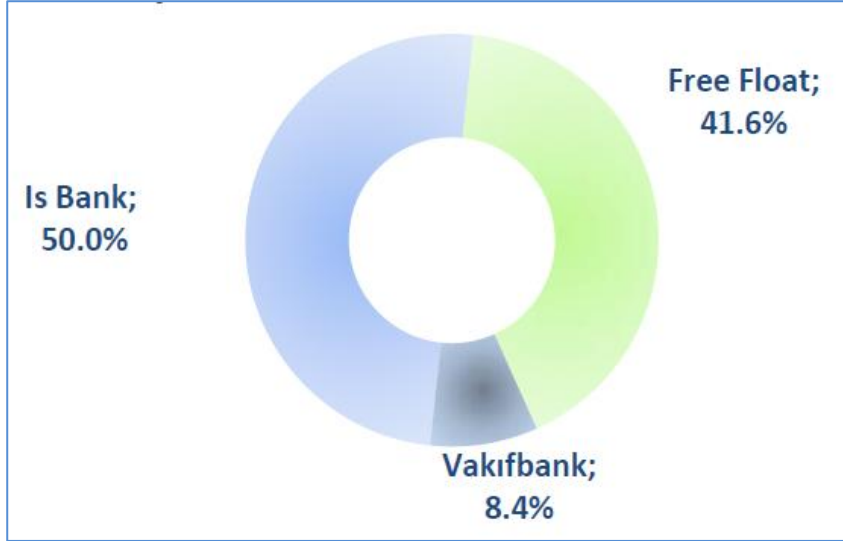
## 2010's

- The first Turkish bank to release the GRIapproved sustainability report
- Membership of the UNEP FI and Global Compact
- The first and only Turkish bank to have been granted membership of the Long-Term Investors' Club (LTIC)
- Issuance of 14 thematic funds
- Securing the first EBRD credit which aims to finance SME's industrial projects based on agriculture.
- Corporate Governance Association of Turkey (TKYD) – 4th Corporate Management Summit, 1st Corporate Management Awards/ Corporation with the 2nd Highest Corporate Governance Rating
- Euromoney – "European Hydro Power Deal of the Year"/Boyabat Dam and Hydro Power Finance

## 4. FINANCIAL HIGHLIGHTS

As of 31 December 2011.

### 4.1. Ownership



### 4.2. Highlights from Our Economic Performance

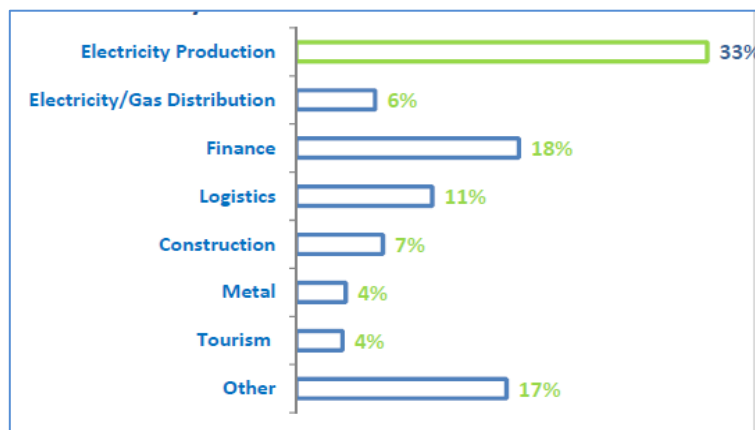
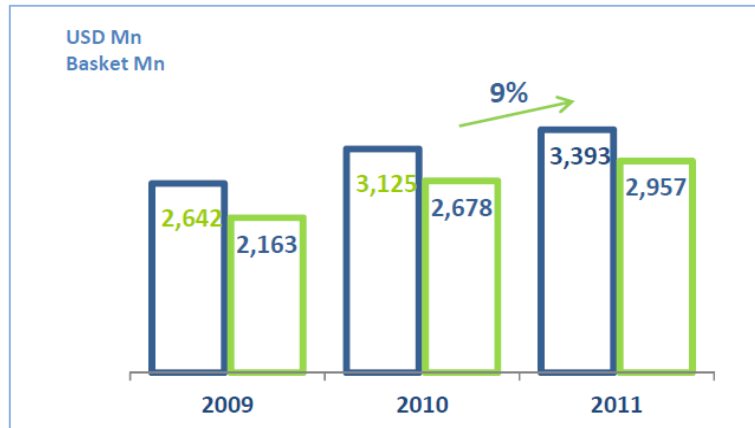
TSKB continues to achieve the right blend of its competitive advantages and corporate ability to generate added value. Having concentrated on accurately interpreting market dynamics and opportunities, TSKB completely fulfilled its 2011 targets through robust services processes and modern risk management practices.

In 2011, TSKB successfully offered products and services with high added value to its customers. TSKB continued to support its real sector clients in a wide array of areas from project finance to foreign trade mediation and allocated resources to them under the most favorable conditions. The Bank also reinforced its presence in the economic and trade cycle by serving its corporate and individual customers in areas like securities, treasury and asset management, in which the Bank boasts extensive knowledge and a wealth of market experience.

