



ALLOCATION & IMPACT REPORTING 2022

Reviewed by Sustainalytics
Assured by PwC

TSKB

Türkiye Sinai Kalkınma Bankası A.S.

Type of Engagement: Annual Review

Date: April 29, 2022

Engagement Team:

Cristhian Veintimilla, cristhian.veintimilla@sustainalytics.com, (+31) 20 205 02 09

Ayaka Okumura, Ayaka.Okumura@morningstar.com

Introduction

In March 2017 and January 2021, Türkiye Sinai Kalkınma Bankası A.S. (“TSKB”) issued two sustainability bonds aimed at financing projects that provide social and environmental benefits. In April 2022, TSKB engaged Sustainalytics to review the projects funded through the issued sustainability bonds and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the TSKB Sustainable Finance Framework.¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded up to December 31, 2021 with proceeds from the sustainability bonds based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the TSKB Sustainable Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the TSKB Sustainable Finance Framework.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	<ul style="list-style-type: none"> • Renewable Energy Generation • Wind power • Solar • Hydro power • Geothermal power • Bio energy 	<ul style="list-style-type: none"> • Annual electricity generation amount (MWh/year) • Annual production amount (Kwh/year) • Estimated annual CO₂ emissions avoided (in tCO₂ eq./year)
Energy Efficiency	<ul style="list-style-type: none"> • Energy Efficiency Projects • Smart technologies 	<ul style="list-style-type: none"> • Energy Efficiency Projects: • Estimated annual CO₂ emissions reduced/avoided (in tCO₂ eq./year) • Estimated annual energy savings (MWh/year) • Smart Technologies: • Number of smart grid components installed • Estimated annual energy savings (MWh/year)
Clean Transportation	<ul style="list-style-type: none"> • Low carbon public transportation: • Low carbon vehicles • Low carbon transportation infrastructure • Improvement of transport logistics 	<ul style="list-style-type: none"> • Low carbon public transportation and vehicles • Number of vehicles (#) • GHG savings (in tCO₂ eq./year) • Low carbon transportation infrastructure • GHG savings (in tCO₂ eq./year) due to the installed technology

¹ In December 2020, TSKB updated its 2016 Sustainable Bond Framework.

		<p>(direct), by transferring freight or passenger transport from road to e.g. railway (indirect) or both (as applicable)</p> <ul style="list-style-type: none"> Number of unites installed (#)
Green Buildings	<ul style="list-style-type: none"> Loans to (re)finance new or existing public, commercial and residential buildings that meet the following criteria: <ul style="list-style-type: none"> Buildings rated B² or above in terms of energy performance in the local context LEED (min. Gold) BREAAM (min. Very Good) DNGB (min. Gold) ÇEDBİK Green Building certification Loans to refurbished commercial or residential buildings which achieved at least 30% energy improvement 	<ul style="list-style-type: none"> Estimated annual CO₂ emission reduction (in t CO₂eq.) Estimated annual energy savings (MWh) Overview of sustainable labels and certificates for Green Buildings
Pollution Prevention and Control	<ul style="list-style-type: none"> Loans to (re)finance any greenfield, reconstruction, expansion, renovation or refurbishment investments aimed to increase resource efficiency, including but not limited to a reduction in: <ul style="list-style-type: none"> water consumption (m3), non-recoverable waste (tonnes) raw material/auxiliary chemicals (tonnes) 	<ul style="list-style-type: none"> Annual savings of relevant resource amounts (e.g. kWh/year and/or m3 water/year and/or ton raw material/year and/or ton CO₂/year)
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	<ul style="list-style-type: none"> Loans to (re)finance project for specific products improving renewable energy generation, energy efficiency or GHG emission reduction 	<ul style="list-style-type: none"> Production capacity of the produced component (unit/year) Narrative reporting on the project
Access to Essential Services (Healthcare)	<ul style="list-style-type: none"> Loans for activities that support public/free/subsidised health and social care, in Turkey and in emerging countries 	Number of hospitals, nursing homes, rehabilitation centers, patients or beds, and/or population of regions where hospital projects are located per country
Access to Essential Services (Education)	<ul style="list-style-type: none"> Loans for activities that expand the access to free and/or subsidised primary, secondary, adult and vocational education in Turkey and in emerging countries 	Number of public education schools (including kindergarten, primary and/or secondary schools and universities) supported; and/or number of individuals benefiting from these schools per country
Employment generation through SME and MidCap Companies	<ul style="list-style-type: none"> Loans to SMEs and MidCAPs supporting employment comprising of women and/or youth labor force Loans to SMEs and MidCAPs which are evaluated as inclusiveness supporting institutions 	<ul style="list-style-type: none"> Number of loans to SMEs Number of SMEs affected by natural disaster/ health pandemic financed Number of loans to microenterprises

