



ALLOCATION & IMPACT REPORTING 2023

Reviewed by Sustainalytics
Assured by PwC

TSKB

Türkiye Sınai Kalkınma Bankası

Type of Engagement: Annual Review

Date: 13 April 2023

Engagement Team:

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Introduction

In January 2021, Türkiye Sınai Kalkınma Bankası (“TSKB” or the “Issuer”) issued a sustainability bond (the “2021 Sustainability Bond”) to finance projects intended to provide social and environmental benefits.¹ In April 2023, TSKB engaged Sustainalytics to review the projects financed with proceeds from the 2021 Sustainability Bond and 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 (the “Framework”).² Sustainalytics provided a second-party opinion on the Framework in December 2020.³ This is Sustainalytics’ second annual review of the allocation and reporting of the 2021 Sustainability Bond issued under the Framework, following a previous review in April 2022.⁴

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 Sustainability Bond based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported, in aggregate, by use of proceeds category outlined in the Framework, on at least one key performance indicator (KPI).

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	<p>Renewable Energy Generation: Loans aiming at (re)financing the equipment, development, manufacturing, construction, operation and maintenance of renewable energy generation sources from:</p> <ul style="list-style-type: none"> • Wind power: Onshore • Solar power: Photovoltaics, concentrated solar power and solar thermal facilities • Hydro power: Small hydro-power facilities (<25 MW) • Bio energy: Facilities producing biofuel and 	<ul style="list-style-type: none"> • Annual renewable energy installed capacity (MW/year) • Annual electricity generation amount (MWh/year) • Estimated annual CO₂ emissions avoided (in tCO₂e/year)

¹ TSKB, “TSKB issued its third and this year’s first Sustainable Eurobond out of Türkiye”, at: <https://www.tskb.com.tr/en/about-us/about-us/news/tskb-issued-its-third-and-this-years-first-sustainable-eurobond-out-of-turkiye#:~:text=TSKB%20continues%20this%20journey%20with,Nikko%20and%20Standard%20Chartered%20Bank.>

² In December 2020, TSKB updated its 2016 Sustainable Bond Framework, at: <https://www.tskb.com.tr/uploads/file/tskb-sustainable-finance-framework.pdf>

³ TSKB, “Second-Party Opinion, TSKB Sustainable Finance Framework”, (2020), at: <https://www.tskb.com.tr/uploads/file/tskb-sustainable-finance-framework-second-party-opinion-2020.pdf>

⁴ TSKB, “Allocation & impact reporting 2022”, at: <https://www.tskb.com.tr/uploads/file/impact-report-2022.pdf>

	<p>biomass and facilities for electricity generation, heating or both (CHP) from waste/residues that do not compete with food sources (limited to projects with emissions less than that of the Turkish Grid emission Factor)</p>	
Energy Efficiency	<p>Energy Efficiency Projects: Loans aiming at (re)financing any reconstruction, expansion, renovation or refurbishment measure implemented at a business entity aimed at:</p> <ul style="list-style-type: none"> • Reducing energy consumption by at least 15% measured for the specific investments which are financed or; • Reducing CO₂ emissions by at least 15% measured for the specific investments which are financed or; • Achieving at least 50% of the incremental benefits⁵ from the investment project come from cost reduction in energy consumption provided that minimum 500 tonnes of CO₂ reduction per annum is achieved <p>Smart technologies: Smart grids, storage facilities, metering systems and other intelligent electricity systems managing the intermittency of renewable energy production</p>	<ul style="list-style-type: none"> • Energy Efficiency Projects: <ul style="list-style-type: none"> ○ Estimated annual CO₂ emissions reduced/avoided (in tCO₂e/year) ○ Estimated annual energy savings (MWh/year) • Smart Technologies: <ul style="list-style-type: none"> ○ Number of smart grid components installed ○ Estimated annual energy savings (MWh/year)
Clean Transportation	<p>Loans aiming at financing or refinancing of production, establishment, expansion, upgrades, maintenance and operation of low carbon vehicles and related infrastructure:</p> <ul style="list-style-type: none"> • Low carbon public transportation: Electric or other low carbon (hybrid with direct emissions below 50 gCO₂e/pkm, biogas or hydrogen) public transportation such 	<ul style="list-style-type: none"> • Low carbon public transportation and vehicles <ul style="list-style-type: none"> ○ Number of vehicles ○ GHG savings (in tCO₂e/year) • Low carbon transportation infrastructure <ul style="list-style-type: none"> ○ GHG savings (in tCO₂e/year) due to the installed

⁵ TSKB defines incremental benefit as all benefits gained with the investment project such as raw material savings, labor cost savings, maintenance cost savings, increase in revenues, etc.