As a bank committed to upholding its mission of uninterruptedly supporting Turkish industry and investors under all circumstances, TSKB is determined to reinforce its strong presence and market position in investment and development banking in 2012 and beyond.

(TRY million)	2008	2009	2010	2011	% Change
Total Assets	6209	6905	7912	9456	20%
Loans Portfolio	3884	3955	4843	6395	32%
Shareholders' Equity	750	1041	1264	1366	8%
Net Profit	119	175	212	255	21%

### 4.3. Loans



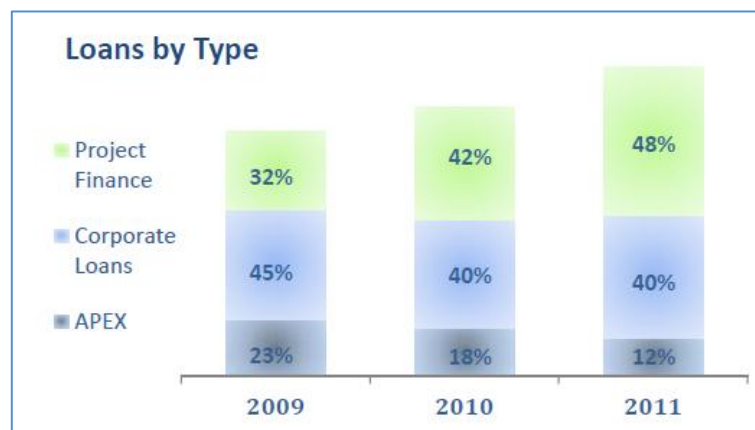
Backed by strong and long-term customer relationships, the Bank's credit portfolio maintains its healthy and efficient composition.

In 2011, TSKB stepped up its support to the business world. In this context, the Bank continued to finance real sector investment projects – requiring medium and long-term funds – of its customers from different sectors and offered its customers with mass products and services of high added value.

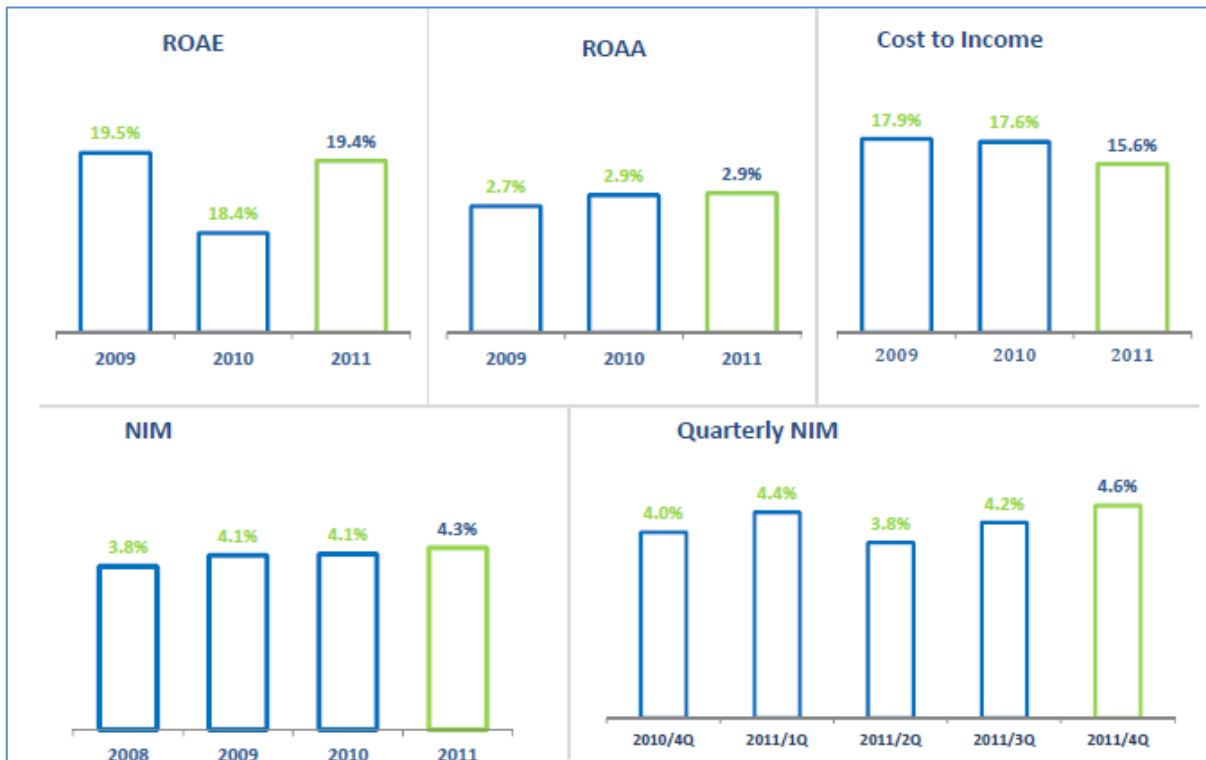
Acting in line with its strategic targets during this period, the Bank carefully protected the healthy and efficient composition of its credit portfolio, which is deeply rooted in its strong and long-term customer relationships.

