T.SINAİ KALKINMA BANKASI A.Ş. - Climate Change 2023

C0. Introduction

C0.1

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

Our Profile

Founded in 1950 with the mission to finance medium-to-long-term investments in Türkiye and to contribute to the sustainable economic development of the country, Industrial Development Bank of Türkiye (TSKB) is Türkiye's first privately-owned development and investment bank.

With respect to our shareholders, 51.37% is held by Isbank (Türkiye İş Bankası) Group and 8.38% belongs to Vakıflar Bankası T.A.O. The remaining is free float.

TSKB's total asset size expanded by 38% compared to the previous year, reaching TL 115.6 bn($6.2 bn) by the end of 2022. Ranking 12th in the sector regarding asset size, the Bank maintains its 2nd position among development and investment banks. The Bank's shareholders' equity increased by 84% YoY and reached TL 12.8 bn($ 0.7 bn) at the end of 2022. With 379 employees working in our core banking activities, we make up a family of 597 employees taken together with our subsidiaries.

We offer our clients various products and services in corporate banking, investment banking, and advisory business lines. Thanks to our unique business model with a "knowledge banking" approach, prudent risk assessment, and long-lasting relationships with stakeholders, we identify the actual and future needs for sustainable development. While providing financial support, we also share our know-how with our clients for building sustainable and resilient development.

We support investments in renewable energy, energy efficiency, resource efficiency, circular economy, climate mitigation loans, and social themes such as inclusiveness, women empowerment, equal opportunity, youth empowerment, health, and education. Nearly 70% of its funding is from DFIs, TSKB started to develop its sustainable banking model in the 1980s by adding environmental factors to the credit appraisal process and providing environmental loans. Having integrated the concept of sustainability into all of its banking services and accomplished many firsts along the way, TSKB is one of the forerunners with its best practices in sustainable and inclusive finance in Türkiye for the purposes of transitionary development. As of 2022, 80% of its funding is ESG-linked and 91% of its loan book is SDG-linked.

Our stakeholders

With the World Bank actively involved in its foundation, TSKB operates in continuous cooperation with leading participants in global markets. Our international partners include International Financial Institutions (IFIs) and Development Finance Institutions (DFIs) such as *IBRD, EIB, KfW, IDB, CEB, AFD, JBIC, IFC, AIIB, EBRD, CDB, and OEB*. We are the only private bank besides state-owned banks, which has access to the Turkish Treasury and Finance Ministry guarantee for the funds secured from development financial institutions. Long-lasting and capacity-enhancing relationships with DFIs, IFIs, and mission clubs allow us to follow recent developments in responsible banking and also to develop new themes and toolkits in order to contribute to the transition of Turkish economic and social development.

Sustainability and Climate Risks

Since our establishment, ESG issues including climate risks are embedded in our business model. DFIs which are among our most important stakeholders make a significant contribution to our journey. Thanks to our continuous relationships with DFIs, we spend dedicated efforts on capacity building in terms of following the latest development trends and implementing the best practices.

Fight against climate change and support to transition to a low-carbon economy are among the top priority focuses that determine TSKB's strategy. Especially in line with the increasing importance and vulnerability in recent years, the Climate Risks Working Group (WG) was established in 2020 within the scope of the Bank's sustainability structure and short, mid, and long-term road maps for the climate change endeavors have been determined. Aiming to incorporate climate risks into all work processes and analyze indirect effects arising from lending activities, the WG prepared and published the first TCFD-aligned climate risk report in the Turkish banking industry. Also having published "Combating Climate Change and Adaptation Policy" TSKB determined its strategy and practices to combat climate change and committed that its efforts shall further intensify. Accordingly, in line with its roadmap, TSKB started to calculate and have its Scope 3 emissions verified in 2021. Having became a signatory of the Net Zero Banking Alliance and submitted its scope 1-2-3 emissions to SBTi in 2022, TSKB disclosed its approved targets and net zero road map to its stakeholders in June 2023.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data and indicate whether you will be providing emissions data for past reporting years.

Reporting year

Start date
January 1 2022

End date
December 31 2022

Indicate if you are providing emissions data for past reporting years
Yes

Select the number of past reporting years you will be providing Scope 1 emissions data for
5 years

Select the number of past reporting years you will be providing Scope 2 emissions data for
5 years

Select the number of past reporting years you will be providing Scope 3 emissions data for
2 years

C0.3

(C0.3) Select the countries/areas in which you operate.
Turkey

C0.4

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

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.
Operational control

C-FS0.7

(C-FS0.7) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

	Does your organization undertake this activity?	Insurance types underwritten	Industry sectors your organization lends to, invests in, and/or insures
Banking (Bank)	Yes	<Not Applicable>	Basic plastics Electronic components manufacturing Fabric metal components manufacturing Finished wood products Inorganic base chemicals Other base chemicals Paper products Pharmaceuticals Specialty chemicals Textiles Wood & paper materials
Investing (Asset manager)	No	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	No	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	No	<Not Applicable>	<Not Applicable>

C0.8

(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	XS1750996206, US90015YAB56
Yes, a Ticker symbol	TSKB (trading on Borsa Istanbul indices)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual or committee	Responsibilities for climate-related issues
Board-level committee	All ESG topics including combating and adapting to climate change are addressed at the Board of Directors (BoD) level within the framework of the Sustainability Management System (SMS). The BoD ensures that the Bank is being managed in accordance with sustainability-prioritized strategic focuses and predetermined targets. Complementary policies as well as the Sustainability Policy and the Climate Change Mitigation and Adaptation Policy, which encompass the responsible banking approach, were approved by the BoD and entered into force. TSKB's organizational structure for sustainability involves the BoD and the Executive Committee (EC) and comprises all employees. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision, and goals, particularly climate-related risks and opportunities, are addressed by the BoD-level Sustainability Committee (SC). Established in 2014, the SC consists of 4 Board Members as well as the CEO and 2 Executive Vice Presidents (EVPs) as of the end of 2022. With the active participation of the BoD members and CEO as committee members, this structure enables effective management at the highest level of all ESG topics, including climate risks, which are among the strategic focuses of the Bank. Members of the SC are appointed by the decision of the BoD. Within the Bank's SMS, SC is supported by the Sustainability Management Committee (SMC) and 11 Working Groups (WGs) in which representatives from different departments. The internal coordination of the sustainability organization is ensured by the Sustainability Coordination Officer (SCO) who is responsible to plan and manage core strategies and targets, as well as the Committee's work and objectives, in a more inclusive, effective, and synchronized manner. Reporting to the BoD, the Audit Committee (AC) is responsible for ensuring the efficiency and adequacy of the Bank's risk management, internal control, and internal audit operations under the relevant legislation. The Risk Management Department develops the systems required for risk management processes and conducts such operations, monitors the compliance of risks with policies and standards as well as the Bank's limits while reporting to the BoD via AC.
Director on board	4 of the 11 members of BoD are also members of the Sustainability Committee (SC) where the Bank's all ESG efforts including climate change issues are overseen. Also, one of the board members who is also a member of the SC was Türkiye's Chief Negotiator for Climate Change between 2010 and 2013. SC ensures the coordination of business plans and activities created within the scope of the Bank's strategy, vision, and goals in sustainability, closely monitoring the activities of the sustainability management committee and working groups.
Chief Executive Officer (CEO)	Board and SC member CEO is also a member of the Sustainability Management Committee (SMC) which was established in parallel with the Bank's vision, strategy, goals, and business plans about sustainability issues, especially climate change. SMC convenes every 2 months during the year in order to ensure the dissemination of our sustainability activities throughout our Bank and their integration into our differentiating business processes. With the active participation of the CEO both in SC and SMC, all targets and strategies are managed from a macro perspective and communicated to all levels with a top-down approach. Our CEO is also a board member in several non-profit organizations and associations which are active in ESG topics such as the Integrated Reporting Association of Türkiye (ERTA), Corporate Governance Association of Türkiye (TKYD), Business Council for Sustainable Development Türkiye (BCSD Türkiye), UN Global Compact Türkiye and Impact Investing Advisory Board. Also, the CEO and the EVP in charge of related ESG topics who is the head of SMC participate actively and take roles in development finance institutions clubs such as IDFC, LTIC, ELTI, and IIF, among many others.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding annual budgets Overseeing major capital expenditures Overseeing acquisitions, mergers, and divestitures Overseeing and guiding employee incentives Reviewing and guiding strategy Overseeing and guiding the development of a transition plan Monitoring the implementation of a transition plan Overseeing the setting of corporate targets Monitoring progress towards corporate targets Reviewing and guiding the risk management process Other, please specify (Review and approval of banks sustainability policies and guidelines; Review/sign off of public disclosures; Reviewing and guiding business plans; Setting performance objectives)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	TSKB's organizational structure for sustainability involves the BoD and the Executive Committee (EC) and comprises all employees. All TSKB's direct and indirect activities that influence policy on climate change are coordinated and managed by the board-level Sustainability Committee (SC) which is the highest level of direct responsibility for climate change. The board-level SC works within the context of Sustainability Management Structure (SMS), sustainability and complementary policies, and sustainability management system. The Bank continues to carry out studies in the Climate Risk Working Group established in the sustainability organization in 2020 within the scope of measuring the financial risks arising from climate change, conducting scenario-based analysis to measure the impact of risk factors in the medium and long-term, and managing and integrating them into the bank's risk model. The Group comprises members from Risk Management, Credit Allocation, Analysis, Monitoring, Engineering, Economic Research, Corporate Compliance, and Development Finance Institution Departments. While closely following all variable parameters in this area, capacity in the efforts for Net-Zero Commitment and Science Based Targets are improved. The Working Group convenes weekly and the activities are regularly reported to the SC, EC, and Sustainability Management Committee (SMC).
Scheduled – some meetings	Overseeing the setting of corporate targets Monitoring progress towards corporate targets Other, please specify (Setting performance objectives)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	The internal coordination of the sustainability structure is carried out by the Sustainability Coordination Officer (SCO). The SCO is responsible for the secretariat documentation of the BoD-level Sustainability Committee and the Sustainability Management Committee meetings, and the coordination between the Working Groups and committees.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Monitoring progress towards corporate targets Other, please specify (Reviewing and guiding business plans)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	Sustainability Policy is supported by complementary policies under the environmental, social, and governance orientation. Sustainability Policy and complementary policies (Equal Opportunities and Inclusion Policy, Environmental and Social Impact Policy, List of activities that are not to be financed, Occupational Health & Safety Policy, Human Rights Policy, Sustainable Procurements Management Policy, Gifts and Hospitality Policy, Anti-Bribery and Anti-Corruption Policy, Gender Equality Policy, Climate Change Mitigation and Adaptation Policy, Responsible Corporate Communications Policy) guide Bank's sustainability management operations. Policies are reviewed periodically and within the actual changes and improvements of related subjects. A review of the Sustainability Committee (SC) and approval of the Board are needed before published. In 2022, Sustainability Policy and seven supporting policy documents were updated in light of global sustainability standards, global ESG rating methodologies, recent trends, and best practices. Responsible Corporate Communications Policy was published which is the first in Türkiye. We launched Türkiye's first energy-efficient sustainability communication campaign. The campaign focuses on energy efficiency in all its processes, from the color palette to the system fonts. Accordingly, we have published Türkiye's first energy-efficient integrated annual report as a part of this project.
Other, please specify (Ongoing process)	Reviewing and guiding the risk management process	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	The Bank has adopted the Three Lines of Defense Approach, which is an effective method of managing physical and transition risks from climate change by integrating them into risk management processes and controlling operational activities. In the first line, all relevant business units and management bodies review and assess incoming loan applications for climate risks in terms of risks arising from the loan portfolio. The environmental and social risks of projects are evaluated via our Environmental and Social Risk Evaluation Tool (ERET) model, irrespective of sector or loan size. The appraisal report which is the output of this process is submitted to either the Credit Evaluation Committee or BoD depending on the loan size. Besides, the first line also involves the review of operation activities and how they are impacted by climate risks in terms of operational risks. As the first step of risk management, these units carry out a multidimensional risk assessment with their subject matter expertise. In 2022, Climate Risks Evaluation Tool (CRET) model was put into operation in order to integrate climate risks into the credit assessment, allocation, and monitoring processes. With this model, the Bank aims to detect climate-related risks in the pre-allocation stage and avoid or mitigate the negative financial effects of these risks. In the Second Line, activities and controls are performed through structures reporting to the Board of Directors and the Executive Committee in line with the Bank's risk appetite and policies. In the Third Line, all activities, including the management of climate risks, are independently audited by the Internal Audit Department reporting to the Audit Committee, which is composed of the members of the Board of Directors.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Sporadic - as important matters arise	Reviewing and guiding annual budgets Overseeing major capital expenditures Overseeing acquisitions, mergers, and divestitures Reviewing and guiding strategy Overseeing and guiding the development of a transition plan Overseeing the setting of corporate targets Monitoring progress towards corporate targets Reviewing and guiding the risk management process Other, please specify (Review/sign off of public disclosures; Reviewing and guiding business plans; Setting performance objectives)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	If deemed necessary, Sustainability Committee has the authority to submit items to the Board of Directors meeting agenda in order to discuss sustainability concerns.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding annual budgets Overseeing major capital expenditures Overseeing acquisitions, mergers, and divestitures Overseeing and guiding employee incentives Reviewing and guiding strategy Overseeing and guiding the development of a transition plan Monitoring the implementation of a transition plan Overseeing the setting of corporate targets Monitoring progress towards corporate targets Reviewing and guiding the risk management process Other, please specify (Review and approval of banks sustainability policies and guidelines; Review/sign off of public disclosures; Reviewing and guiding business plans; Setting performance objectives)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	SMC convenes every 2 months during the year in order to ensure the dissemination of our ESG activities, assigned targets, especially climate change issues, throughout our Bank and their integration into our differentiating business processes. In recognition of the far-reaching impact that climate change has on economic and social well-being and on economic growth, according to the Sustainability Policy, TSKB seeks to play an active role in the transition to a low-carbon economy. Fundamental principles pertaining to the assessment and management of the environmental and social impact that may result from the activities of the bank are set forth in the Environmental and Social Impact Management Policy. In addition, TSKB's perception and strategy on climate change, human resource management, stakeholder engagement, and governance are also mentioned in its other major policy documents. Besides, the SC is supported by the SMS. Not only climate change policies and strategy but also, duties and responsibilities, activities to be done, time plans, and bi-annual progression reports are documented within the SMS framework. That helps SC to ensure that policies and strategies are consistent with each other and that the entire process is recorded within a well-structured management system. The sustainability policy and its complementary policies are reviewed and revised periodically. As the Bank published Responsible Corporate Communications Policy in 2022 which is a first in Türkiye, it determined the principles that take into account the understanding of sustainability and responsible banking in its brand communication activities. As a sustainable and responsible bank, TSKB sets targets and shares the progress with its stakeholders via its integrated annual report. Each target is approved by the SC, hence by the board members too. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, and environmental and social impact assessment applies to all investment projects. TSKB is a signatory and a member of different international sustainable development-focused initiatives. The SC evaluates the current situation, the requirements of different initiatives, and the new potential cooperation areas. Taking part in different platforms supports the Bank's strong and sustainable relationship with its stakeholders. Climate-related risks have been integrated into our loan evaluation process.