² At this point in time, an official CBI (Climate Bond Initiative) baseline for the top 15% low-carbon residential and commercial buildings has not yet been established in Turkey. Only 10% to 15% of the total Turkish building stock is rated in accordance with the Energy Performance Certificate labels system. It is very likely to assume that buildings with EPC label "B" belong to the top 15% low-carbon buildings in Turkey.

	<ul style="list-style-type: none"> Loans to SMEs and MidCAPs facing natural disaster or health pandemics 	
Sustainable Infrastructure	<ul style="list-style-type: none"> Ports Energy distribution network and renewable energy transmission 	<ul style="list-style-type: none"> Ports: Narrative reporting on social and environmental impact of investment Electricity Distribution Network: Investment per subscriber, investment per population Capacity of renewable energy production connected in the grid (in MW or in %)

Issuing Entity's Responsibility

TSKB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of TSKB's Sustainable Finance Framework Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from TSKB employees and review of documentation to confirm the conformance with the TSKB Sustainable Finance Framework.

Sustainalytics has relied on the information and the facts presented by TSKB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by TSKB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of TSKB's Sustainable Finance, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in TSKB Sustainable Finance Framework. TSKB has disclosed to Sustainalytics that the proceeds of the 2017 sustainability bond was fully allocated as of December, 31st, 2018. TSKB has communicated to Sustainalytics that 80% of the proceeds from the 2021 sustainability bond have been allocated and it intends to fully allocate the remaining balance by December 31, 2022.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 1: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the 52 projects ⁴ funded by the sustainability bonds up to December 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the TSKB Sustainable Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the 52 projects funded by the sustainability bonds up to December 2021 to determine if impact of projects was reported in line with the KPIs outlined in the TSKB Sustainable Finance Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁴ 38 projects received allocations from the 2021 bond and 14 projects received allocations from the 2017 bonds.

Appendices

Appendix 1: Allocation of Proceeds by Eligibility Criteria

2017 Tier 2 Sustainability Bond

	Amount allocated (USD)	Number of Projects
Renewable Energy	29,080,628	5
Energy Efficiency	30,236,152	4
Resource Efficiency	3,603,409	1
Health	50,959,048	1
Electricity Distribution	4,382,755	1
Ports	5,923,611	2
Total	124,185,603	14

2021 Sustainability Bond

	Amount allocated (USD)	Number of Projects
Renewable Energy	164,054,994	24
Energy efficiency	1,634,117	1
Clean transportation	1,126,126	1
Green Buildings	5,238,998	2
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes (Indirect Mitigation)	4,951,405	2
Access to Essential Services (Healthcare)	13,452,949	2
Sustainable Infrastructure	89,610,913	6
Total	280,069,502	38