	<p>as busses, trains, trams, ferries, subways</p> <ul style="list-style-type: none"> • Low carbon vehicles: Electric, plug-in hybrid electric with direct emissions below 50 gCO₂e/pkm for passenger vehicles and below 25 gCO₂/tkm for freight vehicles or hydrogen passenger, light commercial and freight vehicles such as cars, vans, trucks, vessels • Low carbon transportation infrastructure: Electrified infrastructure: infrastructure related to electric transportation of passengers and freight such as electrified railways and charging stations for electric vehicles • Improvement of transport logistics: promoting urban mass transit, non-motorized transport (e.g. pedestrian mobility) improvement of the general transport logistics to increase energy efficiency of infrastructure and transport 	<p>technology (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 units installed
<p>Green Buildings</p>	<ul style="list-style-type: none"> • Loans to (re)finance new or existing public, commercial and residential buildings that meet the following criteria: • Buildings rated B or above in terms of energy performance in the local context, as determined via Energy Performance Certificate (BEP-TR) issued in accordance with Turkish regulation and / or via the Turkish Building Code • Buildings with the following level of environmental certifications: <ul style="list-style-type: none"> ○ LEED (min. Gold) 	<ul style="list-style-type: none"> • Estimated annual CO₂ emission reduction (in tCO₂e) • Estimated annual energy savings (MWh) • Overview of sustainable labels and certificates for Green Buildings

	<ul style="list-style-type: none"> ○ BREAAAM (min. Very Good) ○ DNGB (min. Gold) ○ ÇEDBIK Green Building certification <p>Loans to refurbished commercial or residential buildings which achieved at least 30% energy improvement</p>	
Pollution Prevention & 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
Alternative Maritime Power	<ul style="list-style-type: none"> • Loans to outlets, industrial stations/substations and electrical distribution and control systems for maritime vehicles and ports. 	<ul style="list-style-type: none"> • Low carbon maritime infrastructure • GHG savings (in tCO₂e/year) due to the installed technology (direct), by transferring freight or passenger transport from conventional to electric maritime transportation • Number of units installed
Access to Essential Services	<ul style="list-style-type: none"> • Loans for activities that support public/free/subsidised health and social care, in Turkey (e.g construction 	<ul style="list-style-type: none"> • Number of hospitals, nursing homes, rehabilitation centers, patients or beds, and/or

	and equipment hospitals, clinics and healthcare centres for the provision of public/free/subsidised healthcare services, acquisition of medical equipment or provision of diagnostic services, emergency medical response and disease control, programmes for the promotion of health and well-being). Eligible projects will service all citizens, including vulnerable population groups such as the elderly, physically or mentally dependent persons and populations with limited access to essential services in Turkey and emerging countries	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 (e.g. construction of kindergartens, schools, university campus buildings and/or facilities at any public and non-profit university campus, student housing). Eligible projects will include all populations, including minority groups (e.g. educational grants, educational and/or professional training) 	<ul style="list-style-type: none"> Number of hospitals, nursing homes, rehabilitation centers, patients or beds, and/or population of regions where hospital projects are located per country
Employment Generation including through the potential effect of SME financing and microfinance	<ul style="list-style-type: none"> Loans to SMEs⁶ supporting employment of women and/or youth labor force⁷ Loans to SMEs facing natural disaster (earthquakes, floods, etc.) or health pandemics⁸ (COVID-19 outbreak , etc.) 	<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
Sustainable Infrastructure	<ul style="list-style-type: none"> Energy distribution network and renewable 	<ul style="list-style-type: none"> Ports: Narrative reporting on social

⁶ TSKB defines SMEs as companies with a number of employees below 250 and turnover or total assets equal to or below TL 125 million.

⁷ To be reported as additional or maintenance of respective labour force, which will be measured by a specific toolkit.

⁸ TSKB will make sure to select only loans to SMEs directly linked to a specific event (natural disaster or pandemic), identifying loans granted after the specific event.

	<p>energy transmission: Projects should aim at retrofitting transmission lines or substations to reduce energy use and technical losses and to avoid electricity cuts. Projects can also aim at improving existing systems to facilitate the integration of renewable energy sources into the grid or Scada System to improve effectiveness. If possible, projects selection can also incorporate geographical aspects and favour projects in areas where electricity losses are high and a large number of customers/households would benefit from modernization. If new transmission systems are installed, these should facilitate the integration of renewable energy sources into the grid or extensions to serve the additional population growth due to urbanization. TSKB will only select the portion of the loan that is aimed at integrating renewables in the Turkish electricity system, via a pro-rata approach based on the % of renewables installed capacity in the Turkish electricity grid.</p> <ul style="list-style-type: none"> • Public transport: Non-electric and non-hybrid means of public transport (passenger trains, busses, etc.) aimed at the public transport to ensure a modal shift from roads 	<p>and environmental impact of investment</p> <ul style="list-style-type: none"> • Electricity Distribution Network: Investment per subscriber, investment per population and Capacity of renewable energy production connected in the grid (in MW or in %) • Public Transport: Number of beneficiaries
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Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2021 Sustainability Bond. The work undertaken as part of this engagement included collection of documentation from TSKB and review of said documentation to assess conformance with the TSKB Sustainable Finance Framework.