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues	Primary reason for no board-level competence on climate-related issues	Explain why your organization does not have at least one board member with competence on climate-related issues and any plans to address board-level competence in the future
Row 1	Yes	4 Board Members and the CEO are members of the Sustainability Committee (SC) which is responsible for the coordination of the activities and business plans created in line with our sustainability strategy vision and targets. With the participation of Board level members and the Bank's CEO in SC, all targets and strategies are managed from a macro perspective. One of the board members who is also a member of the sustainability committee was Türkiye's Chief Negotiator for Climate Change between 2010 and 2013. Our CEO is a board member in several non-profit organizations and associations which are active in ESG topics such as the Integrated Reporting Association of Türkiye (ERTA), Corporate Governance Association of Türkiye (TKYD), UN Global Compact TR and Impact Investing Advisory Board. Our EVP responsible for Sustainability is a board member of the Business Council for Sustainable Development Türkiye (BCSD Türkiye). They represent the Bank on various ESG platforms, giving public speeches and showing attendance held by these organizations and many others. In addition, one of the board members who was in the position of Türkiye's Chief Negotiator for Climate Change between 2010 and 2013, has been a sustainability committee member since 2017.	<Not Applicable>	<Not Applicable>

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Position or committee
Chief Executive Officer (CEO)

Climate-related responsibilities of this position
Monitoring progress against climate-related corporate targets
Assessing climate-related risks and opportunities
Managing climate-related risks and opportunities

Coverage of responsibilities
Risks and opportunities related to our banking
Risks and opportunities related to our own operations

Reporting line
Reports to the board directly

Frequency of reporting to the board on climate-related issues via this reporting line
More frequently than quarterly

Please explain
As a Board Member, CEO is also a member of the Sustainability Committee. The active participation of the CEO as a committee member enables effective management at the highest level of all ESG topics, including climate risks, which are among the strategic focuses of the Bank. Our CEO is a board member in several non-profit organizations and associations which are active in Sustainability such as the Integrated Reporting Association of Türkiye (ERTA), Corporate Governance Association of Türkiye (TKYD), UN Global Compact TR and Impact Investing Advisory Board. Moreover, our Vice Chairperson is also a member of the Sustainability Committee who was in the position of our former CEO. The Bank sets ESG targets and the progress is monitored by SC and SMC. Also, these targets are reflected on the scorecards of the Bank.

Position or committee
Other, please specify (Sustainability Coordination Officer)

Climate-related responsibilities of this position
Other, please specify (Guiding of sustainability management operations)

Coverage of responsibilities
<Not Applicable>

Reporting line
Other, please specify (Head of Sustainability Management Committee, Executive Vice President)

Frequency of reporting to the board on climate-related issues via this reporting line
More frequently than quarterly

Please explain
The internal coordination of the sustainability structure is carried out by the Sustainability Coordination Officer (SCO). The SCO is responsible for the documentation of the studies of the BoD-level Sustainability Committee (SC) and the Sustainability Management Committee (SMC), the coordination between the Working Groups, and the consolidation of the relevant reports. Also, the Bank holds the position of chair of the Presidency of Banks Association of Türkiye (TBB) Sustainability Working Group, and our SCO is the chairperson of the TBB Sustainability Working Group and the Sub-Working Group. Within this framework, presentations to share experiences on sustainability issues were delivered by Banks every month, and The Banking Regulatory and Supervisory Board of Türkiye officials also participated in these meetings as guests.

Position or committee
Sustainability committee

Climate-related responsibilities of this position
Assessing climate-related risks and opportunities
Managing climate-related risks and opportunities

Coverage of responsibilities
Risks and opportunities related to our banking
Risks and opportunities related to our own operations

Reporting line
Reports to the board directly

Frequency of reporting to the board on climate-related issues via this reporting line
Half-yearly

Please explain
All sustainability efforts across the Bank are managed by the Sustainability Committee, which was established in 2014 and consists of 4 Board Members, the CEO, and 2 Executive Vice Presidents as of the end of 2022. The Committee convened 3 times in 2022 to ensure the coordination of business plans and activities created within the scope of our strategy, vision, and goals in sustainability, closely monitoring the activities of the sustainability management committee and working groups.

C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	The SC targets are distributed to every employee who is a member of the SMC and/or Working Groups and considered within the scope of employee performance evaluation.SMS training is provided for employees to raise awareness and settle a sustainability culture.A wide array of ESG online courses have been uploaded to the online employee training platform.Avg. training hours per person was 51.3; 69 people from 23 departments(18% of the staff) and subsidiaries took part in committees and working groups.The targets of the SMC are reflected in the performance scorecards (PS) of members.The targets of the relevant sustainability projects can be added to the PS of WGs members with the mutual decision of the employee and related manager.One of the goals of the WGs is to organize internal training events/information sessions in order to ensure the capacity development of employees.Successful efforts to this end will also be further incentivized by instant gift cards to employees or project teams.

C1.3a

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

Entitled to incentive
Corporate executive team

Type of incentive
Monetary reward

Incentive(s)
Salary increase
Other, please specify (Instant gift cards; Increases visibility of the employees in the eyes of senior management)

Performance indicator(s)
Other (please specify) (Company's ESG Performance)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
Targets are the Bank's annual KPIs which directly impact the scorecard of the CEO and senior management of the Bank. It is directly related to monetary reward. In addition to this incentive Bank employees who show success in his/her ESG efforts are awarded with instant gift cards. Besides these successful efforts also make them more visible in the eyes of senior management which facilitates promotion.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
4 board members, the CEO, and 2 Executive Vice Presidents of the Sustainability Committee (SC) are responsible for setting the sustainability vision and strategy of the bank and the relevant targets to achieve this strategy. The Committee also formulates applicable action plans and coordinates associated activities according to the Bank's Sustainability Policy and its supplementary policies. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, and environmental and social impact assessment applies to all investment projects. All sustainability targets shared via the Integrated Annual Report are approved and monitored by SC. These targets are the Bank's annual KPIs which directly impact the scorecard of the CEO and senior management of the Bank.

Entitled to incentive
All employees

Type of incentive
Non-monetary reward

Incentive(s)
Other, please specify (Training; Rising awareness)

Performance indicator(s)
Other (please specify) (Zero Carbon Banking Principles)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
With training programs and raising awareness, all employees become more familiar with concepts and feel more encouraged to bring new ideas and suggestions related to ESG topics including climate change issues.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
Raising the awareness of the Bank's employees on sustainability and integrated thinking is quite important for TSKB. Hence, increasing all employees' awareness of sustainability issues through ongoing communication and by encouraging active involvement in sustainability processes is one of the targets of the Sustainability Management System. All employees are periodically provided training about TSKB's efforts and strategy on sustainability. Besides, a wide array of ESG courses have been added to the online employee training platform. Moreover, workshops and brainstorming sessions are held on purpose based on a wide attendance at the Bank. For example, during the preparation of integrated reporting, the business model and capital of the Bank were structured via workshops that included a large portion of Bank employees. And, during the pandemic period, at least three ESG feedback workshops were convened in order to conduct a gap analysis and determine our ESG strategy. Besides, all ESG topics are dealt with via a matrix structure management system in order to expand know-how and experience across the bank employees. With the rising awareness, people become more familiar with concepts and feel more encouraged to bring new ideas and suggestions for the topic. To collect such feedback, there exists a "suggestions portal" in the internal web page applications. All employees can access this portal to contribute to the Bank's strategy on sustainability and climate change tackling. A sustainability training program will be launched within the Bank and at least 25% participation of the bank employees is targeted by the end of the year 2023.