Appendix 2: Impact Reporting by Eligibility Criteria

2017 Tier 2 Sustainability Bond

Renewable Energy	<ul style="list-style-type: none"> 607,879,930 kWh energy generated 419,809 tonnes CO₂e avoided
Energy Efficiency	<ul style="list-style-type: none"> 26,656,743 kWh energy saved 18,423 tonnes CO₂e avoided
Resource Efficiency	<ul style="list-style-type: none"> Anticipated reduction in raw materials use of 214,2 kg/tonne produced (project not yet operational)
Health	<ul style="list-style-type: none"> Hospital in Isparta opened in March 2017 and has an integrated health campus with a total capacity of 780 beds It served 162 inpatient visits/day and 2,030,729 outpatient visits/year
Electricity Distribution	<ul style="list-style-type: none"> 7,303,576 MWh energy distributed 1,207,452 subscribers served Investment per subscriber on a project level: <ul style="list-style-type: none"> 506 TRY (USD 34)
Ports	<ul style="list-style-type: none"> Two ports funded with combined handling amount of: <ul style="list-style-type: none"> 105,473 Car Equivalent Units (CEU)/The twenty-foot equivalent unit (TEU)-year Roll-on/roll-off ships (Ro-Ro) 544,568 TEU/year container handling 49,881 tons/year general cargo

2021 Sustainability Bond

Renewable Energy	<ul style="list-style-type: none"> 2,023,302,125 kWh energy generated 1,397,805 tonnes CO₂e avoided
Energy efficiency	<ul style="list-style-type: none"> 3,057,000 kWh energy saved 1,715 tonnes CO₂e avoided
Clean transportation	<ul style="list-style-type: none"> 17 Electrical SUV vehicle funded
Green Buildings	<ul style="list-style-type: none"> Project -1 holds LEED Gold certificate Project -2 holds LEED Platinum certificate
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes (Indirect Mitigation)	<ul style="list-style-type: none"> Two projects funded to improve renewable energy generation/energy efficiency Production of pluralised profile from carbon fiber material for wind turbine blades Motor production in efficiency class IE3 and IE4
Access to Essential Services (Healthcare)	<ul style="list-style-type: none"> Hospital in Isparta opened in March 2017 and has an integrated health campus with a total capacity of 780 beds It served 162 inpatient visits/day and 2,030,729 outpatient visits/year
Sustainable Infrastructure	<ul style="list-style-type: none"> 37,536,586 MWh energy distributed 11,290,996 subscribers served Investment per subscriber on a project level: <ul style="list-style-type: none"> Project 1: 128 TRY (USD 8) Project 2: 408 TRY (USD 27) Project 3: 192 TRY (USD 12) Project 4: 227 TRY (USD 15) Project 5: 128 TRY (USD 8) Project 6: 408 TRY (USD 27)

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.





Limited Assurance Report to the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

We have been engaged by the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB” or the “Bank”) to perform an independent limited assurance engagement in respect of the Selected Information for the year ended 31 December 2021, listed below, in the “Türkiye Sınai Kalkınma Bankası A.Ş. - Allocation and Impact Report 2022” (“the 2022 Allocation and Impact Report”) of the Green/Sustainable Bond and Sustainable Tier II Bond (collectively referred as “Sustainability Bonds”) issued by TSKB in March 2017 and January 2021

Selected Information

The scope of the Selected Information for the year ended 31 December 2021, which is subject to our independent limited assurance work, set out in the 2022 Allocation and Impact Report between pages 18 - 20, is summarised below:

- Themes, number of projects, percentage information for Sustainability Bonds in the table of Allocation and Proceeds (*page 17*)
- For Impact of Sustainable Bond Utilisation – Renewable Energy
 - Total Investment Amount (USD)
 - Annual Generation (Electricity) (kWh)
 - Annual GHG Emissions Reduced/Avoided (ton/year)
 - Annual Allocated Amount from Bond/Total Annual GHG Emissions Reduced/Avoided (ton/year)
- For Impact of Sustainable Bond Utilisation – Energy Efficiency
 - Total Investment Amount (USD)
 - Annual Energy Savings (Electricity/Other) (kWh/year)
 - Annual GHG Emissions Reduced/Avoided (ton/year)
 - Annual Allocated Amount from Bond/Total Annual GHG Emissions Reduced/Avoided (ton/year)
- For Impact of Sustainable Bond Utilisation – Resource Efficiency
 - Total Investment Amount (USD)
 - Annual Raw Material Savings (Electricity & Other) (kwh/year)
 - Annual Allocated Amount from Bond/Total Annual GHG Emissions Reduced/Avoided (ton/year)
- For Impact of Sustainable Bond Utilisation – Pure Play
 - Loan Amount Financed with the Proceeds of Bond (USD)
- For Impact of Sustainable Bond Utilisation – Eco Efficient Products
 - Total Investment Amount (USD)
 - Loan Amount Financed with the Proceeds of Bond (USD)



