

ALLOCATION & IMPACT REPORTING 2021

Reviewed by Sustainalytics
Assured by PwC

TSKB

Turkiye Sinai Kalkinma Bankasi A.S.

Type of Engagement: Annual Review

Date: May 3, 2021

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Introduction

In May 2016 and March 2017, Turkiye Sinai Kalkinma Bankasi A.S. (TSKB) issued two sustainability bonds aimed at financing (i) Direct and Indirect Climate Change Mitigation projects, (ii) Climate Change Adaptation projects and (iii) Sustainable Infrastructure projects. In May 2021, TSKB engaged Sustainalytics to review the projects funded through the issued sustainability bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the TSKB Sustainability Bond Framework.¹

Evaluation Criteria

Sustainalytics evaluated the allocation and impact of the projects and assets funded up to December 31st 2020, 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 lists the Use of Proceeds, Eligibility Criteria, and the associated KPIs.

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

TSKB Category	Use of Proceeds Category	Eligibility Criteria	Key performance indicators (KPIs)
Direct and Indirect Climate Change Mitigation	Energy Efficiency	<ul style="list-style-type: none"> Any reconstruction, expansion, renovation or refurbishment measure implemented within the premises of a business entity or relocation of any production facility and aimed at investing into fixed assets that are designed to decrease energy consumption for every unit of service output of the business entity or using renewable or waste energy. Projects will have the primary objective of improving the efficiency of energy use (or reducing specific energy consumption) of the system directly affected by the project and meet at least one of the following criteria: (i) at least fifteen per cent (15%) reduction in energy consumption 	Annual CO2 emission reduction/avoidance (ton/year)

¹ TSKB Sustainability Bond, Framework Overview and Second-Party Opinion, May 2016: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/tskb-sustainability-bond-second-party-opinion-02052016.pdf?sfvrsn=dbdb70f5_3

		<p>measured for the specific investments which are financed; or</p> <p>(ii) at least fifteen per cent (15%) reduction of CO²-emissions measured for the specific investments which are financed; or</p> <p>(iii) show at least 50% of the incremental benefits (by incremental benefit, it is meant all benefits gained with the investment project such as raw material savings, labor cost savings, maintenance cost savings, increase in revenues etc.) from the investment project come from cost reduction in energy consumption provided that minimum five hundred (500) tons of CO² reduction per annum is achieved. Investments in Green Buildings (minimum certification levels of BREEAM Good, LEED SILVER and DGNB SILVER).</p>	
	Resource Efficiency	<ul style="list-style-type: none"> • 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) 	Annual savings of relevant resource amounts (e.g. kWh/year and/or m ³ water/year and/or ton raw material/year and/or ton CO ₂ /year)
	Wind Power Plants (onshore only)	<ul style="list-style-type: none"> • The development, construction and operation of wind farms • Operational production or manufacturing facilities wholly dedicated to wind energy development Wholly dedicated transmission infrastructure for wind farms 	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO ₂ emission reduction (ton/year)
	Solar Power (Photovoltaic)	<ul style="list-style-type: none"> • Solar electricity generation facilities • Wholly dedicated transmission infrastructure for solar electricity generation facilities 	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO ₂ emission reduction (ton/year)
	Hydro Power Plants	<ul style="list-style-type: none"> • The development, construction and operation of hydro power plants • Operational production or manufacturing facilities wholly dedicated to hydro energy development Wholly dedicated transmission infrastructure for hydro power plant 	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual CO ₂ emission reduction (ton/year)
	Biomass, waste to energy, biogas	<ul style="list-style-type: none"> • Technologies and projects for the conversion of organic matter to energy 	Annual Electricity Generation amount (MWH), Annual Production amount (Kwh/year), Annual