Entitled to incentive
Other, please specify (Sustainability Management Committee)

Type of incentive

Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (11 Working Groups' targets)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The annual targets of the SMC are set clearly and measurably and are reflected in the performance scorecards of all management committee members and relevant sustainability-related working groups and departments. It is directly related to monetary reward.

Explain how this incentive contributes to the implementation of your organization’s climate commitments and/or climate transition plan
The Sustainability Management Committee (SMC) consists of 14 members including TSKB CEO and Executive Vice Presidents directly related to sustainability, and the heads of Sustainability Working Groups. EVP is the chair of the sustainability management committee. The whole body is responsible for the integration of sustainability concepts into all business processes and services, developing new services and opportunities in sustainable banking, and increasing the level of sustainability awareness in the banking sector and the business community. Working group activities, global and local developments, planned projects, targets, and achievements are discussed in SMC. The annual targets of the SMC are set clearly and measurably and are reflected in the performance scorecards of all management committee members and relevant sustainability-related working groups. The achievement status of the targets is followed and evaluated in annual performance reviews. These targets are the KPIs of working group members and affect directly the scorecard of the members and their departments as of 2023. Incentives are determined based on these evaluations. Via these targets, the bank can achieve the aimed annual emission reduction levels, percent of sustainable finance, levels of natural resources consumption, and environmental and social impact assessment applies to all investment projects. As of 2021, Sustainability Subcommittee has evolved into Sustainability Management Committee, Sustainability Coordination Officer is appointed for the internal coordination of the sustainability structure and 11 Working Groups operating under the SMC have gathered under 4 main groups which are the focal point of the Bank (Strategy, Corporate Governance, Environment, and Climate, Social Impact and Inclusion)

Entitled to incentive
Other, please specify (Climate Risks Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Sector-based heat map project regarding physical and transition risk; Measure and report portfolio risks within the framework; Quantification of climate related risks into financial provisioning; Implementation of Climate Risk Evaluation Tool (CRET))

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization’s climate commitments and/or climate transition plan
With an aim to include climate risks in all business processes and analyze the indirect effects of lending operations, the Bank established the Climate Risks Working Group. Intending to integrate climate risks into its business processes more deeply, the Group develops its capacity and conducts various studies to identify, measure and report portfolio risks within the framework of both physical and transition risks. The Chair of the Working Group also serves as the Head of Loan Monitoring. In order to deal with climate risks with a collective integrated approach, the Working Group members consist of representatives from the Economic Research, Development Finance Institutions, Loan Monitoring, Loan Allocation, Corporate Compliance, Engineering, and Risk Management, Corporate Banking Marketing, Loan Analysis departments. The activities of the Working Group are regularly reported to the Sustainability Management Committee, Executive Committee, and Sustainability Committee. In 2021, the Climate Risk Working Group represented TSKB in the Phase 2 Banking Pilot Program of the UNEP-FI Task Force on Climate-Related Financial Disclosures (TCFD) and published the first Climate Risk Report in the financial industry in May 2021 in line with TCFD recommendations. The Group continues activities in compliance with the Climate-Related recommendations of UNEP-FI and TCFD. The Group is working on measuring our Bank's financial risks arising from climate change, conducting and managing scenario-based analyses in order to measure the effects of risk factors in the medium and long term, and integrating them into our risk model. Developed by the Group Climate Risk Evaluation Tool (CRET) model which aims to detect climate-related risks at an early stage and reduce the negative financial effects of these risks by including climate risks in the credit assessment, allocation, and monitoring processes are put into operation in 2022. The development of this model is also considered an important step for the process of integrating climate change-related risks into our loan evaluation, allocation, and monitoring processes by the end of 2023, which is one of the goals described in the TCFD-aligned Climate Risk Report of our Bank. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Sustainability Management System Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Reduction in absolute emissions
Reduction in emissions intensity

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization’s climate commitments and/or climate transition plan
This Working Group was established to monitor and evaluate the internal environmental impacts and occupational health and safety (OHS) performances of the Bank. Training courses were provided to the Bank and related subcontractors to raise awareness of OHS and sustainability. In 2022, the Bank successfully completed ISO 14001, ISO 14064, and ISO 45001 audits with the help of the Sustainability Management System Working Group’s efforts. Performance results are periodically monitored and

reported to the Sustainability Subcommittee. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Social Impact Management Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (SDG Mapping Project)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Social Impact Management Working Group is responsible for following national and international good practices to develop TSKB's social impact analysis approach in its direct lending activities. As a development bank, the aim is to identify and measure social impact, set targets, and improve capacity. Through the capacity-building stage emphasis, the working group creates training activities. In 2022, we included an expert sociologist in the Working Group. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Cooperation with International Initiatives and Indexes Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Participation in the working groups of international initiatives (IDFC, IIF, UNEP FI etc.); Company performance in sustainability indices)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Group endeavors to determine the need for resources in cooperative sustainability efforts with international and supranational financial institutions and international initiatives (IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc.), organize the work and manage relations with BIST Sustainability Index and international ESG rating assessment companies such as Sustainalytics, Refinitiv, and MSCI, etc. In this regard, it coordinates any necessary improvements within our Bank. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews. We have been included in the newly established BIST25 Sustainability Index by maintaining our place in the BIST Sustainability Index in 2022. A new methodology was applied by the external consultant Refinitiv company, which started to evaluate the ESG performance of the companies included in the index in 2022. In accordance with this methodology, we conducted a gap analysis and action plan studies and increased our ESG rating to A.

Entitled to incentive
Other, please specify (Gender Equality Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Advancing gender equality practices within the organization and with stakeholders)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Gender Equality Working Group works on gender equality, one of the strategic focuses of the Bank, in order to increase effectiveness on various platforms. TSKB believes that tackling a global problem such as climate crisis is only possible by empowering women and aims to make an impact on combating and adapting to climate change by bringing women into the economy and raising awareness through gender equality efforts. Besides, the Bank continued to chair the Gender Equality Working Group within the International Development Finance Club (IDFC) in 2022 as well. Group's Gender equality efforts were carried out in order to increase awareness in the real sector in 2022. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Sustainability Reporting Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Sustainability reporting (Integrated Annual Report, CDP Report, TCFD-Aligned Climate Risk Report etc.) alignment with international initiatives' recommendations and frameworks; Stakeholder and Materiality Analysis update)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Sustainability Reporting Working Group is responsible for publications such as the Carbon Disclosure Project (CDP) Climate Change Report, the Integrated Annual Report, and the UNEP FI Principles for Responsible Banking Progress Report. To that end, it closely follows local and global best practices, and the latest developments and observes highly-recognized international standards. In the CDP (Carbon Disclosure Project) Climate Change Program, thanks to our capacity development and dedicated efforts we have positioned ourselves above the global average in our own activity category in 11 of 12 titles in total, and our score increased from B to "A-", which is the "leadership" level. In addition, by participating in the "Early Adopters" program initiated by UN Global Compact this year for the new reporting system that it will launch in 2023, we became one of the first institutions to respond to the detailed set of questions. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Sustainability Communication Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Efficiency target)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Sustainability Communication Working Group is responsible for carrying out the communication of the Bank's sustainability efforts and sharing information on zero carbon events and sustainability-themed portals. The Group participated in the TSKB Responsible Corporate Communication Policy and intra-bank energy efficient communication campaign studies published in 2022. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Green Swan Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Efficiency target; Impact enhancing)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Green Swan Working Group was established in 2021 to act jointly and take action against the climate crisis. Our Bank published various reports on climate-related themes within the Green Swan platform. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Innovative ESG Products - Investment Banking Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Efficiency target; Impact enhancing)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
The Working Group was established in 2021 to develop sustainable labeled products on behalf of our customers, to follow the best practices in the world, and carry out similar practices at our Bank and our subsidiary Yatırım Finansman. To enhance our impact, the working group aims to integrate ESG principles into the investment banking discipline. For this purpose, the Bank develops new products such as green/ sustainable lease certificates as well as SDG bonds and offers advisory services to its customers in their issuances. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (Sustainability Strategy Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (Efficiency target)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
Sustainability Strategy Working Group monitors the compliance of the sustainability activities of our Bank and its subsidiaries with our Sustainability Strategy and follows developments and regulations on key performance indicators, global and national sustainability, and proposed recommendations. In 2021, TSKB Sustainability Strategy 2023 was published. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Entitled to incentive
Other, please specify (SDG Mapping Working Group)

Type of incentive
Monetary reward

Incentive(s)
Salary increase

Performance indicator(s)
Other (please specify) (SDG Mapping)

Incentive plan(s) this incentive is linked to
Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)
The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

Explain how this incentive contributes to the implementation of your organization's climate commitments and/or climate transition plan
SDG Mapping Working Group was established in 2021 to measure and report the contribution of investment and working capital loans granted by our Bank to SDGs. The group follows SDG-linked developments on a global and national scale and participates in training courses. For instance, the Group participated in information-sharing workshops about our SDG Mapping Model with IDFC member banks and consultant organization Natixis. We carried out external assurance studies in 2022 for the audit of our SDG Mapping Model. The Working Group targets are assigned directly to group members and they are tracked in annual performance reviews.

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG criteria, including climate change?

	Employment-based retirement scheme that incorporates ESG criteria, including climate change	Describe how funds within the retirement scheme are selected and how your organization ensures that ESG criteria are incorporated	Provide reasons for not incorporating ESG criteria into your organization's employment-based retirement scheme and your plans for the future
Row 1	Yes, as an investment option	TSKB also integrated its sustainability and governance perspective into the management and investment strategy of its retirement fund with the aim to enhance positive social and climate-related impact. Our Bank's retirement fund invests in government bonds and stocks. As of 2022YE, all stocks invested in trades on the Borsa Istanbul Sustainability Index.	<Not Applicable>