- For Impact of Sustainable Bond Utilisation – Green Buildings
 - Total Investment Amount (USD)
 - Loan Amount Financed with the Proceeds of Bond (USD)
- For Impact of Sustainable Bond Utilisation – Clean Transportation
 - GHG savings (tCO₂/year)
 - Total Investment Amount (USD)
 - Loan Amount Financed with the Proceeds of Bond (USD)
- For Impact of Sustainable Bond Utilisation – Electricity Distribution
 - Total Investment Amount (USD)
 - Total Subscriber
 - Population of Area
 - Total Energy Distribution (MWh)
- For Impact of Sustainable Bond Utilisation – Ports
 - Handling Capacity
- For Impact of Sustainable Bond Utilisation – Health
 - Annual In-Patient Visit Numbers (person.day)
 - Annual Out-Patient Visit Numbers (person)

Our assurance was with respect to the year ended 31 December 2021 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the Allocation and Impact Report 2022 and, therefore, do not express any conclusion thereon.

Criteria

The Reporting Criteria used by TSKB to prepare the Selected Information is set out in Eligibility Criteria, on page 18 and in Calculation Principles on page 16 of the Allocation and Impact Report 2022.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control (ISOQ 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Eligibility Criteria and the Calculation Principals.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in Eligibility Criteria and the Calculation Principals. Our assurance work has not included examination of the derivation of those factors and other third party information.

The Bank's Responsibility

The Bank is responsible for the content of the Allocation and Impact Report 2022 and the preparation and presentation of the Selected Information, as of and for the year ended 31 December 2021 in accordance with the Eligibility Criteria, disclosed on the page 18 and Calculation Principals, disclosed on the page 16. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Eligibility Criteria and the Calculation Principals. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The objective of a limited assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of the conclusion in the negative form on the Selected Information.



A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the Bank's management, including those with responsibility for Sustainability Bonds governance, management and reporting;
- evaluated the design of the key structures, systems, process and controls for managing, recording and reporting Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- performed limited substantive testing on a sample basis of the Selected Information prepared by the Bank to check that the identified assets were in line with the Eligibility Criteria and had been appropriately measured, recorded, collected and reported.
- used the Bank's internal documentation to evaluate and measure the Selected Information
- inspected the impact information using by independent and external sources, where available or the information provided by the project companies; and
- undertook analytical procedures over the reported data.
- considered the disclosure and presentation of the Selected Information in the Allocation and Impact Report 2022.



Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2021, is not properly prepared, in all material respects, in accordance with the Eligibility Criteria and Calculation Principals disclosed on page 18 and page -16,.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Türkiye Sınai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the Allocation and Impact Report 2022 for the year ended 31 December 2021, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. as a body and the Türkiye Sınai Kalkınma Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read 'T. Gül', is written over a circular stamp or seal.

Talar Gül, SMMM
Partner

Istanbul, 28 April 2022

Appendix 1 – Calculation Principles

This document provides information on the data preparation and calculation methodologies of indicators within the scope of the independent assurance in the 2022 Allocation and Impact Reporting of the Türkiye Sınai Kalkınma Bankası (“Bank”). The calculations presented in the report were carried out based on the Company’s internally developed methodology. Information from public sources (e.g. transparency platform of Energy Exchange Istanbul (EXIST), Turkish Statistical Institute), as well as data and reports directly related to the projects have been used in the calculations.

General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Please find below the calculation details and methodology by theme for the projects that are financed under the subject Bonds proceeds.