Sustainalytics relied on the information and the facts presented by TSKB. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁹ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. TSKB has disclosed to Sustainalytics that the proceeds from the 2021 Sustainability Bond were fully allocated by 31 December 2022.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 Sustainability Bond to determine if projects aligned with the use of proceeds criteria outlined in the 2020 TSKB Sustainable Finance Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 sustainability to determine if impact of projects was reported in line with the KPIs outlined in the 2020 TSKB Sustainable Finance Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Reported Allocation

Use of Proceeds	Use of Proceeds Category	No. of Projects	Net Proceeds Allocation (USD)
Green	Renewable Energy	15	120,861,299
	Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	2	28,545,069
	Green Buildings	2	5,238,998
	Clean Transportation	1	1,126,126
	Pure Play	4	75,427,693
	Total allocation to green categories	24	231,199,185
Social	Sustainable Infrastructure (Electricity Distribution)	6	60,781,371
	Access to Essential Services (Healthcare)	1	57,000,000
	Total allocation to social categories	7	117,781,371

Appendix 2: Reported Impact

Use of Proceeds Category	Impact Metric	Reported Impact
Renewable Energy	Installed Capacity (MW)	1,694.43
	Annual Electricity Generation (kWh)	2,551,655,828
	Total Annual GHG Emissions Reduced/Avoided FY 2022 (tonnes/year)	1,723,823
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	<ul style="list-style-type: none"> Two projects funded to improve renewable energy generation and energy efficiency Production of pluralised profile from carbon fiber material for wind turbine blades Motor production in efficiency class IE3 and IE4 	
Green Buildings	Overview of sustainable labels and certificates for Green Buildings	Project -1 holds LEED Gold certificate Project -2 holds LEED Platinum certificate
Clean Transportation	No. of vehicles	17 electric SUVs
	GHG savings (tCO ₂ /year)	81.6
Access to Essential Services (Healthcare)	Annual In-Patient Visitors FY 2022	130
	Annual Out-Patient Visitors FY 2022	1,932,616
Sustainable Infrastructure (Electricity Distribution)	Total Subscribers FY 2022	11,846,848
	Total Energy Distribution (MWh)	34,341,650

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**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 a limited assurance engagement in respect of the Selected Sustainability Information (the “Selected Information”) for the year ended 31 December 2022, listed below, stated in the TSKB Allocation and Impact Reporting 2023 (“Allocation and Impact Reporting 2023”) of the Sustainable Bond issued by TSKB in January 2021.

Selected Information

The scope of the Selected Information for the year ended 31 December 2022, which is subject to our limited assurance work, set out in the Allocation and Impact Reporting 2023 between pages 19 -20, is summarised below:

- Themes, number of projects, amounts of loans and information for Sustainability Bonds in the table of Allocation and Proceeds (*page 19*)
- 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)
 - Loan Amount Financed with the Proceeds of Bond (USD)
- For Impact of Sustainable Bond Utilisation – Pure Play
 - Total Investment Amount (USD)
 - 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
 - Total Investment Amount (USD)
 - GHG savings (tCO₂/year)
 - 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 – 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 2022 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the Allocation and Impact Reporting 2023 and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by TSKB to prepare the Selected Information is set out in Eligibility Criteria on page 19 and in Reporting Principles on pages 15-17 of the Allocation and Impact Reporting 2023.

The Bank's Responsibility

The Bank is responsible for the content of the Allocation and Impact Reporting 2023 and the preparation of the Selected Information in accordance with the Eligibility Criteria on page 19 and in Reporting Principles on pages 15-17. 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.

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 Reporting Principles.

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 Reporting Principles. Our assurance work has not included examination of the derivation of those factors and other third party information.



Our Independence and Quality Management

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 Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 Reporting Principles. 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*, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised) 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 persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the 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 selective basis of the preparation and collation of the Selected Information prepared by the Bank and
- undertook analytical procedures over the reported data.



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 2022, is not properly prepared, in all material respects, in accordance with the Eligibility Criteria and Reporting Principles disclosed on page 19 and pages 15-17, respectively.