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?
Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	1	TSKB is a development bank serving only Turkish local clients. The Bank does not have operations abroad. Therefore, TSKB's climate-related risks and opportunities are directly linked to the country's policy, regulations, international agreements, and climate conditions of the country. The next year is considered to be as short-term for the Bank.
Medium-term	1	5	With the recent natural disasters and pandemics, climate change has become a highly debated topic even been raised on the agenda of developed countries' central banks which started to accept climate change as a financial and economic risk. Following the ratification of the Paris Agreement by the Turkish Parliament as of October 2021, the fast-evolving developments not only adjacent to Türkiye but also in the global arena will inevitably shape local policies and regulations in Türkiye in the next 5 years. Taking the European Green Deal into consideration, this period also seems to be a transition period for the carbon tax. Closely following the developments in the region, Türkiye is planning to release Climate Change Law and By-Law on Greenhouse Emission Trading soon. The recently announced Green Deal Action Plan, which is composed of 32 targets and 81 actions under 9 main themes, aims to support Türkiye's transition to a sustainable economy in line with the SDGs. In October 2021, Paris Climate Agreement was ratified by the Turkish parliament. Therefore, the next 5 years are considered to be the medium term for the Bank. TSKB has set its science-based reduction targets for GHG from its operational activities. TSKB commits to reducing absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which has been approved by SBTi. Additionally, the Bank has become one of the signatories of the net zero banking alliance in October 2022. TSKB is planning to disclose its roadmap and targets in 2024. Thereby, in the medium term, TSKB will be focused on achieving its targets in alignment with Science Based Target Initiative and UN Net Zero Alliance procedures.
Long-term	5	30	European Green Deal is expected to have some ramifications for Turkish exporters. In July 2021, EU Commission released a package of proposals to make the EU's climate, energy, land use, transport, and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The EU Green Deal has proposed a carbon border adjustment mechanism (CBAM) as an option to avoid carbon leakage and protect the competitiveness of EU industries. After the political agreement between the Council and the European Parliament, CBAM was passed by the European Parliament and published in the Official Journal of the EU in May 2023. The mechanism which applies six highly carbon-intensive sectors that are exposed to international trade including; aluminum, cement, iron and steel, electricity, hydrogen, and fertilizers will enter into force on October 1, 2023. CBAM is expected to bring additional financial costs to the companies which export the products covered by the mechanism from Türkiye to the EU region which may in return reduce competitiveness. This may affect the sectors that are in TSKB's loan portfolio in the long term by creating an increase in CAPEX and OPEX of the companies which may occur difficulties in meeting their financial obligations. Long-term is defined as more than 5 years. In the long term, 2030 and 2050 will be marking years. In order to limit the global temperature rise to 1.5°C, 2050 is widely accepted as the target year for the transition to a net zero energy system whereas 2030 will be an important step to see the progress achieved so far. For the next 10 years, TSKB has a target of financing SDG-linked investments amounting to $8 bn. Since YE-21, we have already realized 30% of this target. The Bank will follow up on the developments with respect to European Green Deal, ETS, other climate-related regulations and best practices, etc. as well as Türkiye's stance, and provide solutions to the private sector in their transition to a circular and zero carbon economy. Besides, TSKB is focused on achieving its targets in alignment with Science Based Target Initiative and UN Net Zero Alliance commitment. In 2022, we became NZBA member and also submitted our scope 1-2-3 targets to SBTi. As of June 2023, SBTi approved these targets.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

TSKB defines climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks.

Heat Map: Considering the TCFD recommendations, a portfolio heat map with different risk categorizations was developed in order to monitor the climate risk vulnerability of the sectors in TSKB's loan portfolio. It aims to enable an initial assessment of the pressures on costs and incomes of sectors affected by climate change. The sub-sectoral breakdowns in the loan portfolio and their climate change vulnerability have been analyzed in terms of both physical and transition risks.

From this point of view, it examines the risks and opportunities created by climate change within the organization in terms of direct and indirect effects. The Bank defines direct and indirect risks and opportunities in the short, medium, and long term and analyses the effects of these risks and opportunities on the organization's activities, strategy, and financial structure.

ERET Model: Our loan-based climate risks approach comprises our ERET Model for evaluating the environmental and social risks of projects and our Climate Risks Assessment Tool for creating loan-specific action plans to mitigate physical and transition risks. The result of project evaluation under ERET is used as a notching criterion in the internal rating model of the Bank which is used in expected credit loss calculation. Therefore, it has an effect on the measurement of financial impacts on the Bank's balance sheet.

Climate Risks Evaluation Tool (CRET): In addition to ERET Model, in the first half of 2022, the Bank has developed a scoring tool for measuring the level of physical and transition risks in financed projects. In its efforts, the Bank has collaborated with academicians as well as its subsidiary Escarus. The model has started to be utilized during the loan evaluation and allocation process. CRET introduces mitigation plans for physical and transition risks in the loan allocation process. Thus, the Bank is able to be aware of these risks in the early stage and aims to mitigate the climate-related credit risk and negative substantive financial impacts. The integration of climate change-related risks in our loan evaluation, allocation, and monitoring processes by the end of 2023, is one of the targets that is announced in the Bank's TCFD-aligned Climate Risk Report. CRET is one of the major steps in this area.

Metrics and Targets: TSKB is measuring and managing the impacts of products and services as part of its strategies to combat and adapt to climate change. It contributes significantly to the transition to a low-carbon economy through renewable energy, energy and resource efficiency, and environment-focused loans. The Bank started financing renewable energy projects in the early 2000s within the scope of efforts to finance combating and adapting to climate change and added energy and resource efficiency projects to its range of loan themes in the 2010s. TSKB directly supports 7 SDGs, including the financing of combating and adapting to climate change. In this context, climate change performance indicators are followed meticulously. With all capital items, TSKB makes a tangible contribution to the UN Sustainable Development Goals. 91% of our loan portfolio consists of SDG-linked investments. The share of our loans contributing to climate and environment-related SDGs is hovering at 60%.

TSKB uses metrics to measure and monitor the impact of the financed projects on climate change mitigation performance. By considering the operation and the trading volume of the products, TSKB anticipates that the main impact of climate change may arise from credit risks. In this context, TSKB incorporates environmental risks, including climate change, which arise and are likely to arise from lending activities, into the Bank's risk appetite and management processes.

TSKB aims to foresee the customer's ability to pay its debts and act accordingly in a proactive way. In addition, this situation is closely monitored by the Bank's board of directors and there is the following internal limit determined in the risk appetite document.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered
Direct operations

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
TSKB defines climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks. From this point of view, it examines the risks and opportunities created by climate change within the organization in terms of direct and indirect effects. Direct risks and opportunities focus on the effects of climate change on TSKB's operations and activities, whereas indirect risks and opportunities focus on the effects of climate change on TSKB's products and services as well as its loan portfolio.

The Bank defines direct and indirect risks and opportunities in the short, medium, and long term and analyses the effects of these risks and opportunities on the organization's activities, strategy, and financial structure.

TSKB identifies and assesses its direct and indirect impacts via its Sustainability Management System (SMS) under the Sustainability Committee. The SMS serves the purpose of reducing the environmental and social impacts of the activities by TSKB. TSKB's Sustainability Policy which is supported by several ESG-backed complementary policies constitutes the basic framework of the SMS.

ISO Standards Management Working Group is responsible for the coordination of the measurement, monitoring, and auditing of direct effects resulting from the Bank's operations. As part of ISO 14001 and 14064 Certifications, the Working Group regularly monitors the carbon footprint from internal consumption, implements action plans aiming to reduce its impacts, and sets targets to improve performance. Performance results are periodically monitored and reported to the Sustainability Subcommittee.

The indirect effects are being assessed through the Environmental Management System prior to loan allocation. Regardless of the amount, all investment loans are evaluated according to the Environmental and Social Risk Evaluation Tool (ERET). Taking into account the results of the evaluation and risk categorization, TSKB determines whether or not to finance an investment or disburse a working capital loan and formulates a plan with the client to monitor the environmental impact and mitigate the loans it will allocate. In the next step, loan monitoring starts once the credit is approved. To note, starting from 2021, TSKB applies ERET to its working capital loans as well.

As of February 2022, TSKB started to apply transaction-based Climate Risk Evaluation Tools (CRET) for both physical and transition risks to make a deeper analysis at the client and asset level for investment and working capital loans and shape its strategy accordingly. The model has been found quite innovative among development finance institutions as well. We will be working on enhancing this capacity further through collaboration among our stakeholders.

Combatting climate change and supporting Türkiye's transition to a zero-carbon economy have been among the top strategic priorities of the Bank. Accordingly, TSKB published its "Climate Change Declaration" in 2016, stating clearly its strategy and goals regarding climate change. In 2021, the "Climate Change Mitigation and Adaptation Policy" has been released to set out the scope and principles of its strategy to combat climate change.

In order to integrate climate risks into all business processes and analyze the indirect effects of lending operations comprehensively, the Bank established the Climate Risks Working Group in 2020. The Working Group develops its capacity and conducts various studies to identify, measure and report portfolio risks within the framework of both physical and transition risks.

The Chair of the Working Group also serves as the Head of the Credit Portfolio Management and Analytics department. In order to consider all the angles of climate risks within a collective approach, the Working Group members consist of representatives from the Economic Research, Development Finance Institutions, Credit Portfolio Management and Analytics, Loan Allocation, Credit Analysis, Budget and Planning, Corporate Compliance, Engineering, Risk Management, and Corporate Banking and Marketing departments.

The activities of the Working Group are regularly reported to the Sustainability Subcommittee, Executive Committee, and Sustainability Committee. In 2020, TSKB became the only bank from Türkiye to participate in the UNEP FI TCFD Phase 2 Banking Pilot Program. The Climate Risks Working Group represented TSKB in the subject program and conducted studies in line with the TCFD recommendations. As of 2021, the Bank has been participating in the UNEP FI TCFD Phase 3 Program, which is a follow-up of the Phase 2 studies. Besides, TSKB participates UNEP FI 2023 Climate Risk and TCFD Program actively as of 2023. TSKB not only shares its advanced knowledge and experiences on climate-related issues but also Additionally, TSKB has closely followed COP 27 and its reflections, where climate risks and actions were discussed. At least two employees from TSKB participate in COP meetings annually.

Having become a founding signatory of the UNEP FI Principles for Responsible Banking in 2019, TSKB has issued its first progress report within the 2020 Integrated Annual Report developed by the sustainable reporting working group. The study basically focused on the positive and negative impacts of the lending operations and certain targets have been set to mitigate the determined negative impacts. Our second progress report was also integrated into the 2021 Integrated Annual Report. Moreover, the 2021 Integrated Annual Report also comprised capital-based short, medium, and long-term targets. In the first half of 2021, the first TCFD-aligned Climate Risk report was published with the efforts of the Climate Risks Working Group. Moreover, TSKB has set its science-based reduction targets for GHG from its operational activities. TSKB commits to reducing absolute Scope 1 GHG emissions by 63% by 2035 from a 2021 base year which has been approved by SBTi. Also, TSKB plans to publish the 2023 TCFD-aligned Climate Risk Report by the end of this year.