			CO2 emission reduction (ton/year)
	Clean Transport projects	<ul style="list-style-type: none"> Promotion of lower-carbon fuels Electric or hydrogen technologies in existing vehicles, rail or boat fleets 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. A shift of freight and/or passenger transport from road to rail or waterways 	Freight transported, what the transport route will be used for, GHG emission of rail route/ water route in comparison to road transport
	Indirect mitigation: Manufacture and sale of finished products, when in use result in renewable energy generation, energy efficiency or GHG emission reductions	<ul style="list-style-type: none"> Specific project loans going to specific products improving renewable energy generation, energy efficiency or GHG emission reduction. 	Production capacity of the produced component (unit/year); narrative reporting on the project
Climate Change Adaptation	Climate Change Adaptation Projects	<p>Adaptation-related projects need to demonstrate that they potentially contribute to reducing vulnerability to climate change identified in the project area. Projects should include:</p> <ul style="list-style-type: none"> Description of the context of climate vulnerability of the project based on an investigation of the vulnerabilities of the project's geographical area to climate change. Analysis of the project's planned activities to decipher a positive list of actions that contribute to reducing vulnerability, or increase the resilience of communities, goods or ecosystems to climate change. Provision of a clear link between the climate vulnerability context and the specific project activities. Evidence that the project does not have negative impacts in terms of climate change mitigation (e.g. enhancing carbon intensive infrastructures). 	

Sustainable Infrastructure	Social Infrastructure (Health and Education)	Projects should improve access to public services for the wider population and promote inclusiveness. High standards in technology, health and safety as well as management processes should be provided in the project selection. Project location criteria can potentially promote inclusiveness and the avoidance of environmental risks. A formal Environmental and Social Impact Assessment should be carried out for each project.	Narrative reporting on the project
	Electricity Distribution Networks	Projects should aim at retro-fitting transmission lines or substations to reduce energy use and/or 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 favor 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.	Investment per subscriber, investment per population
	Ports	The building or modernization of ports should promote the modal shift of freight and/or passenger transport from road to waterways and ensure the resilience of ports to climate change risks. Eligible investments could include port integration, renovation and capacity increases and infrastructure and superstructure investments into existing ports.	Narrative reporting on social and environmental impact of investment

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 Sustainability Bond 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,² 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 Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the TSKB Sustainable Finance Framework. TSKB has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of December 31, 2018.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the 31 projects funded by the sustainability bond in 2020 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 31 projects funded by the sustainability bonds in 2020 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

² 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.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria³

	2016 Issuance		2017 Issuance	
	Amount allocated (USD)	Number of Projects	Amount allocated (USD)	Number of Projects
Renewable Energy	64,738,986	3	114,972,615	5
Energy Efficiency	5,500,000	1	54,596,909	5
Resource Efficiency	0	0	5,697,000	1
Health	73,374,170	1	69,501,985	1
Electricity Distribution	64,695,787	4	4,821,031	1
Ports	50,866,578	3	11,077,750	2
Total Allocated	259,175,521	12	260,667,290	15
Total Unallocated	0		0	