TSKB's total credit volume grew by 9% in USD terms to reach USD 3.4 billion, with a 68% ratio of total loans/total assets in 2011.

Attaching tremendous importance to the sectoral diversity of its credit portfolio, TSKB pursued a marketing strategy focused on further improvement of the multi-sectoral nature of its investment portfolio. The Bank, while aiming to attract customers from different sectors, also carried out efforts to deepen its relations with existing customers. TSKB concentrated on and supplied funds to new projects in such areas as iron-steel, cement, petrochemicals and automotive subsidiary industry throughout the year.



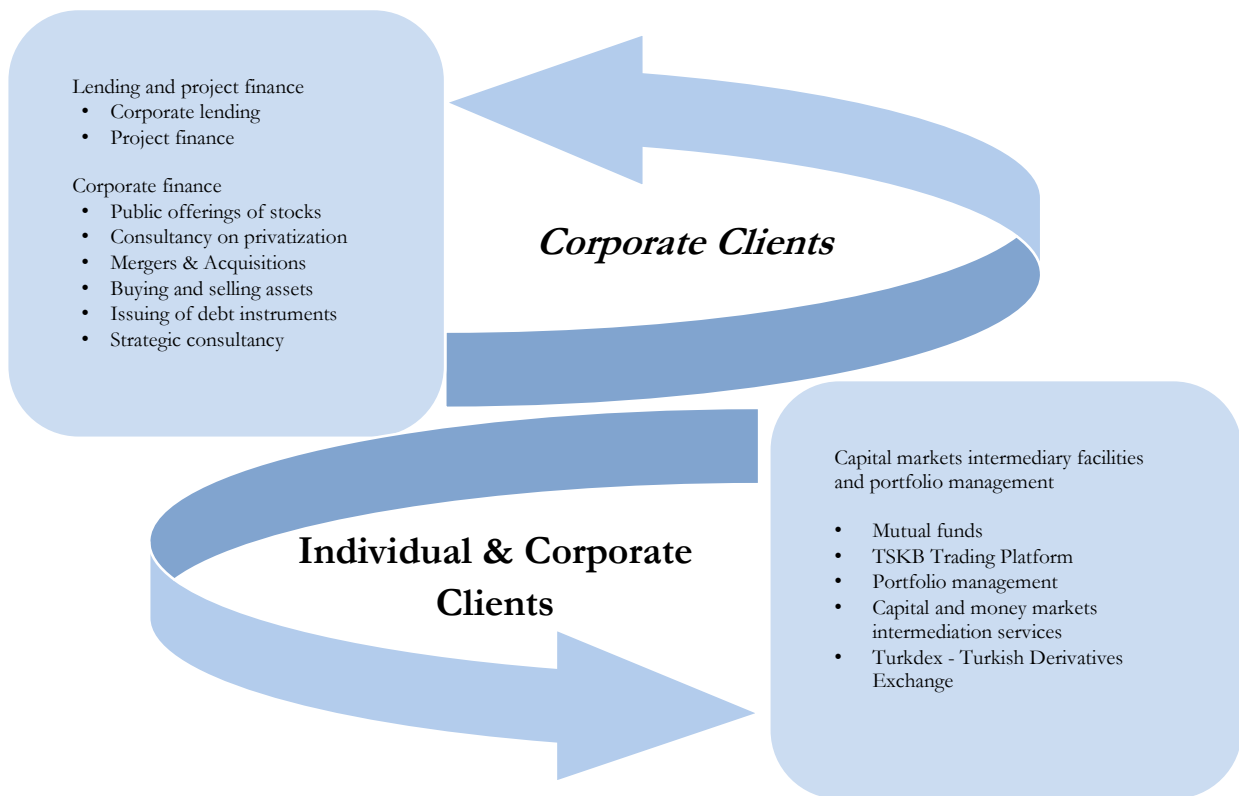
#### 4.4. Key Performance Indicators



## 5. PRODUCTS AND SERVICES

TSKB is a development and investment bank. The main business lines of TSKB are;

- mid and long term lending and project financing,
- corporate financing with comprehensive consulting services,
- full range of investment banking services provided for individual and corporate investors.



## 6. SUSTAINABLE BANKING

TSKB acknowledges its responsibilities for a sustainable future not just for Turkey but for the whole world. In the conduct of the lending activities that make up the most important part of its product line, the Bank contributes to this effort by providing financial support for investments that will help protect the environment and minimize the adverse effects of climate change.

TSKB is focused on working with customers who similarly identify with its goal of contributing towards Turkey’s sustainable economic development. Working together with its customers, the Bank remains on the lookout for ways to encourage the creation of increasingly more added value for society while ensuring that regulatory, environmental, and social risks are managed in the best way possible.

TSKB’s mission is one of supporting sustainable development. It fulfills this mission by supplying financial resources to customers in many different sectors, the foremost of which is energy, while also providing a variety of consultancy and financial mediation services as well.





## B. UNGC PRINCIPLES

TSKB has accumulated a great amount of leading and pioneering achievements for the Turkish banking sector in its 62-year corporate history.