TSKB, which stands out with its climate-friendly banking approach, announced a new global commitment as a signatory of the Net-Zero Banking Alliance (NZBA) established by the United Nations Environment Program Finance Initiative (UNEP FI). In collaboration with the NZBA, the Bank will transition its loan and investment portfolio with net-zero emission targets by 2050, in alignment with the 1.5 °C ambition of the Paris Agreement. Following transparent, responsible, and science-based guidelines in its journey of sustainable banking, TSKB will continue to set its targets before 2030 in line with the Net-Zero Banking framework and set an example for the sector.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	The Turkish Government has been supporting renewable energy investments financially via regulations since 2005. According to the related regulation, there is a purchasing guarantee per kWh electricity generation from a determined price for the first ten years of the operation of the power plants. To benefit from this support mechanism, new power plants have to start to operate before the end of June 2021. At the end of 2020, the Government announced a new mechanism to be applicable after June 2021, in which the guaranteed price of the purchased electricity will be determined in TL terms, again for the first ten years of operation. The purchasing unit price is going to be escalated every quarter with a formula combining the inflation rate and FX rates. Should there be an instant termination of this incentive mechanism, the demand for new renewable energy investments would decrease sharply. This situation may be considered an asset-level risk. The EU's Carbon Border Adjustment Mechanism (CBAM) entered into force in May 2023. According to the regulation, the companies in the EU region have to calculate and report their greenhouse gas emissions. Therefore, CBAM will put additional liabilities on Turkish exporter companies reducing their competitiveness. This may affect the sectors that are in TSKB's loan portfolio. On the other hand, supporting these clients' transition investments to be in compliance with the regulation could be an opportunity for the Bank. Renewable energy projects will continue to attract investment from both local and foreign lenders given the significant role that renewable energy will play in Türkiye's effort to achieve net zero by 2053 and in line with the targets and strategy of the Ministry of Energy and Natural Resources. Also, it is expected to include the following subjects; the targets set in transportation and supporting those who invest in line with these targets, providing additional financial resources, including tax advantages, penalizing those who produce more emissions related to the Emissions Trading System, encouraging and supporting those producing fewer emissions, increasing the amount of green areas.
Emerging regulation	Relevant, always included	Türkiye announced its own NDC targets in COP 27. This development will affect and give direction to the Turkish business world. No decision is taken yet on the introduction of an emissions trading system (ETS) in Türkiye in general as well on its design elements and parameters. However, an emissions trading system is now more important because of the European Union's Green Deal, the legislative and regulatory action plan proposed by the EU Commission to achieve the EU's target of net zero by 2050 and to transition the EU economy to a more sustainable model. Addressing an ETS as a policy tool aimed at cost-effectively reducing greenhouse gas emissions will support Türkiye's fight against climate change. In National Energy Plan and Turkiye's Hydrogen Technology Strategy and Road Map, Türkiye has declared its 2035 renewable energy weight in total energy consumption target of 23.7%. The Climate Law, prepared by the Turkish Ministry of Environment, Urbanization, and Climate Change and planned to come into force by the end of 2023, is expected to include the following subjects; increasing the amount of renewable energy and what its obligations should be on a sectoral basis over the years, the targets set in transportation and supporting those who invest in line with these targets, providing additional financial resources, including tax advantages, penalizing those who produce more emissions related to the Emissions Trading System, encouraging and supporting those producing fewer emissions, increasing the amount of green areas. A study has been made by BRSA for five sectors with the inclusion of aluminum, cement, iron and steel, electricity, and fertilizers to evaluate the potential impacts of the first phase of the CBAM on the Turkish banking sector's credit portfolio in the first quarter of 2022. The evaluation results indicated that the increase in the NPL ratio of the banking sector which may be caused by the CBAM implementation at the first stage will be limited yet the negative effect might increase significantly in the long term. TSKB also participated in this study and achieved parallel results with the BRSA. In that regard, as a part of the quantification of climate risks, TSKB conducted a case study, which was also presented to the sustainability committee to determine the potential financial impacts of CBAM on the cement industry as of 2022.
Technology	Relevant, sometimes included	With the development of technology, it has been realized that the foreign-origin equipment of wind and solar power plants cheapen. Therefore, the investment costs of these projects have been declining over the years. This has been supporting investment appetite and encouraging investors to enter the renewable energy market. This is an asset-level financing opportunity for TSKB that is closely being followed.
Legal	Relevant, always included	Changes in the regulatory framework could lead to an increase in the credit risks of institutions through practices such as carbon tax and tightening of energy efficiency standards. Legal risks arise from clients' non-compliance to regulations related to climate change. Failure to comply with the regulations on climate change paves the way for penalties, deprivation of rights, and reputational risks. Compliance with legal regulations, on the other hand, requires additional investment and cost increases while adapting to changes in legislation and technologies, and cost increases in the harmonization process. The ERET model is designed to analyze environmental and social risk with respect to international and Turkish legislation. At the asset level, each project is analyzed in terms of its environmental and social impacts in detail (via the Environmental and Social Risk Assessment Tool – ERET), taking into consideration both the current and future aspects and financial and legal liabilities, independent of the investment amounts. According to the results of the evaluation and risk categorization, TSKB formulates a plan with the customer to monitor the environmental and social impacts and mitigate the impacts effectively. Loan monitoring starts once the credit is approved. Hence, especially environmental and social legal aspects are always considered and analyzed in terms of asset-level risk at TSKB.
Market	Relevant, always included	Türkiye expects to have a regulation concerning the cap and trade system and/or taxation for carbon soon. Companies in energy-intense sectors such as cement, iron, steel, aluminum, and fertilizer will have to invest in emission reduction or energy-efficiency practices to comply with the regulations. Also, a potential cap and trade market may increase the investment appetite of renewable energy investors. Both cases are expected to increase the demand for TSKB's products for financing these potential investments. This situation is considered an asset-level opportunity. On the other hand, market risk is the probability that TSKB's balance sheet may be negatively impacted by changes in the values of the positions in its portfolio as a consequence of market volatility.
Reputation	Relevant, always included	Having placed sustainability at the core of its business model, TSKB has been breaking new ground in ESG scope for the last 3 decades. This pioneering position helps TSKB to gain a competitive advantage in the market and also the trust of its stakeholders, including investors and several international financial institutions. With its valuable experiences, TSKB attracts potential business plans in Sustainability Management Systems, Environmental Management Systems, reporting (CDP, sustainability reporting, integrated report), and green bond advisory services from other companies both in finance and other sectors via its subsidiary Escarus. Besides, TSKB's advisory services have been restructured in 2019. In this context, the Bank offers environmental, sustainability, carbon management, risk management, resilience, and climate change management as well as other technical and financial areas. This is considered an asset-level opportunity for TSKB. Having a mission of being the pioneering bank in Türkiye's sustainable and inclusive development, failure to address climate change issues in strategies, daily businesses, or poor disclosure of environmental and social management and climate change management methodology may impose a risk on TSKB's reputation in this manner. As a result, TSKB's stakeholders may lose interest in TSKB, which may lead to a drop in the demand for its services and also on its stocks. This situation is considered an asset-level risk for TSKB. Having published the first Climate Risk Report in May 2021, the Bank has introduced a roadmap with numerical targets as well as prepared a sector-based heat map that constitutes the basis of future scenario analysis and stress test studies. The failure to meet these targets without any meaningful rationale can also cause a loss of reputation for TSKB. Furthermore, TSKB plans to publish 2023 Climate Risk Report by the end of this year.
Acute physical	Relevant, always included	Climate change has the potential to cause extreme weather events such as storms, hurricanes, floods, droughts, etc. In 2017 summer, Istanbul city experienced two extreme weather events on separate days. TSKB employees were unable to reach the office building. In total, the Bank lost two work days. Since the Bank has already taken necessary cautions in case of such events, the situation has been handled successfully. To manage this risk, physical measures were taken for infrastructure-strengthening studies of the office building. This is considered a company-level risk for TSKB. Also, the Bank invested in a remote working system for such conditions which started to be tested by a number of departments in 2019. It should be noted that the Bank implemented the remote working system instantly during the pandemic. With normalization, the transition to a hybrid system was realized. On the other hand, extreme weather and climate events can affect the operations and efficiencies of renewable energy power plants. For example, hurricanes could prevent wind power plants from functioning due to high wind speeds. In the meantime, droughts and floods can affect hydropower plant operators. In conclusion, these conditions could negatively affect electricity generation in renewable energy power plants. In such cases, the operating/owning companies would not be able to repay their loans. This is considered an asset-level risk.

	Relevance & inclusion	Please explain
Chronic physical	Relevant, sometimes included	Studies show that Türkiye will confront serious problems regarding water scarcity by 2030. In 2030, Türkiye is expected to have an annual water potential of 1,120 cubic meters per capita. According to the 2022 Climate Change and Water Report (Türkiye Edition) which has recently published by CDP, "a significant number of companies (59%) discharge their water to a third-party destination without any treatment and 12% of companies discharge water to the natural environment without treatment". Water scarcity would affect humans, the environment, and the business world and this would also cause economic, social, governmental, and political problems. Especially water intense industries such as agriculture, textiles, and chemicals would be affected negatively and there would be challenging competition between the companies that try to obtain the required amount of water. In that regard, obtaining water in good condition would become tougher and, in some regions, may be impossible and the value and price of the water would be considerably high. This may cause companies in water intense industries to reduce their capacity or even close down their businesses. Water scarcity would affect TSKB's banking Portfolio, due to the potential disruption in such companies' loan repayments. Considering that water intense sectors which include food and beverage, textile, thermal power plants, cement, mining, and automotive use water in their processes thus problems related to water scarcity for sure will have an effect on their cash flows. Furthermore, other industries would experience spillover effects, and consequently making new investments would be harder. When the chronic physical risks are analyzed, TSKB foresees that number of investments related to water efficiency and desalination will increase. The Bank considers this as an asset-level opportunity that involves financing these new investments, increasing the number of clients, and developing new products for tackling and adapting to climate. Besides, the Bank has financed 156 energy efficiency and resource efficiency projects surpassing $1.1 bn so far.

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Explain why your portfolio's exposure is not assessed and your plans to address this in the future
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Type of risk management process	Proportion of portfolio covered by risk management process	Type of assessment	Time horizon(s) covered	Tools and methods used	Provide the rationale for implementing this process to assess your portfolio's exposure to climate-related risks and opportunities
Banking (Bank)	Integrated into multi-disciplinary company-wide risk management process	100	Qualitative and quantitative	Short-term Medium-term Long-term	UNEP FI Portfolio Impact Analysis Tool for Banks Portfolio temperature alignment Risk models Scenario analysis Internal tools/methods	As combating climate change is one of the top priorities for the bank's strategy, we use different already developed tools. But also, developed a Climate Risks Evaluation Tool in-house to integrate climate risks into all of the loan processes.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?

	We consider climate-related information	Explain why you do not consider climate-related information and your plans to address this in the future
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS2.2e

(C-FS2.2e) Indicate the climate-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision-making.

Portfolio
Banking (Bank)

Type of climate-related information considered
Emissions data
Energy usage data
Emissions reduction targets
Climate transition plans
TCFD disclosures

Process through which information is obtained
Directly from the client/investee
From an intermediary or business partner
Data provider
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process
Energy
Materials
Capital Goods
Automobiles & Components
Food, Beverage & Tobacco

State how this climate-related information influences your decision-making
In TSKB, combating and adapting to climate change is a matter addressed through the active participation of the Board of Directors and the Executive Committee. Hence the Bank's performance is regularly monitored through the five Committees reporting to the Board of Directors. During the loan allocation stage, steps required to be able to monitor and manage risks that are determined methodologically as well as remedial action are recommended and included in the loan agreement. Likewise, risks identified by relevant teams are followed up on and reported to the Executive Committee.