Renewable Energy

For projects in this type, the amount of annual GHG emissions reduced/avoided is calculated by using the amount of annual generated electricity and Turkey’s GHG grid emission coefficient which is calculated by the Bank’s own methodology which is in line with United Nations Framework Convention on Climate Change (UNFCCC). Turkish grid emission factor used the Bank is 0.696 for solar & wind projects, and 0,561 for other projects.

The assumptions for calculating the reduction for each renewable energy emission reduction ratio were based on using the Turkey sector average of the last three years of the different renewable energy sources. The estimated amount of annual generated electricity is based on further information requested from project companies and transparency platform of Energy Exchange Istanbul (EXIST). In addition, the calculations for Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided were carried out with Loan Amount Financed with the Proceeds of Bond / (Total Investment Amount * Annual GHG Emissions Reduced/Avoided) formula.

Energy Efficiency

For projects in this type, the amount of annual GHG emissions reduced/avoided is calculated by using the amount of annual energy savings and natural gas savings and the Turkey’s grid GHG emission coefficient calculated by the Bank’s own methodology which is in line with United Nations Framework Convention on Climate Change (UNFCCC). Turkish grid emission factor used the Bank is 0,561 for electricity savings and 1.94 kgCO₂/scm for natural gas savings.

The annual improvement in energy efficiency and the amount of CO₂ emissions avoided are evaluated through the reduction of energy use in relation to a replacement solution, which serves as the baseline for the calculations. The estimated amount of annual energy savings is based on the savings calculations carried out in the projects and the further information requested from project companies. In addition, the calculations for Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided were carried out with Loan Amount Financed with the Proceeds of Bond / (Total Investment Amount * Annual GHG Emissions Reduced/Avoided) formula.

Resource Efficiency

The amount of annual raw material savings (Electricity/Other) are evaluated through the reduction of energy or raw material use in relation to a replacement solution, which serves as the baseline for the calculations. The estimated amount of annual raw material savings is based on the savings calculations carried out in the projects and the further

information requested from project companies. These calculations are made per ton, then the raw material savings made over all produced product during the year. In addition, the calculations for Annual Allocated Amount from Bond / Total Annual Electricity/Other Saved were carried out with Loan Amount Financed with the Proceeds of Bond / (Total Investment Amount * Annual Raw Material Savings) formula.

Clean Transportation

For electric vehicles, the greenhouse gas emission reduction was calculated by comparing the new electric vehicles with the existed fossil fuel vehicles. The replaced vehicles were the same brand, type, and model with the previous vehicles. It was assumed that the electric vehicles were utilizing energy from renewable sources. In this case, total emission reduction rate is calculated by “total number of vehicles x average emission rates (grCO₂e/km) per vehicle x annual km rates (km/year.vehicle) / 1.000.000 (gr/ton)”.

Electricity Distribution Projects

The number of total subscribers, population of area and total energy distribution are based on further information requested from project companies, the Bank’s follow-up reports, transparency platform of Energy Exchange Istanbul (EXIST) and Turkish Statistical Institute statistics on provinces where electricity distribution is provided by the project companies. In addition, the calculations for Investment/person were carried out with Total Investment Amount / Population of Area formula; and for Investment/subscriber information Total Investment Amount / Total Subscriber formula is used.

Ports

The amount of total handling capacity and handling amount of ports are based on further information requested from project companies, the Bank’s follow-up reports and consultant reports.

Health

The number of annual in-patient visit and number of annual out-patient visit of hospitals are based on further information requested from project companies, sources of Ministry of Health and consultant reports. While the number of annual in-patient visit shows the number of incoming patients to the hospital on a daily basis, number of annual out-patient visit shows the number of patients who are treated and discharged from hospital on a daily basis and not hospitalized.