TSKB systematically contributes to the continuous development of the Turkish economy through provision of long-term resources for the business world, mainly through investment projects and customer specific consultancy and brokerage services. TSKB takes into account the environmental and social impact dimension when granting loans.

TSKB has structured its sustainability approach at four dimensions;

- Minimizing environmental risks arising from lending activities: External environmental impacts of TSKB,
- Defining, controlling and reducing internal environmental impacts of TSKB arising from operational services: systematic management of electricity, water, natural gas usage, paper consumption and CO<sub>2</sub> emission,
- Emphasizing products and services of TSKB on sustainable banking: financing renewable energy, energy efficiency and environment investments,
- Informing all TSKB employees and stakeholders on a continuous basis and encouraging them to actively participate in the processes and increasing their awareness on environment, encouraging them to participate the combat against climate change and promoting low carbon economy.

## Environment and sustainable banking

TSKB thinks globally and always perform its best in order to devise and conform to best practices whenever addressing and dealing with environment- and sustainability-related issues. For this reason, climate change, the environment, and sustainability are all strongly integrated into TSKB's corporate strategy and business principles. Sustainability journey has started in 1980 for TSKB and not only integrated into its strategy, but also interiorized within its employees. Important highlights of this journey are presented below:

### 1980

TSKB introduced its first environmental initiatives and sowed the seeds of the first models of today's sustainable banking in the 1980s. Since then it has been a financial services provider which, on its own initiative, regularly takes environmental factors into account as part of its credit assessment processes and is especially careful that the projects it finances fulfill their environmental obligations.

### 1990

In the 1990s, TSKB began tapping international markets for resources with which to finance environment-related investments and became the first bank to extend environment-related loans to Turkish industry.

### 2005

In 2005 TSKB took an important step in the direction of sustainable banking with the establishment of its Environment Management System.

### 2006

In 2006 TSKB passed another milestone on its journey towards sustainable banking by issuing formal statement in which its environment policy was publicly announced to all stakeholders.

### 2007

In early 2007 TSKB's Environment Management System was awarded ISO 14001 certification. The same year, the Bank launched its [www.cevreciyiz.com](http://www.cevreciyiz.com) internet portal with the aim of informing the public about environmental issues. Another important development in 2007 was the introduction of the environmental risk evaluation tool (ERET) as part of the Bank's project assessment model.

## **2008**

TSKB received the “Sustainable Bank of the Year Award” in the “Eastern Europe” category for the first time in 2008.

## **2009**

TSKB received the “Sustainable Bank of The Year Award” in the “Eastern Europe” category for the second time in 2009 and also became Turkey’s first carbon-neutral bank. Another important development took place in 2009 when TSKB joined UNEP FI. The same year, the Bank joined the Global Reporting Initiative as an organizational stakeholder by adopting that initiative’s principles as its fundamental guide in the conduct of its own sustainability reporting. TSKB also score another social responsibility first this year by inaugurating cevreciyiz.TV broadcasts.

## **2010**

TSKB received the “Sustainable Bank of The Year Award” in the “Eastern Europe” category for the third time in 2010. At the very beginning of the year the Bank became the first member of the Turkish financial services industry to supply its stakeholders with a GRI-checked sustainability report. Another important step forward taken by TSKB in 2010 was its participation in the Carbon Disclosure Project. The Bank also signed the UN Global Compact this year as well.

## **2011**

TSKB has reported its 2nd Sustainability Report in 2011 covering the period od 2009 and mid 2010. It has been prepared in accordance with Level B of the version of the GRI Reporting Guide that was released at the beginning of 2011.

TSKB’s comprehensive portal dealing with the subject of energy efficiency went into operation in June 2011.

TSKB announced its support of the Water Disclosure Project.

TSKB published its first Global Compact COP.

## Social contribution

In the conduct of all of its activities, TSKB is always mindful of human resources, public benefit, and social responsibility.

Being an employer that people continuously prefer and are happy to work for is one of the most important social criteria that TSKB is mindful of. TSKB contributes directly and indirectly to the economic environment and society in which it operates through its products and services as well as through the employment that is created by the projects whose financing it supports. TSKB strives to also mitigate any adverse social impact that may arise because of the projects that it finances.

## TSKB Business Principles

The business principles that TSKB developed through the last 61 years include compliance with laws and regulations, strong, respected and consistent relationships with clients, ethical values, satisfaction of its employees, sensitivity to environmental issues and social responsibility.

TSKB believes that its sustainable economic and social contributions are shaped along dimensions of employee and community as well as that of its banking activities. One of the basic aims of our Bank is to maintain a modern work environment with full respect to human rights and encourage participation of employees.

Through its business processes, TSKB has the main target of fully complying with laws, corporate governance principles and ethical principles.

TSKB supports the 10 principles of United Nations Global Compact consisting of human rights, work force, environment and anti-corruption which totally corresponds to its ethical values.

## 1. HUMAN RIGHTS AND EMPLOYEES

One of the basic aims of our Bank is to maintain a modern work environment with full respect to human rights and encourage participation of employees. TSKB's main effort is to enable its employees to realize their full potential and to create a work environment and corporate culture that reflect the bank's values.