Engineering and technical advisory departments are responsible for the technical, environmental, and social evaluation and monitoring of investment projects at TSKB and may propose practices that increase the capacity and performance of companies to combat and adapt to climate change during the loan monitoring period. TSKB uses two main models in regard to asses climate-related risks. One of them is ERET which has been applied to all eligible investment projects within a sustainability approach that meets the environmental and social standards of development finance institutions. Following environmental and social evaluation and risk categorization by ERET, the environmental and social management plans that should be prepared by the company or the consultant are determined in order to minimize the potential negative effects of investment projects while maximizing their positive effects. The model is periodically reviewed and updated. In addition to ERET Model, in the first half of 2022, the Bank has developed a scoring tool for measuring the level of physical and transition risks in financed projects. The integration of climate change-related risks in our loan evaluation, allocation, and monitoring processes by the end of 2023 is one of the targets that is announced in the Bank’s TCFD-aligned Climate Risk Report. CRET is one of the major steps in this area. CRET also introduces mitigation plans for physical and transition risks in the loan allocation process. Thus, the Bank is able to be aware of these risks in the early stage and aims to mitigate the climate-related credit risk and negative substantive financial impacts. The result of these models plays a crucial role in the decision-making process and shapes the whole climate-related assessment process together.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Risk 1

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
EU announced the European Green Deal which has been followed by several related directives including Fit for 55 which represents a package of proposals to make the EU’s climate, energy, land use, transport, and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Following this development, Türkiye published its Green Deal Action Plan, which is composed of 32 targets and 81 actions under 9 main themes and aims to support Türkiye’s transition to a sustainable economy in line with the SDGs.
In addition, the Climate Council, in which TSKB also participated, was organized by the Ministry in February 2022 and had a specific working group for Green Finance. One of the topics of this working group was to facilitate transition finance for a green and low-carbon economy in Türkiye. There are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Türkiye. The EU Green Deal has proposed a carbon border adjustment mechanism (CBAM) as an option to avoid carbon leakage and protect the competitiveness of EU industries. After the political agreement between the Council and the European Parliament, CBAM was passed by

the European Parliament and published in the Official Journal of the EU in May 2023. The mechanism which applies six highly carbon-intensive sectors that are exposed to international trade including; aluminum, cement, iron and steel, electricity, hydrogen, and fertilizers will enter into force on October 1, 2023. CBAM is expected to bring additional financial costs to the companies which export the products covered by the mechanism from Türkiye to the EU region which may in return reduce competitiveness. The launch of the national emissions trading system (ETS) in Türkiye as an alternative/complementary scheme for the carbon border tax is expected to be announced in 2024 establishing a trading system to include emission-intensive sectors Türkiye has announced its updated Nationally Determined Contributions(NDC) and committed to reduce its delta GHG emissions 41% by 2030. Türkiye's national ETS efforts are to be expected to accelerate to realize this more ambitious goal (according to the previous NDC delta emissions reduction target was 21%). TSKB's clients should be included in the tax or trading system. This may in return create an increase in CAPEX and OPEX of the companies which may create difficulties for these clients in meeting their financial obligations.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
10000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Although the majority of TSKB's clients operating in these sectors are relatively prepared for the changes in regulation and do not consider all the cost increase anticipations, they may face the risk of not achieving desired and planned levels of profitability and hence difficulties in repaying their loan amounts.

16.5% of TSKB's loan portfolio is composed of carbon-intense sectors that include high transition risks such as non-renewable energy, steel, aluminum automotive, chemistry-petrochemistry (incl. fuel) cement, and packaging. It is assumed that 5 percent of the carbon-intense investments which are classified under the Stage 1 loan portfolio might be affected negatively and due to temporary cash flow problems might transferred to the Stage 2 loan portfolio. Only 5% of these loans that move to the Stage 2 could be transferred to Stage 3. In this case, the Bank may increase loan provisions due to the change in the loan classifications. According to the analysis which is made by maintaining the bank's current level of provision ratios, the total financial impact of this scenario on TSKB is calculated as $10M. Nevertheless, the Bank expects these risks to occur in the long term yet to be affecting the quality of the portfolio fairly limited.

Cost of response to risk
100000

Description of response and explanation of cost calculation
In 2021, TSKB committed not to finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes anymore.

For other carbon-intense sectors, to follow up on the impacts of climate change and climate change-related costs and regulations; TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the carbon-intense sectors and for the projects that are at the appraisal stage at the Bank. TSKB uses ERET and CRET to measure the climate, environmental and social risks of the projects. Every project is analyzed in detail, taking into consideration both the current and future aspects and financial and legal liabilities, regardless of the investment amounts. Loan monitoring starts the inner assessments once the credit is approved. It is expected that the credit portfolio management and analytics department's tasks and working hours will increase due to an increased number of companies that are highly exposed to transition risks in the medium term which will increase the Bank's operational cost.

The cost of the loan monitoring procedure consists of labor and travel costs. The application of ERET causes additional workload during the lending operations of the projects. The costs consist mainly of labor costs which occur during inspections TSKB conducts various studies to analyze the Bank's exposure to and possible impact on sectors that may incur additional carbon costs. Accordingly, the Bank actively follows the studies of the PMR Türkiye Project, which works on Turkish carbon markets and monitors the developments closely. In 2020, Climate Risks Working Group worked on a heat map to identify current climate-related risks in TSKB's portfolio and evaluate sectors and clients exposed to transition risk. The same group has intensified its studies, especially on creating the CRET model, and integrated it into the loan assessment process as of 2022 Q1.

TSKB continues to build inner capacity and attends training and/or conferences held by multinational financial institutions and initiatives, the Ministry of Environment, Urbanization and Climate Change, and domestic initiatives' studies in order to update its knowledge and analyze international best practices. To note, TSKB is a member of TUSIAD's Environment and Climate Change Working Group, focusing on climate change issues especially. The total annual cost estimation of all the above-mentioned activities is $100K.

Comment
With Türkiye's signing of the Paris Agreement, ETS and carbon tax issues have gained a lot of importance and the efforts in this direction have accelerated. Currently, it is being studied to develop an inner mechanism that is being worked on by the Ministry of Environment, Urbanization and Climate Change and other relevant authorities in Türkiye due to prevent Turkish export products from reducing their competition power. 16,5% of TSKB's loan portfolio is composed of carbon-intense sectors thus, TSKB expects some of these firms which have not taken necessary cautions related to emerging regulations to face some problems and struggle to make repayments of their loan amounts in the long term. TSKB plans to define and measure the risks before they occur. In order to do that, Bank uses ERET and CRET models effectively while determining the environmental and social impacts of the projects.

A study has been made by BRSA for five sectors with the inclusion of aluminum, cement, iron and steel, electricity, and fertilizers to evaluate the potential impacts of the first phase of the CBAM on the Turkish banking sector's credit portfolio in the first quarter of 2022. The evaluation results indicated that the increase in the NPL ratio of the banking sector which may be caused by the CBAM implementation at the first stage will be limited yet the negative effect might increase significantly in the long term. TSKB also participated in this study and achieved parallel results with the BRSA. In that regard, as a part of the quantification of climate risks, TSKB conducted a case study, which was also presented to the sustainability committee to determine the potential financial impacts of CBAM on the cement industry as of 2022. In the first scenario the CBAM price was accepted as 75 EUR while in the second scenario, the price was taken as 150 EUR. The results showed that the EBITDA margins of the companies decreased about 3 -8% points according to the level of prices.

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Acute physical	Drought

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Water scarcity is considered one of the most significant risks in the world according to the Global Risk Report prepared for World Economic Forum and also according to Türkiye's water risk report prepared by World Wide Fund for Nature (WWF). Studies show that Türkiye which has an annual water potential of 1,120 cubic meters per capita will confront serious problems regarding water scarcity by 2030. The water supply problem is not only related to precipitation but also related to social, economic, and ecological factors. Water scarcity would affect humans, the environment, and the business world and this would also cause economic, social, governmental, and political problems. Also, according to the 2022 Climate Change and Water Report (Türkiye Edition) which has recently published by CDP, "a significant number of companies (59%) discharge their water to a third-party destination without any treatment and 12% of companies discharge water to the natural environment without treatment". Türkiye relies on water resources that are under stress or at risk of depletion. That's why especially water intense industries would be affected negatively by water scarcity and there would be a challenging competition between the companies that try to obtain the required amount of water for their production process. In that regard, obtaining water in good condition would become tougher and in some regions, may be impossible and the value and price of the water would be considerably high. This may cause companies in water intense industries to reduce their capacity or even close down their businesses.

Almost all of TSKB's customers use water in their processes thus, problems related to water scarcity may have an effect on their cash flows. Furthermore, other industries would experience spillover effects, and consequently making new investments would be harder. As a result, TSKB would be negatively affected because of the investment limitation in the industries and difficulties of repayments of affected customers.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
20000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
This potential risk would affect TSKB due to the potential disruption in water-dependent companies' loan repayments. The water intense sectors which include food and beverage, textile, thermal power plants, cement, mining, and automotive constitute approximately 10.7% of the Bank's loan portfolio. It is assumed that 10% of these water-intense investment loans which are classified in the Bank's Stage 1 loan portfolio might be affected negatively by water scarcity-related issues and due to temporary cash flow problems these loans may be transferred to Stage 2 of which 10% of these could be transferred to Stage 3. This situation may create an extra provisioning requirement due to changes in the loan classifications attributable to probable cash flow problems emanating from loans that may turn into NPL. Consequently, the financial impact on TSKB is calculated as $20M. Nevertheless, the Bank expects these risks to occur in the long term yet to be affected the quality of the portfolio fairly limited.

Cost of response to risk
150000

Description of response and explanation of cost calculation
TSKB believes that the sustainability of fresh water is a global issue and has a very critical role in the sustainability of life. Believing in the important role played by efforts regarding energy efficiency (EE) and resource efficiency (RE) in tackling climate change, TSKB has been supporting the EE-RE projects of many enterprises that manufacture in an array of industries with medium and long-term loans.

TSKB uses ERET and CRET to measure climate risks and the environmental and social impacts of the projects. Every project is analyzed in detail, by considering both the current and future aspects and financial and legal liabilities. On the other hand, The Climate Risks Working Group has intensified its studies, especially on creating the CRET model throughout the year 2021, and integrated it into the loan assessment process as of the first quarter of 2022. CRET is created to identify current climate-related risks in TSKB's loan portfolio and evaluate sectors and clients which are exposed to both transition and physical risks.

The engineering team assesses each project separately and calculates gains from resource savings. As of 2022, 14.7M tonnes of raw material, 3.23 million m3 of water, and 55.530 tonnes of waste savings have been realized annually by financing RE investments from various industries like cement, steel, tourism, chemical, automotive, plastics, textile, etc. On the other hand, the Bank might have some difficulties to get repayments from some of these water-dependent firms in the medium term. Thus, it is expected that loan monitoring-related operational costs might increase due to an increase in the number of highly water-dependent companies which might face some financial issues in the coming years.

TSKB has a well-experienced engineering team that assesses resource efficiency investments before the project is sent to the credit committee which supports Bank's loan quality. Moreover, the team contributes to the client's investments by providing consultancy services. Our knowledge banking approach and studies also increase water awareness by visiting customers and informing them about resource efficiency including water supply. Moreover, TSKB offers advisory services as well as providing SMS-EMS advisory services (through its subsidiary - Escarus) to other companies. By these means, TSKB helps these companies to measure and monitor their water consumption. The annual cost for all these activities is approximately $150K.

Comment
According to the latest studies Türkiye is expected to confront serious water scarcity problems by 2030. There are many firms in the Bank's portfolio that depend on water

use in their production process. Thus, in such a situation the Bank might have some difficulties to get repayments from some of these water-dependent firms. To deal with these problems, the Bank plans to allocate resource efficiency and circular economy loans, monitor the operational activities of companies more often and give consultancy to the firms to raise their awareness on probable water-related issues.