Restriction of use

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 Reporting 2023 for the year ended 31 December 2022, 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 light blue circular stamp.

Talar Gül, SMMM
Partner

Istanbul, 14 April 2023

Appendix 1 – Türkiye Sınai Kalkınma Bankası A.S. Allocation and Impact Reporting 2023 – Reporting Principles

This reporting principles provides information on the data preparation and reporting methodologies of indicators within the scope of the limited assurance of Türkiye Sınai Kalkınma Bankası A.S. ("TSKB" or the "Bank") included in the Türkiye Sınai Kalkınma Bankası A.S. Allocation and Impact Reporting 2023.

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.

The data included in this guideline is for the period between 1 January 2022 and 31 December 2022.

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.

Scope of Reporting

For the period ended 31 December 2022, the data of the Bank is related to Green and Social Loans as identified in the TSKB Sustainable Finance Framework.

Green Loans

- 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)
 - Loan Amount Financed with the Proceeds of Bond (USD)
- Pure Play
 - Total Investment Amount (USD)
 - Loan Amount Financed with the Proceeds of Bond (USD)
- Eco Efficient Products
 - Total Investment Amount (USD)
 - Loan Amount Financed with the Proceeds of Bond (USD)
- Green Buildings
 - Total Investment Amount (USD)
 - Loan Amount Financed with the Proceeds of Bond (USD)

- Clean Transportation
 - Total Investment Amount (USD)
 - GHG savings (tCO₂/year)
 - Loan Amount Financed with the Proceeds of Bond (USD)

Social Loans

- Electricity Distribution
 - Total Investment Amount (USD)
 - Total Subscriber
 - Population of Area
 - Total Energy Distribution (MWh)
- Health
 - Annual In-Patient Visit Numbers (person.day)
 - Annual Out-Patient Visit Numbers (person)

Data Preparation

Total Investment Amount (USD)

Total amount of loans disbursed to defined project for financing new and/or existing Green and Social Projects as defined under TSKB Sustainable Finance Framework.

Loan Amount Financed with the Proceeds of Bond (USD)

It refers to the total amount of loans financed by sustainable bond issued by Bank for financing new and/or existing Green and Social Projects as defined under TSKB Sustainable Finance Framework.

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 0.681 for solar & wind projects, and 0,540 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.

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

Total investment amount, 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.

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.

Restatements

The measuring and reporting of data inevitably involve a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.

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 7th Allocation & Impact Report following 2017, 2018, 2019, 2020, 2021 and 2023. 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.

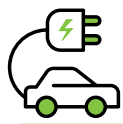
- Renewable Energy
- Energy Efficiency
- Clean Transportation



- 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 provided an assessment as to whether the projects as of 2022 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 2022 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 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 31.12.2022)

Eligible Loan Portfolio

CATEGORY	# of LOANS	AMOUNT (USD)
Renewable Energy	15	120.861.299
HPP	2	25.750.379
SPP	3	48.724.122
WPP	4	10.358.410
Biomass	6	36.028.388
Eco Efficient Products	2	28.545.069
Green Buildings	2	5.238.998
Clean Transportation	1	1.126.126
Health	1	57.000.000
Sustainable Infrastructure	6	60.781.371
Pure Play	4	75.427.693

Funding

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

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	# of Loans	Amount (USD)	Annual Generation FY 2022 (Electricity) (kWh)	Annual GHG Emissions Reduced/Avoided FY 2022** (ton/year)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2022 (ton/year)
Renewable Energy	15	120.861.299	2.551.655.828	1.723.823	99.200
Improved renewable energy generation, energy efficiency or GHG emission reduction					
Eco Efficient Products	2	28.545.069	<p>"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."</p>		
Green Buildings	2	5.238.998	Projects holding a valid gold leed and platinum leed certificate		
GHG savings (tCO2/year)					
Clean Transportation	1	1.126.126	81,6		
			Annual In-Patient Visit Numbers FY 2022 (person.day)	Annual Out-Patient Visit Numbers FY 2022 (person)	
Health	1	57.000.000	130	1.932.616	
			2022 Total Subscriber	2022 Total Energy Distribution (MWh)	2022 Investment/ person
Sustainable Infrastructure	6	60.781.371	11.846.848	34.341.650	2.049
Pure Play	4	75.427.693			2022 Investment/ subscriber
					3.061

** Turkish grid emission factor was 0.681 for wind and solar power plants and 0.540 for other renewable power plants for year 2021 actualizations, 2022 grid emission is still at evaluation phase and final outcome will be declared end of December 2023. Until 2022 grid emission become clearer, we considered 2021 emission factor at the calculations.

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