TSKB SUSTAINABLE BOND ISSUES & SUSTAINABLE TIER II

Issued the first Green/Sustainable Bond out of Turkey and CEEMEA region in May 2016, TSKB subsequently realized the globally first Sustainable Tier II Bond issuance in March 2017. Both of the bonds have been redeemed in consequent years. TSKB has updated the Sustainability Finance Framework to align with global developments and issued its third Sustainable Bond by early 2021. TSKB committed to extend loans in accordance with the Eligibility Criteria as described in the new Sustainability Bond Framework. This is the 6th Allocation & Impact Report following 2017, 2018, 2019, 2020 and 2021. In addition to Sustainalytics review, PwC assurance was obtained as well.

Direct and Indirect Climate Change Mitigation

While Turkey has been heavily investing in climate mitigation investments since 2004, especially after the Paris Agreement, the world has put its concentration mainly in renewable energy and energy and resource efficiency, as the primary methods in tackling climate change. In transition to a low-carbon economy, for companies to be energy and resource efficient and intent to develop renewable energies will be of vital importance.

- Renewable Energy
- Energy Efficiency
- Clean Transportation



- Green Buildings
- Pollution Prevention and Control



- Eco-Efficient and/or Circular Economy Adapted Products
- Alternative Maritime Power

Sustainable and Social Infrastructure

To serve to aim of promoting sustainable growth and sustainable infrastructure improvements in Turkey; TSKB included the health sector, ports and electricity distribution network investments into the scope.

Sustainable Infrastructure



Social Infrastructure (Health and Education)



All selected projects are previously assessed by TSKB's own Environmental and Social Risk Evaluation Tool (ERET), which aligns with the IFC Performance Standards, in order to identify and rate risks associated with clients and projects. All selected projects are subject to ongoing monitoring and supervision in terms of environmental and social impacts.

Environmental rating methodology for ERET Model is continuously reviewed by TSKB teams, and the weights of high risk issues in the calculation process are increased in line with changing requirements, thus paving the way to mitigate the risky situations if any the risky issues.

ALLOCATION & IMPACT REPORTING

Review by Sustainalytics

Sustainalytics reviewed the projects funded through proceeds obtained from Sustainable Bond issuance in 2021 and Sustainable Tier-II Bond in 2017 and provided an assessment as to whether the projects as of 2021 year end met the Use of Proceeds criteria and the Reporting Commitments outlined in the Sustainability Bond Framework provided by Sustainalytics. As per the Conclusion of the Annual Review issued by Sustainalytics nothing has come to Sustainalytics' attention that causes Sustainalytics to believe that, in all material respects, the reviewed bond projects, funded through proceeds of TSKB's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the TSKB Sustainability Bond Framework.

Assurance by PwC

TSKB's sustainable bonds have also been verified by PwC. PwC has concluded that nothing has come to their attention indicating that the selected information for the year ended 31 December 2021 are not prepared in all material respects in accordance with the Company's Eligibility Criteria as explained in the Report.

Management of Proceeds

TSKB fully disbursed the proceeds of Sustainable Basel III Compliant Tier-II Bond and has disbursed an amount of USD 280,069,502 of the Sustainable Bond 2021.

Moreover, TSKB will continue to finance new eligible projects for the redemption amounts out of the subject portfolio, on a best effort basis.

TSKB had a selection of existing projects to support the bond sizes and has aimed to re-finance the outstanding project flow with the use of proceeds of the Bonds.

As a result of the assesment of the subject project in accordance with ERET model, no individual action was required. Until the full utilisation has got completed, the proceeds were held under a designated account, which is tagged within the accounting system for efficient monitoring of the related projects. TSKB has permitted transfers from this account to eligible projects only.

In some cases, the related component of a project supported by the Bonds could be a part of a larger investment. In such cases, the portfolio only finances the eligible portion of these investments.

The monitoring of the projects comprises regular reports by the Bank on project activities and performance throughout the lifetime of investment.