³ As of December 31, 2020

Appendix 2: Impact Reporting in FY 2020 by Eligibility Criteria

Use of Proceeds Category	2016 Issuance	2017 Issuance
Renewable Energy	<ul style="list-style-type: none"> 642,838,690 kWh energy generated 360,891 tons CO₂e avoided⁴ 	<ul style="list-style-type: none"> 600,310,412 kWh energy generated 393,090 tons CO₂e avoided
Energy Efficiency	<ul style="list-style-type: none"> 3,057,000 kWh energy saved 1,715 tons CO₂e avoided 	<ul style="list-style-type: none"> 28,056,743 kWh energy saved 19,209 tonnes CO₂e avoided
Resource Efficiency	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> 214,2 kg/ton reduction in annual raw materials used
Health	<ul style="list-style-type: none"> Hospital funded in Ankara (project not yet operational) The facility is expected to be visited by approximately 100,000 people daily 	<ul style="list-style-type: none"> Hospital in Isparta opened in March 2017 and has an integrated health campus with a total capacity of 830 beds It served 37,692 inpatient visits annually and 1,268,719 outpatient visits annually
Electricity Distribution	<ul style="list-style-type: none"> 21,431,131 MWh energy distributed 6,760,193 subscribers served Investment per person on a project level:⁵ <ul style="list-style-type: none"> Project 1: 131 TL Project 2: 165 TL Project 3: 139 TL Project 4: 122 TL 	<ul style="list-style-type: none"> 6,765,455 MWh energy distributed 1,159,000 subscribers served Investment per person on a project level: <ul style="list-style-type: none"> Project 1: 176 TL
Ports	<ul style="list-style-type: none"> Three ports funded: <ul style="list-style-type: none"> Project 1: 8883,593 tons/year general cargo handling amount. The existing inactive port was modernized and refurbished to accommodate general cargo, Ro-Ro and container. Project 2: 762,000 tons/year general cargo handling amount. The additional container handling capacity and general increase in productivity has increased port efficiency. Project 3: 1,458,000 tons/year general cargo handling amount. The integration and modernization of container handling will boost the efficiency of port operations. 	<ul style="list-style-type: none"> Two ports funded: <ul style="list-style-type: none"> Project 1: 76,914 CUE/TEU-year-Ro-Ro (twenty-foot equivalent unit roll-on roll-off). This port facilitates the shift from land transport to sea transport, reducing traffic, fuel use and carbon emissions by proposing new shorter paths. Project 2: 82,718 tons/year general cargo handling amount. This project helps serves ships with higher deadweight tonnage (DWT) capacity and efficiency in container handling, increasing port productivity and ability to serve the region more effectively.

⁴ Estimated emissions avoided is calculated using the 2019 Turkish grid emissions factor of 0.659 for solar and wind projects, and 0.561 for other projects as the 2020 value is not yet available

⁵ Calculated as total investments in 2020 (TL) divided by the population of the area in 2020

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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 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

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GlobalCapital
SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
Principles



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 2020, listed below, in the “Türkiye Sınai Kalkınma Bankası A.Ş. - Allocation and Impact Report 2021” (“the 2021 Allocation and Impact Report”) of the Green/Sustainable Bond and Sustainable Tier II Bond (collectively referred as “Sustainability Bonds”) issued by TSKB on May 2016 and March 2017, respectively.

Selected Information

The scope of the Selected Information for the year ended 31 December 2020, which is subject to our independent limited assurance work, set out in the 2021 Allocation and Impact Report between pages 17 - 18, is summarised below:

- Themes, number of projects, percentage information for Sustainability Bonds in the table of Allocation and Proceeds (*page 19*)
- For Impact of Green/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 Green/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 Green/Sustainable Bond Utilisation – Resource Efficiency
 - Total Investment Amount (USD)
 - Annual Raw Material Savings (Electricity & Other) (kwh/year)
- For Impact of Green/Sustainable Bond Utilisation – Electricity Distribution
 - Total Investment Amount (USD)
 - Total Subscriber
 - Population of Area
 - Total Energy Distribution (MWh)
- For Impact of Green/Sustainable Bond Utilisation – Ports
 - Handling Capacity
- For Impact of Green/Sustainable Bond Utilisation – Health
 - Our assurance was Annual In-Patient Visit Numbers (person.day)
 - Annual Out-Patient Visit Numbers (person)

Our independent limited assurance work was with respect to the year ended 31 December 2020 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 2021 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 17 and in Calculation Principles on pages 14-15 of the Allocation and Impact Report 2021.

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 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 Calculation Principles. Our limited 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 2021 and the preparation and presentation of the Selected Information, as of and for the year ended 31 December 2020 in accordance with the Eligibility Criteria, disclosed on the page 17 and Calculation Principles, disclosed on the pages 14-15. 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 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.

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 the Green/Sustainable Bond governance, management and reporting;
- evaluated the design of the key structures, systems, process and controls for managing, recording 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 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 to 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 2021.

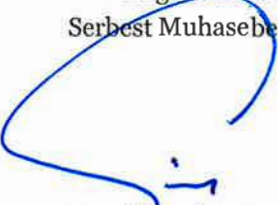


Limited Assurance Conclusion

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 2020, is not properly prepared, in all material respects, in accordance with the Eligibility Criteria and Calculation Principles disclosed on page 17 and pages 14-15, respectively.