Identifier
Risk 3

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Acute physical	Drought

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Climate change has the potential to increase the average surface and water temperatures and to cause extreme weather events such as storms, hurricanes, floods, droughts, etc. These could affect the operations and efficiency of renewable energy power plants. For example, hurricanes could prevent wind power plants from functioning due to high wind speeds. In the meantime, droughts and floods can affect the operations of hydropower plants. In conclusion, climate change could negatively affect the electricity generation in renewable energy power plants in such ways that the operating/owning companies may not be able to repay loans.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
8000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Renewable energy investments have approximately 35% share in TSKB's loan portfolio. The defined risks could discourage investors to invest in renewable energy resources. Other than this, the current renewable energy plants which financed by TSKB may not be able to produce projected electricity to compensate for loan payments. Additionally, the number of extreme weather events in Türkiye rose to 1.030 in 2022, making it the year with the most extreme weather events of all time. Taking the extreme weather conditions in Türkiye into account, that would mainly be the hydropower plants that might be affected negatively. 6,4% of TSKB's loan portfolio is composed of the hydroelectric power sector. It is assumed that 10 percent of the HPP companies which are located in Stage 1 might be affected negatively by water scarcity-related issues and due to temporary cash flow problems might end up in the Stage 2 category and afterward, 10% of these Stage 2 categorized companies could become Stage 3.

According to the fact that hydro projects would experience difficulty in their cash flows in this scenario, the magnitude of the total negative impact on the Bank's income is calculated as $8M. Nevertheless, the Bank expects these risks to occur in the long term yet to be affected the quality of the portfolio fairly limited.

Cost of response to risk
100000

Description of response and explanation of cost calculation
TSKB has an in-house technical specialist team, focusing on the potential risks of climate change to the energy-intense sectors and specifically for the projects that are at the appraisal stage at TSKB. TSKB uses ERET and CRET to measure climate risks and the environmental and social impacts of the projects. Each project is analyzed in terms of its environmental and social impact in detail, by considering both the current-future aspects. In 2020, Climate Risks Working Group worked on a heat map to identify current climate-related risks in TSKB's portfolio and evaluate sectors and clients exposed to physical risks. TSKB attends related international sectoral meetings that could contribute to its strategy.

The cost of loan monitoring activities consists of labor costs, ERET activities, and travel costs. It is expected that loan monitoring operational costs might up due to an increased number of companies that are highly exposed to physical risks in the medium term.

Since HPPs are in the high-risk group in terms of climate-related physical risks, TSKB prepared a comprehensive internal study called "The Effects of the 2020-2021 Drought on Hydroelectric Power Plants and the Climate Change Outlook for the Period 2030-2040" to make a general assessment of the negative effects of climate change in the medium term as for the Bank's loans portfolio. The study includes technical evaluations of extreme climate events, such as river floods, together with long-term climatic changes such as average temperature increases and changes in precipitation regimes which are also closely related to HPPs and are caused by climate change. As a result of this study, the Bank developed a road map to monitor certain regions closely and continue conducting comprehensive studies.

TSKB considers various climate risks such as drought and heavy rainfall and monitors closely their effects, particularly in regard to the HPPs' performance. In the first quarter of 2023, a drought analysis study was conducted to analyze the capacities, production, and solvency of the HEPP companies in the Bank's portfolio by TSKB's credit portfolio management and analytics department. With these studies and more, the Bank aims to foresee the customer's ability to pay its debts and act accordingly in a proactive way. In addition, this situation is closely monitored by the Bank's board of directors and there is the following internal limit determined in the risk appetite document.

Comment

Climate change might cause extreme weather conditions such as storms, hurricanes, floods, droughts, etc. Related to this, the number of extreme weather events in Türkiye rose to 1030 in 2022, making it the year with the most extreme weather events of all time. Consequently, these could negatively affect the electricity generation in renewable energy power plants in such ways that the operating/owning companies may not be able to repay loans. Among these energy projects, HPPs are expected to be negatively affected mostly. To avoid such risks, the Bank gives efforts to analyze and monitors the HPP firms closely and report about their production periodically.

Identifier
Risk 4

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation	Other, please specify (Carbon pricing mechanisms, Acute physical, Chronic physical)

Primary potential financial impact
Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification
Operational risk

Company-specific description
This risk includes the policy and legal risks that may be encountered due to the increase in greenhouse gas emissions arising from the Bank's use of natural resources, electricity consumption, vehicle use, and business travel. The increase in carbon credit costs due to offset emissions from Bank activities is also added here. In terms of physical risks; the increase in insurance expenses and the cost of investments related to business continuity are also covered in the scope of risk.

Time horizon
Medium-term

Likelihood
About as likely as not

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
1000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
TSKB will maintain its position and will grow in the medium term in order to accomplish its mission of supporting the sustainable and inclusive development of Türkiye. As the scope of operations gets larger, the Bank will consume more natural resources. Consequently; expenditures arising from vehicle use, electricity consumption, business trips, insurance cost, certificate fee (I-REC), carbon offset costs that are expected to increase in the near term, and finally investments that are made to ensure business continuity will surge.

The Bank recently made a major action plan related to business continuity and decided to enlarge the operational office in Ankara. As it is known continuity is seen as a key necessary component when it comes to mitigating the physical risks. With this investment, the Bank not only aims to reduce its operational risk by protecting itself against extreme weather events (flood, tornado, storm, heat wave, etc.) that have scaled up in recent years as a result of increasing physical risks but also take precautions for maintaining business s continuity in the face of expected Istanbul earthquake. The total financial impact of this investment in the first phase was around US$ 1 million. Nevertheless, the Bank expects these risks to occur in the long term yet to be affected the quality of the portfolio fairly limited.

Regulatory changes can bring new obligations such as neutralizing carbon emissions resulting from direct operations. Subsequently, any non-compliance might result in severe punishments and sanctions. On the other hand, it is expected that Bank will do some expenditures to protect and manage business continuity to minimize a possible operational risk in the future.

Cost of response to risk
60000

Description of response and explanation of cost calculation
TSKB periodically monitors and reports all GHG emissions from its activities within the scope of the SMS in accordance with the ISO 14064 Greenhouse Gas Accounting and Verification Management System. TSKB became a signatory of the Science-Based Targets Initiative (SBTi) in 2015. TSKB has set its science-based reduction targets for GHG from its operational activities. TSKB commits to reducing absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which has been approved by SBTi. Please see the related explanation in question C4.1a. These targets comply with the goal of the Paris Agreement to limit the rise in temperature to 1.5 °C.
TSKB has been offsetting its emissions arising from bank operations since 2008, and the Bank also uses green energy on all campuses. Recently, carbon offset prices are expected to rise globally, accordingly, the bank also calculates its carbon offset costs periodically.
TSKB has been crowned as the first carbon-neutral bank in Türkiye. The Bank has met all its electricity needs (Scope 2) from renewable energy power plants with IREC certification since 2009 and will continue to do so.
TSKB continues its preparations to enlarge the operational office in Ankara. Therefore, it is expected that there will be an increase in such costs including vehicle use, electricity consumption, business trips, insurance costs, carbon offset costs, etc. in the upcoming period.
TSKB also does the required energy efficiency investments for its own buildings, when required. Nevertheless, unusual increases and decreases in temperatures may cause a rise in TSKB’s costs that rise from office heating and cooling systems. As a precaution against this, TSKB plans to continue the required energy efficiency investments for its own buildings and to have met its electricity needs via IREC certification which is ongoing since 2009. TSKB has also prepared the necessary action plans against climate events such as excessive rainfall, floods, and drought in a way to include all service buildings Moreover, TSKB has widened its insurance coverage and installed remote working and/or hybrid systems.
SMS Working Group members are responsible for managing these voluntary systems and certifications. These full-time employees' costs, third-party consultants' costs, and the green power cost for offsetting GHG emissions constitute the management cost of this activity. Accordingly, the total cost of these activities is expected to be approximately $60K per year.

Comment
TSKB expects to grow in the future and accordingly consume more natural sources. To limit this, the Bank plans to continue to have met its electricity needs via IREC certification. On the other hand, Bank's commitment to both Science Based Targets initiative (SBTi) and UN Net Zero Banking Alliance can be evaluated as taken actions on this behalf. Lastly, TSKB commits to reducing absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which has been approved by SBTi. TSKB continues its preparations to enlarge its rep office in Ankara. Therefore, it is expected that there will be an increase in operational costs in the upcoming period.

Identifier
Risk 5

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Emerging regulation	Other, please specify (Physical & Transition Risk)

Primary potential financial impact
Other, please specify (Liquidity Risk (Repayment))

Climate risk type mapped to traditional financial services industry risk classification
Liquidity risk

Company-specific description
Water scarcity is regarded as a significant global risk, as highlighted in the Global Risk Report by the World Economic Forum and Türkiye's water risk report by WWF. Projections indicate that Türkiye will face severe water scarcity issues by 2030. Water-intensive industries would be adversely affected by water scarcity, leading to intense competition among companies vying for limited water resources. This may cause companies in water intense industries to reduce their capacity or even close down their businesses. Given that almost all of TSKB's customers utilize water in their processes, problems stemming from water scarcity would undoubtedly impact their cash flows.

While the EU introduced the European Green Deal and related directives, Türkiye has been making efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading. The EU Green Deal proposed a carbon border adjustment mechanism (CBAM) to prevent carbon leakage and protect the competitiveness of EU industries. After the political agreement between the Council and the European Parliament, CBAM was passed and published in the Official Journal of the EU in May 2023. The mechanism applies to six highly carbon-intensive sectors exposed to international trade, including aluminum, cement, iron and steel, electricity, hydrogen, and fertilizers. It will come into effect on October 1, 2023. CBAM is expected to increase the financial burden on companies exporting products covered by the mechanism from Türkiye to the EU region, as it raises the cost of Turkish export products and reduces their competitiveness.

Additionally, discussions on the launch of an emissions trading system (ETS) in Türkiye as an alternative or complementary element to the carbon border tax have been ongoing. The national ETS, expected to be announced in 2024, will establish a trading system that includes emission-intensive sectors. Furthermore, Türkiye has announced its updated Nationally Determined Contributions (NDC) and committed to reducing its greenhouse gas (GHG) emissions by 41% by 2030 (compared to the previous target of 21%). These carbon pricing regulations, both national and international, are likely to impact sectors in TSKB's loan portfolio that will be subject to the tax or trading system. These regulations, aimed at achieving climate targets, are expected to increase capital and operational expenditures for companies, potentially leading to difficulties in meeting their financial obligations.

Time horizon
Medium-term

Likelihood
Unlikely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
The utilization of water in the processes of certain TSKB customers makes them vulnerable to the potential impact of water scarcity issues, which would inevitably affect their cash flows. Besides, certain customers of TSKB are relatively unprepared for regulatory changes and fail to account for anticipated cost increases, they may face the risk of not achieving desired and planned levels of profitability. As a result, they may also face challenges in repaying their loan amounts.

According to the calculation of Risk 1, TSKB's banking portfolio is composed of energy-intense sectors such as non-renewable energy, steel, aluminum automotive, chemistry-petrochemistry (incl. fuel) cement, and package. These sectors are composed of 16.5% of TSKB's loan portfolio and might be affected negatively by these regulations and due to temporary cash flow problems might end up in financial difficulties. It is assumed that this situation might create extra provisioning and repayment burdens due to changes in the loan classifications in regard to probable cash flow problems. Consequently, the financial impact on TSKB is calculated as $10M.