### Human Resources and Work Environment

TSKB recognizes having a workplace that continuously encourages participation among personnel, is progressive, and is fully respectful of human rights as a corporate objective.

An interactive and participatory workplace not only supports employees' personal development but also makes it possible for the social and cultural diversity embodied in TSKB's human resources to emerge as a positive value.

TSKB seeks to have and maintain a sustainable workplace environment that:

- Rewards success;
- Encourages individual development and initiative;
- Is safe.

TSKB's most precious assets are its human resources.

TSKB advances confidently towards its goal of sustainable banking thanks to employees who are broad of vision, who are models of professionalism for others in the market, who seek to satisfy customers' needs and expectations, and who are open to improvement. The members of TSKB's staff distinguish themselves from their peers in the sector by virtue of the quality of their educational backgrounds, their expertise, and their sense of identification with the Bank. Results-focusedness, effective analytical and problem-solving abilities, and strategic thinking skills rank high among the competencies of TSKB employees.

In order to achieve and ensure its sustainable corporate success, TSKB focuses on the following issues in the conduct of its human resources practices:

- Manage human resources in line with Bank policy;
- Discover and develop employee potential at the group level as well as individually;
- Engage in an interactive and in-depth dialogue with human resources concerning TSKB's activities and objectives.

TSKB's human resources policy calls for all employees to be individuals who are broad of vision, who seek to satisfy customers' needs and expectations, and who are open to improvement and innovation in order to ensure the Bank's own constant development and progress.

At the focal point of TSKB's human resources strategy is the concept of maintaining a productivity-minded workplace which seeks to:

- Ensure that employees are fully involved in their work;
- Strengthen employees' sense of corporate membership;
- Maximize employees' satisfaction.

### Performance Management System at TSKB

The principles of Performance Management System based on competencies and goals, follow the process of

- identifying and rating competencies,
- making corporate objectives meaningful at the individual employee level,
- engaging one on one discussions,
- preparing personal development plans.

The results of the Performance Management System are used to determine bank employees' training needs, career progressions, and merit raises. A sense of corporate identity is an essential part of the elements of productivity and competency that are the foundation of TSKB's performance-based

culture. When evaluating a bank employee's performance, attention is given as much to how success was achieved as to the actual success itself.

### Health and Safety at TSKB

TSKB is a corporate citizen who recognizes the importance of health and safety in its employees' lives and who has made such issues an integral part of its human resources policies and practices.

TSKB is mindful of remaining in full compliance with laws and regulations applicable in Turkey to workplace and worker health and safety at all of its headquarters and branch premises. The Bank also abides by a policy that takes current worldwide practices pertaining to such matters into account as well.

The TSKB Human Resources Unit is responsible for health and safety matters at the Bank's workplaces. This unit takes a direct interest in TSKB employees' health and safety issues and ensures that all necessary measures and precautions are taken.

Under the heading of workplace safety, the physical conditions and technical infrastructure of the Bank's premises are all checked at regular intervals. The Bank has developed information and warning systems to deal with a variety of emergencies. Locations where problems may occur are identified and measures are taken as need be.

### Sustainability and Leadership on Social Security: Trust of TSKB

TSKB has established two Pension and Assistance Funds in 1964 and in 1994. TSKB has built its social security systems in the first hand, based on "best practices" of the world and provided comparable benefits. The systems work successfully under the principles of "sustainability" and "leadership" as applied in investment and development banking.

The PRS (Personal Retirement Scheme) which is active in Turkey since 2002 is applied at TSKB trusts since 1964. Under this system the trusts serve the members with a lifetime retirement salary and retirement bonus and in the case of their departure the same products are served to their families.

Having established its own social security scheme 45 years ago, TSKB has been meeting its commitments accurately on health and retirement to a total of 1450 members including their dependants and the trusts have been meeting their commitments on retirement to 500 members.

TSKB's Ethos of human rights and work life respect to human rights is the base of all kinds of social interaction.

As a responsible corporate citizen, TSKB acts with complete coherence and compliance to the UN Human Rights Declaration and the legal frame which regulates the work environment and human rights in Turkey.

### Employees – Diversity and Equal Opportunity

TSKB seeks to achieve full and essential compliance with the Universal Declaration of Human Rights, with the United Nations Global Compact, and with the laws and regulations pertaining to labor and human resources in Turkey in the conduct of all of its activities.

TSKB is mindful of providing equal opportunity to all employees in the design and implementation of all of its human resources management processes. TSKB supports diversity in terms of gender, faith, and age.

Number of Personnel (Banking)	Number	%
Female	170	57
Male	130	43
<b>Total</b>	<b>300</b>	<b>100</b>
<b>Average number of years served</b>	<b>8</b>	

The fact that women outnumber men among its personnel and the high proportion of women among its senior management are two concrete indications of the Bank's commitment to diversity.

Distribution of Top Management According to Gender	Female	Male
CEO	-	1
Executive Vice President	3	3
General Secretary	-	1
Head of Board of Internal Auditors	1	-
Director	-	2



TSKB perceives employee diversity as an important base of its organizational structure and a valuable element of its intellectual capital. Acting with this notion, TSKB encourages its employees to think different, act different and develop personal competencies.