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 2021 for the year ended 31 December 2020, 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.



Ediz Günsel, SMMM
Partner

Istanbul, 3 June 2021

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 2021 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 0.659 for solar & wind projects, and 0,561 for other projects.

The assumptions for calculating the reduction for each renewable energy efficiency 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 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 0.659 for solar & wind projects, and 0,561 for other projects.

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.

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. TSKB committed to extend loans in accordance with the Eligibility Criteria as described in the Sustainability Bond Framework which can be found in page 3 of this report. This is the 5th Allocation & Impact Report following 2017, 2018, 2019 and 2020. In addition to Sustainability 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.



Sustainable 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.



Climate Change Adaptation

Detailed information is available in the “TSKB Sustainability Bond Framework Overview and Second Opinion by Sustainability” Report.

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 Green /Sustainable Bond issuance in 2016 and Sustainable Bond issuance in 2017 and provided an assessment as to whether the projects as of 2020 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 Review⁵ 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 PwC⁶. PwC has concluded that nothing has come to their attention indicating that the selected information for the year ended 31 December 2020 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 Green / Sustainable Bond and the Sustainable Basel III Compliant Tier-II Bond. 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 31.12.2020)

Eligible Loan Portfolio

CATEGORY	# of LOANS	AMOUNT (USD)
Renewable Energy	3	179.711.601
HPP	9	63.959.337
SPP	1	779.649
WPP	5	110.472.615
Biomass	3	4.500.000
Energy Efficiency	6	60.096.889
Green Building	3	47.550.336
Energy Efficiency	3	12.546.553
Resource Efficiency	1	5.697.000
Health	2	142.876.155
Electricity Distribution	5	69.516.817
Ports	5	61.944.328

Funding

INSTRUMENT (ISIN)	DUE DATE	PRINCIPAL
XS1412393172	18.05.2021	USD 300,000,000
XS1584113184	29.03.2027	USD 300,000,000

⁵ TSKB Annual Review 2021, page 1

⁶ Limited Assurance Report, page 9

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 Green/Sustainable Bond Utilisation – Renewable Energy

Eligible Category	# of Loans	Amount (USD)	Annual Generation FY 2020 (Electricity) (kWh) (RM)	Annual GHG Emissions Reduced/Avoided FY 2020* (ton/year)_RM	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2020 (ton/year)		
Renewable Energy	8	179.711.601	926.377.640	1,243,149,102 kwh	753.981		
			Annual Energy Savings FY 2020 (Electricity/Other) (kWh/year)	Annual GHG Emissions Reduced/Avoided FY 2020* (ton/year)	Annual Allocated Amount from Bond / Total Annual GHG Emissions Reduced/Avoided FY 2020 (ton/year)		
Energy Efficiency	6	60.096.889	31.113.743	20.294	7.881		
			Annual Raw Material Savings (Electricity/Other) (kWh/year)				
Resource Efficiency	1	5.697.000	214,2 kg/ton specific reduction (7.497 tons/year raw material & auxiliary chemicals)				
			Annual In-Patient Visit Numbers FY 2020 (person.day)	Annual Out-Patient Visit Numbers FY 2020 (person)			
Health	2	142.876.155	103	1.268.719			
			2020 Total Subscriber	Population of the Areas - 2020	2020 Total Energy Distribution (MWh)	2020 Investment/ person	2020 Investment/ subscriber
Electricity Distribution	5	69.516.817	7.919.193	12.062.655	28.196.586	475	538
			2020 Handling Capacity				
Ports	5	61.944.328	13,000,000 ton year / general cargo 3,130,000 TEU / year container 880,000 unit / year ro-ro 600,000 m3 / year liquid				

* Turkish grid emission factor was 0.659 for solar and wind projects, and 0,561 for other projects for year 2019 actualizations, 2020 grid emission is still at evaluation phase and final outcome will be declared end of June 2021. Until 2020 grid emission is declared, 2019 emission factor was used at the calculations.

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