Allocation of the Proceeds (as of 31.12.2021)

Eligible Loan Portfolio

CATEGORY	# of LOANS	AMOUNT (USD)
Renewable Energy	25	132.840.088
HPP	2	11.751.215
SPP	6	25.080.976
WPP	10	62.734.022
Biomass	7	33.273.875
Energy Efficiency	5	31.870.269
Resource Efficiency	1	3.603.409
Eco Efficient Products	2	4.951.405
Green Buildings	2	5.238.998
Clean Transportation	1	955.882
Health	3	64.411.997
Sustainable Infrastructure	7	93.993.668
Ports	2	5.923.611
Pure Play	4	60.295.534

Funding

INSTRUMENT (ISIN)	DUE DATE	PRINCIPAL
XS2281369301	14.01.2026	USD 350,000,000
XS1584113184	31.03.2022	USD 300,000,000

ALLOCATION & IMPACT REPORTING

Impacts Measured

TSKB Impact Report is in line with the ICMA Green Bond principles¹ reference framework for reporting . The Impact Report includes the list of projects that are financed under the subject Bonds proceeds, brief Project descriptions, the amounts committed and related environmental and/or social impacts. In the calculation of GHG emission reductions/avoidance, TSKB's internally and annually calculated Turkey's Green House Gas (GHG) Emission Factor (from Turkey's Electrical Energy Production) value is utilized. TSKB's emission factor calculation methodology is in line with United Nations Framework Convention on Climate Change (UNFCCC) tool to calculate the emission factor for an electricity system. In the computations, Turkey's announced latest electricity statistics are used.

Impact of the Sustainable Bond

Eligible Category	# of Loans	Amount (USD)	Annual Generation FY 2021 (Electricity) (kWh)	Annual GHG Emissions Reduced/Avoided FY 2021** (ton/year)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2021 (ton/year)	
Renewable Energy	25	132.840.088	2.631.182.055	1.817.613	129.361	
			Annual Energy Savings FY 2021 (Electricity/Other) (kWh/year)	Annual GHG Emissions Reduced/Avoided FY 2021** (ton/year)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2021 (ton/year)	
Energy Efficiency	5	31.870.269	29.713.743	20.138	4.739	
			Annual Raw Material Savings (Electricity/Other) (kWh/year)			
Resource Efficiency	1	3.603.409	"214,2 kg/ton specific reduction (7.497 tons/year raw material & auxiliary chemicals)"			
			Improved renewable energy generation, energy efficiency or GHG emission reduction			
Eco Efficient Products	1	4.951.405	"Production of pultralized profile from carbon fiber material for wind turbine blades With this investment, company will produce carbon fiber instead of fiberglass which is used in wind turbine blade manufacturing process as raw material. Carbon fiber provides better performance in wind industry. It allows companies to put longer and lighter blades on turbines and capture more wind to generate more electricity. This drives down the cost of electricity for consumers." "Motor production in efficiency class IE3 and IE4 Company used to produce IE1 and IE2 efficiency level motors. They started to produce motors in IE3 and IE4 efficiency class. These motors are more efficient than the IE1 and IE2 class motors."			
Green Buildings	2	5.238.998	Projects holding a valid gold leed and platinum leed certificate			
			GHG savings (tCO2/year)			
Clean Transportation	1	955.882	81,6			
			Annual In-Patient Visit Numbers FY 2021 (person.day)	Annual Out-Patient Visit Numbers FY 2021 (person)		
Health	3	64.411.997	141	1.821.718		
			2021 Total Subscriber	2021 Total Energy Distribution (MWh)	2021 Investment/person	2021 Investment/subscriber
Sustainable Infrastructure	7	93.993.668	12.498.448	44.840.162	1.228	1.998
			2021 Handling Capacity	2021 Handling Amount		
Ports	2	5.923.611	"120.000 CEU/TEU-year Ro-Ro 750.000 TEU/year container 500.000 ton/year general cargo "	"105.473 CEU/TEU-year Ro-Ro 544.568 TEU/year container 49.881 tons/year general cargo "		
Pure Play	4	60.295.534				

** Turkish grid emission factor was 0.696 for wind and solar power plants and 0.561 for other renewable power plants for year 2020 actualizations, 2021 grid emission is still at evaluation phase and final outcome will be declared end of September 2022. Until 2021 grid emission become clearer, we considered 2020 emission factor at the calculations.

¹ <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/>