<b>Distribution of Personnel According to Education Level</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
PhD	1	3	4
Master Degree	47	40	87
University Degree	109	83	192
Vocational High School Degree	6	2	8
High School Degree	7	2	9
<b>Total</b>	<b>170</b>	<b>130</b>	<b>300</b>

TSKB also opposes all forms of forced or compulsory labor as well as child labor both in Turkey and elsewhere in the world and it supports initiatives to prevent such illegal practices. Employees age ranges are shown in the table below.

<b>Age</b>	<b>Year End of 2011</b>
< 18	0
18-20	0
21-30	102
31-40	127
41-50	67
51-55	2
>55	2

## 2. ENVIRONMENT

TSKB is determined to be the leading and continuous supporter of all environmental initiatives such as climate change and to fulfill its responsibilities on the efficient, effective and fair consumption of natural resources. TSKB is a corporate citizen believing in implementing a worldwide, efficient and coordinated framework to combat against environmental problems especially the negative results of greenhouse emissions as soon as possible.

### 2.1. The Connection of Banking and Environment

One of the strongest trends in the banking sector is being shaped around the requirement of sustainable environment for sustainable economy which result in banking and environment meeting at many points.

In banking environmental and thus social issues are considered in two dimensions:

- Forming systematic structures to consider environmental and social issues and risks in the process of lending decision; financing the projects with negative impacts after the necessary measures are taken with related action plans.
- As banks, creating services and products with positive contribution to environmental and social issues; financing environment, renewable energy and energy efficiency investments; creating environment sensitive funds, real estate and consumer loans with environment theme.

The most important business line where banking-environment connection appears is corporate lending. Banks acting as “environment agents” consider environmental issues and finance the projects with the required environmental permits and action plans supporting the formation of sustainable development model.

Environmental risk for banking sector arises when the necessary environmental measures are not taken in the financed project. The financial risk of the investor is either directly or indirectly reflected to the lending bank. Beyond financial risk, “reputational risk” of the Bank as a result of financing an insensitive investment is much more critical. When a bank is subject to reputation risk it is very hard to define and calculate the possible outcomes.

*Source: TBB Banking Magazine, September 2009, Issue: 70*

## 2.2. Environment Policy of TSKB

Since the day it was established, TSKB has always shown special care to public interest and social responsibility in its activities. Environmental awareness and sensitivity to environmental issues continue to be among the foremost elements in its business principles.

The environmental sensitivity of TSKB is described within the frame of the following principles:

- Minimizing the environmental effects arising from the banking activities,
- Determining the environmental standards for banking activities.
- Defining and constantly adhering to the environmental objectives and goals,
- Supporting investments intended for the protection of the environment,
- Assessing the environmental risks in financial decisions and taking them into consideration,
- Constantly informing both personnel and the public about environmental sensitivities,
- Conforming with all relevant national and international legal regulations,
- Contributing to advancements in order to leave a liveable environment to the next generations.

These principles form the basis for the relevant decision processes of all the activities. As part of its social responsibility awareness, it has been decided to set up an Environment Management System conforming to ISO 14001 standards in order to effectuate the environmental sensitivity. This system will define the principles of TSKB's environmental sensitivity, and set forth the guidelines for the bank personnel to monitor the environmental effects arising from organizational activities and to develop the environmental performance.

## 2.3. Environmental Management System (EMS)

TSKB is the first Turkish owned bank to obtain the ISO 14001 Environment Management Certificate. TSKB, being responsible and sensitive to the environment, and seeing it as an integral part of banking, established its Environment Management System (EMS) in 2006, which has an ongoing, systematic structure and is open to international audit. With EMS, all parameters of TSKB buildings (maintenance of ventilation system, illumination system, elevators, gas emissions of the vehicles, domestic oil waste, earthquake security sensors, batteries, etc.) are controlled more systematically. TSKB GHG inventory is planning to be verified by the company BSI according to ISO 14064 standard on September 2012.

After establishing EMS, TSKB defined its environmental impacts and started to measure its performance indicators systematically.

The Bank categorizes its impacts as internal and external, measures them and plans improving and developing activities by analytical methods.

### *2.3.1. Internal Environmental Impacts of TSKB*

Since 2006, TSKB has been quantifying all forms of consumption arising from its activities, developing action plans to make improvements, and setting targets. To this end, the Bank regularly measures the electricity, water, fuel, paper, and other inputs that are used and the waste that is generated by the Bank's service units.

Information and assessments concerning the Bank's environmental performance in 2007-2011 are presented on page 29 of this report.

INDICATOR	2007	2008	2009	2010	2011
<b>Electricity Consumption</b>					
Electricity Consumption (kWh)	1,338,675	1,431,067	1,300,219	1,256,058	1,283,077
Electricity Consumption / m <sup>2</sup>	79	84	76	74	75
Electricity Consumption / capita	4,492.20	4,631.28	4,140.82	3,727.18	3,645.10
<b>Natural Gas Consumption</b>					
Natural Gas Consumption (m <sup>3</sup> )	94,549	95,872	86,615	78,857	99,644
Natural Gas Consumption / m <sup>2</sup>	6	6	5	5	6
Natural Gas Consumption / capita	317.28	310.27	275.84	234	283.08
<b>Water Consumption</b>					
Water Consumption (m <sup>3</sup> )	10,993	8,416	7,938	7,903	8,094
Water Consumption / m <sup>2</sup>	0.65	0.49	0.47	0.46	0.49
Water Consumption / capita m <sup>3</sup>	37	27	25	23	23
<b>Paper Consumption</b>					
Paper Consumption (kg)	11,300	9,800	8,450	9,137	6,541
Paper Consumption / capita kg	38	32	27	27	19
<b>Waste Paper</b>					
Waste Paper (kg)	7,000	4,000	4,070	5,125	5,100
Waste Paper / capita kg	23	13	13	15	14,5
<b>CO<sub>2</sub> Emission</b>					
CO <sub>2</sub> Emission (kg)	1,252,720	1,249,070	670,510	401,220	874,810
CO <sub>2</sub> Emission / profit	0.01	0.016	0.006	0.003	0.006
CO <sub>2</sub> Emission / capita	4,203.76	4,042.30	2,135.38	1,190.56	2,485.27
<b>Carbon Footprint Distribution (%)</b>					
Electricity	68.82%	73.78%	46.22%	0.00%	0.00%
Natural Gas	14,16%	14,40%	24.23%	36.87%	22.78%
Paper	2.40%	2.09%	3.36%	6.08%	1.99%
Total Transportation	14.62%	9.72%	26.18%	57.05%	75.22%
Buildings (m <sup>2</sup> )	17,008	17,008	17,008	17,008	17,008
Employees (Average)	298	309	314	337	352
Income (USD)	126,702,000	78,484,000	115,401,000	136,535,000	135,000,000

Compared to 2010, the greenhouse gas emission in Scope 1 reached to 205.15 tons due to the changes in climatic conditions and personnel number. The weather temperature has been higher than the average seasonal temperatures until May 2011, and during that period 15 new employees have joined TSKB. In 2011, TSKB has verified the total emission according to the standard of ISO 14064 which led to improvements on GHG calculation methodology. The total emission in Scope 1 has been revised by 321.60 tons. There is an increase of %83 compared to the base year which can be explained by the reduction in uncertainties, changes in emission factors and the addition of new emission sources. Moreover, the total kilometers made by TSKB cars are considered whereas the old methodology only took into consideration the business trips of TSKB cars.

### 2.3.2. *External Environmental Impacts of TSKB*

In order to deal with its external environmental impact, TSKB seeks first to identify the environmental and social effects that may be caused by projects that it finances and second to support its credit customers by minimizing these effects by correctly managing them.

In 2005, TSKB pioneered the development in Turkey of a set of environmental risk evaluation tools (Environmental Risk Evaluation Tools - ERET) to be used in identifying the environmental risks that might arise from its lending activities as a bank.

## 2.4. Environmental Risk Evaluation Tool (ERET)

TSKB's environmental risk management policy constitutes the basis of decision-making processes as far as the credit appraisal process is concerned. Its own internal procedure, ERET), defines the environmental and social impact analysis and its methodology. With 36 subjects considered, ERET makes an assessment of E&S, as well as health and safety, for any project to be financed.

ERET classification was revised and the result of this revision was a somewhat greater detailing of the “risk categories” in the ERET model. Instead of the old “A” (“High”), “B” (“Average”), and “C” (“Low”) risk category ratings, the new model uses “A” (“High”), “B+” (“Moderately High”), “B -” (“Average”), and “C” (“Low”). That is why the scoring of 2011 is different than the previous years.

At TSKB, our environmental methodology is above and beyond the Turkish official environmental and social requirement. A public participation meeting during the EIA stage is limited by the project capacity in official regulation. TSKB’s understanding is not however limited. Although the regular monitoring stages regarding environmental and social aspects are not always compulsory, for TSKB it is a crucial component of E&S Risk Management strategy.

<b>TSKB ERET RESULTS</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Risk Category (Client)</b>					
<b>A</b>	-	-	-	-	2
<b>B+</b>	18	50	28	21	7
<b>B-</b>					6
<b>C</b>	49	37	30	30	22
<b>Risk Category (Project)</b>					
<b>A</b>	-	-	-	-	3
<b>B+</b>	6	12	18	13	2
<b>B-</b>					8
<b>C</b>	61	75	40	38	24
<b>Number of Projects</b>	<b>67</b>	<b>87</b>	<b>58</b>	<b>51</b>	<b>37</b>

\* The project and company risks calculated are categorized as **A**=ver high risk **B+**=high risk **B-**=medium risk **C**=minimum risk, within the context of ERET environmental risk categorization of TSKB.

## 2.5. Carbon Disclosure Project

CDP was launched in 2000 to accelerate solutions to climate change by placing relevant information at the heart of business, policy and investment decisions.

CDP Turkey was launched in early 2010 by Sabancı University Institutional Management Fund with the support of Akbank. The first step for this initiative had been taken by sending letters to ISE-50 listed companies requesting them to disclose their greenhouse gas emissions and policies with respect to climate change.

11 of the ISE 50-listed companies responded to this call in the first year of CDP Turkey. Measuring its carbon footprint and disclosing the results since 2006, TSKB, having joined the project voluntarily, is happy to see the launch of the CDP in Turkey.

## 2.6. TSKB Carbon Neutralization Project

In order to offset its carbon footprint and to create a management strategy TSKB started a project in cooperation with the carbon consulting company Ecofys. Carbon neutralization project covered:

- Detecting and auditing the carbon foot print of TSKB
- Realizing the process of purchasing carbon credit

- Consultancy services TSKB needed in the phase of being a carbon neutral bank.

A bank's carbon footprint is the total of all greenhouse gases emissions as a result of factors like transportation, heating and electricity. Another description of carbon foot print is: a climate change factor created by the CO<sub>2</sub> emission as a result of burning fossil fuels.

TSKB preferred to purchase carbon credit from the ITC Mamak Integrated Domestic Waste Disposal Project which is also financed by the Bank.

## 2.7. The İstanbul Stock Exchange Sustainability Index (ISESI)

The İstanbul Stock Exchange's Sustainability Index (ISESI), which will include only companies that are acknowledged to adhere to best practices on the subject of sustainability, will commence publication at the end of 2011. TSKB is a member of the Advisory Board of the ISESI project. ISESI is not intended to be an investment vehicle for investors.

## 2.8. Social Responsibility

For more than six decades TSKB has been a powerhouse driving Turkey's advance towards economic growth and development but it has also been an engine of the country's social progress as well. In 2011, the Bank continued to engage in corporate social responsibility activities aimed at increasing public awareness and sensitivity about such critical issues as climate change, energy, and the environment which are vital to our world's future.

Since 2007, TSKB has been actively and effectively integrating its sustainable banking philosophy as a fundamental component of its social responsibility projects. In the conduct of such projects, the Bank also deals with environmental, energy, and sustainability issues and makes a significant contribution towards increasing public awareness about them. The Bank's environmental mission summed up in the slogan "At TSKB, the environment is our priority" also served as the basis for the social responsibility and community awareness projects which it undertook in its 62<sup>nd</sup> year of operation.



## CEVRECIYIZ.COM

In 2007, Bank launched the most comprehensive environment-related web portal of the country, [cevreciyiz.com](http://cevreciyiz.com), with the aim of informing the public about environmental issues.

[www.cevreciyiz.com](http://www.cevreciyiz.com) contains a wide range of features and interactive sections such as current news; Turkey's and the world environment agenda; essays and research studies by academicians, NGOs, and professionals; special environment files; environment-related laws and regulations; corporate success stories; virtual photography exhibitions of work by famous nature photographers; and tools such as a carbon-meter that allows you to measure carbon footprints.

## Broadcast of Cevreciyiz.tv

With its aim to increase the knowledge and awareness level by creating the feeling of embracing the nature and to support positive attitude among all ages and segments of the community, [cevreciyiz.tv](http://cevreciyiz.tv) began broadcasting on November 23, 2009 and continued to grow and develop in 2011 and reached a broader audience.

TSKB intends to expand and enrich [cevreciyiz.TV](http://cevreciyiz.tv)'s video archive and to reach a larger social media audience of people who regard themselves as "environmentalists".

## TSKB Energy Efficiency

TSKB's comprehensive portal dealing with the subject of energy efficiency went into operation in June 2011. In this portal, basic knowledge is given for energy efficiency issue, the benefits, applications and sample projects. Additionally, followers can find legislative and regulative articles as well as updated news about Turkey and abroad. This portal is located at [www.tskbenerjiverimliligi.com](http://www.tskbenerjiverimliligi.com).

TSKB's voluntary memberships within the scope of sustainable banking



### 3. ANTI-CORRUPTION

In global money and capital markets, banks and other financial institutions may unconsciously act as intermediaries for the proceeds of crime by transferring or accepting these amounts as deposit. In order to prevent this situation new standards have been introduced against money laundering all around the world to improve the combat strength through cooperation. Also, rigid control and regulatory mechanisms are implemented by governments.

Laundering offence has been firstly identified as “money laundering offence” which was put into force in 1996 and “Prevention of Laundering Proceeds of Crime” law in 2006 in Turkish legal system. MASAK (Financial Crimes Investigation Board) has been carrying out its studies since 1997 in accordance with the related laws that draw the general framework of combating money laundering and preventing financing of terrorism.

In order to prevent laundering proceeds of crime via means of banking system, mandatory Compliance Program is introduced in Turkey.

TSKB has fully adopted the compliance regulations to prevent Laundering Proceeds of Crime and Financing of Terrorism and thereby has implemented necessary control alarms and other mechanisms in its business processes.

TSKB’s Internal Control Centre is responsible for monitoring the daily internal control activities. The efficiency and proficiency of the Compliance Program are inspected and short comings are reported to the Board of Directors. Also, client transactions are reported on a daily, monthly and quarterly basis.