According to the calculation of Risk 2, Water scarcity would affect TSKB's banking Portfolio, due to the potential disruption in such companies' loan repayments. Considering that water intense sectors which include food and beverage, textile, thermal power plants, cement, mining and automotive constitute around 10.7% of the Bank's loan portfolio. It can be concluded that the operations of these firms can be severely affected by the absence of water. It is assumed that this situation might create extra provisioning and repayment burdens due to changes in the loan classifications in regard to probable cash flow problems. Consequently, the financial impact on TSKB is calculated as $20M.

6.4% of TSKB's loan portfolio is composed of the hydroelectric power sector. It is assumed that this situation might create extra provisioning and repayment burdens due to changes in the loan classifications in regard to probable cash flow problems. Consequently, the financial impact on TSKB is calculated as $8M. Nevertheless, the Bank expects these risks to occur in the long term yet to be affected the quality of the portfolio fairly limited.

Cost of response to risk

0

Description of response and explanation of cost calculation
NSFR (Net Stable Funding Ratio) methodology was used to quantify the risks that carbon-intensive and energy-intensive sectors may pose on the bank's liquidity. To account for potential financial challenges faced by companies in these sectors, hypothetical scenarios were formulated. In these scenarios, the Bank allocated provisions for certain loans associated with these companies, and portions of them were classified as under and non-performing loans (Stage 2 & Stage 3). Calculations were made based on that the increased provisioning burden could erode the capital of the Bank, thus reducing the amount of available stable funding, while the loans converted to stage 3 increased the amount of required stable funding.

Comment
The impact of climate risk on Liquidity Risk must be considered, as the transition to a low-carbon economy and physical risks. This may lead to difficulties in fulfilling the financial obligations of companies in the Banking portfolio. This could cause uncertainties in the bank's cash inflows, due to deterioration in the quality of loans and eroding capital of TSKB.
The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) are designed to manage short and medium-long-term resilience of banks' liquidity risk profiles. Considering that the effects of climate risks are accepted to occur in the medium term, It's considered that measuring the effects of climate risks on NSFR would be a more reasonable approach. NSFR is a liquidity standard that requires banks to hold enough stable funding to cover their medium-term assets.
As a result of the hypothetical scenarios which are set up with parameters of different severity, It's found that our NSFR ratio decreased insignificantly. Climate-related financial risks are also taken into account in our internal liquidity stress tests to assess their potential impact on net cash outflows. The result indicates that the impact of climate-related financial risks on net cash outflows is fairly limited due to being a non-deposit-taking institution. The Bank's liquidity buffer mainly consists of bonds issued by the treasury, and in this respect, we do not expect the transition risks to have an impact on the liquidity buffer in the short and medium term. As the methodologies and data for analyzing material climate-related financial risks evolve and any gaps in analysis are addressed, these risks can be gradually integrated into internal liquidity adequacy assessment processes, in a progressive and iterative manner. In conclusion, with TSKB's robust liquidity framework built on its long-term funding structure, the Bank's liquidity profile will not be significantly impacted by companies facing payment difficulties.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
Parallel to the content of the Paris Agreement, the implementation of an emission trading system and carbon tax policies have been widely in discussion in the last years by the Ministry of Environment, Urbanization and Climate Change and other relevant authorities in Türkiye. In this regard, the Ministry is undertaking a PMI with the assistance of the World Bank which is examining a carbon pricing mechanism either a tax or ETS. In addition, the Climate Council in which TSKB also participated organized by the Ministry in February 2022 had a specific working group for Green Finance and one of the topics of this working group was to facilitate transition finance for a green and low carbon economy in Türkiye.

In June 2022, EU Parliament voted in favor of three climate laws: revision of existing EU ETS, CBAM, and Social Climate Fund as part of Fit for 55. ETS and CBAM will shift the market for low-carbon alternatives and development in the long term. The launch of the national ETS in Türkiye as a complementary scheme for the carbon border tax is expected to be announced in 2024 establishing a trading system to include emission-intensive sectors. In addition to that Türkiye has announced its updated NDC and committed to reduce its delta GHG emissions by 41% by 2030. As a result of these developments, transition finance will be an important topic for the Turkish banking industry and will bring opportunities for TSKB in lending activities regarding transition finance investments. Companies in energy-intense sectors such as steel and cement should invest in emission reduction or energy-efficiency practices to comply with the policies.

The share of wind and solar energy in global electricity production broke a record with 12% in 2022. This rate was 15.5% in Türkiye which was above the global average. According to the "Renewable 2022: Analysis and Forecasts for 2027" report published by the IEA, it is calculated that Türkiye's renewable energy capacity will reach 90 GW by 2027 with an increase of 64%. TSKB plans to be one of the leads in this green transition process as a development bank. As of YE-22, 15% of Türkiye's installed capacity of renewable energy is constituted from projects that TSKB is involved in financing.

The green transition including renewable energy investments is expected to boost the demand for TSKB's lending products for the financing of these potential investments. It will bring cross-sale opportunities such as hedging activities, too.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)
21000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Because of the potential cap and trade system, the demand for TSKB's products in energy efficiency or renewable energy investments as well as consultancy services related to the transition to a low-carbon economy may increase. 91% of TSKB's loan portfolio consists of SDG-related
investments including energy efficiency and renewable energy projects. The share of our loans contributing to climate and environment-related SDGs is hovering at 60%. TSKB achieves this with the thematic funds it secures from multilateral development finance institutions and also green financial instruments like SRI / green bonds it issues. In addition, the accumulated knowledge and experience enable the Bank to offer ESG consultancy services with the advisory department and subsidiary Escarus.

We continue to support the sustainable development of Türkiye with our sustainability-related products and services. Bank's aim is to mitigate the environmental and social impacts arising from its banking activities and to support Türkiye's transition to a low-carbon economy. In parallel with our mission of supporting Türkiye's sustainable and inclusive development, we encourage our clients to implement various awareness of issues related to climate change and its effects.

In the upcoming year, The Bank aims to provide $450M in financing with the themes of reducing and adapting to climate risks, as well as circular economy, including energy efficiency projects supported by advanced technology. In this regard, TSKB may expect about $400M ($300M under renewable energy and $100M under energy efficiency) per year of additional financing opportunities to satisfy the above-mentioned elevated demand. The net interest income from these investments on top of consultancy services is estimated at $21M on an annual basis.

Cost to realize opportunity
1000000

Strategy to realize opportunity and explanation of cost calculation
TSKB has committed more than $6 bn to renewable energy and energy efficiency projects since the mid-2000s. A certain amount of these projects was financed with the proceeds of TSKB's Green and Sustainable Bonds. Additionally, TSKB's sustainability committee members follow closely the developments in Türkiye regarding the carbon market activities. TSKB has a broad experience in renewable energy and energy efficiency project financing. Still, the engineering and technical advisory team, which is responsible for the technical evaluation of the projects, needs to closely follow up on the improvements in the technology. This strong internal expertise has also been one of the key strengths of the Bank in terms of co-establishing a framework for green or sustainable bonds and securing funds from DFIs and investors. At TSKB, various departments are responsible for fundraising and loan allocation such as development finance, financial institutions and investor relations, corporate marketing, project finance, engineering, technical consultancy, economic research, loans, and loan monitoring departments working on climate change issues. Performing such internal capacity-building activities (attending conferences and training) is calculated as $1M per year. The Bank continues to obtain funding from global development finance institutions, international banks, and capital markets to continue its thematic financing activities with a development banking focus. A loan agreement between TSKB and IBRD for the amount of $150M within the scope of the Geothermal Development Project. In 2022, TSKB signed 4 green loan agreements with development finance institutions (DFIs) in addition to IFC Women Empowerment Loan worth $100M. JBIC Green Loan ($220M), EBRD Green Economy Financing Loan (EUR 53.5M), AIIB Sustainable Energy and Infrastructure Loan ($200M), AFD Circular Economy Loan (EUR 80M) finance the projects under such themes as renewable energy, energy efficiency, technologies that support the green economy, climate change mitigation and adaptation and circular economy, respectively. This funding structure directly affects our loan portfolio and supports its transition to a low-carbon economy in line with Türkiye's policies in which climate issues are embedded. Starting from the negotiation process, loan agreements with pioneer DFIs also improve our technical capacity which nourishes loan allocation and monitoring mechanisms.

Comment
In addition to recent climate-related carbon pricing practices (mostly about emission trading systems, CBAM, and carbon tax issues) in the world, there are also ongoing efforts on the Climate Change Law and By-Law on Greenhouse Emission Trading in Türkiye. As it is known mitigation and adaptation plans should be implemented jointly by the public and private sectors to perform effectively against the transition risks. Thus, TSKB expects that the demand for TSKB's products in energy efficiency or renewable energy investments as well as consultancy services related to the transition to a low-carbon economy will increase. In this regard, the Bank aims to provide $450M in financing with the themes of reducing and adapting to climate risks, as well as circular economy, including energy efficiency projects supported by advanced technology. In this regard, TSKB may expect about $400M ($300M under renewable energy and $100M under energy efficiency) per year of additional financing opportunities to satisfy the above-mentioned elevated demand. As of the YE-22, 91% of TSKB's loan portfolio consists of sustainable investments including energy efficiency and renewable energy projects. The Bank plans to grow renewable energy and energy efficiency areas incoming years accordingly. OPP 1 represents the total amount that is planned to be used in line with OPP 2, OPP 4, and OPP 5 cases.

Identifier
Opp2

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
The goal of limiting global warming to 1.5-2°C is expected to increase the number of extreme weather events. TSKB also expects an increase in such projects that have a high possibility of facing physical risks including capital expenditure operational costs, asset management, human capital, resource, and energy efficiency.

Physical risks arise from the physical impacts of climate change on the organizations' assets, operations, workforce, supply chains, and markets. Long-term climate change causes chronic risks, while extreme climate events lead to acute risks. Therefore, the Bank expects to finance the firms which need to take mitigation and adaptation cautions to tackle such physical risks in the future. As a Development Bank working with the mission of sustainability and inclusiveness, we believe in establishing a society impenetrable against natural disasters which is the reality of our country and is one of the Bank's top priority targets. For instance, some industrial sectors such as fossil-based conventional electricity generation, hydroelectric power generation, and paper and forestry products can be considered to be high risk and might need funding.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
5000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In the context of COPs, it is expected that the number of resource and energy efficiency and renewable energy investments would increase. TSKB aims to finance such investments amounting to approximately $100M annually. The net interest income obtained from these investments is estimated at $5M. In the following years, TSKB also expects an increase in the industry's awareness of these topics, and the number of these kinds of investments would significantly rise in parallel with Türkiye's new and more ambitious NDC which was disclosed during COP 27. According to the new NDC, Türkiye has increased its reduction target which was announced as 21% in 2015, to 41% by 2030.

Cost to realize opportunity
300000

Strategy to realize opportunity and explanation of cost calculation
91% of TSKB's loan portfolio consists of SDG-linked loans. Also, The Bank aims for the ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of 60%. In this regard, TSKB plans to be one of the leads in green transition as a development bank that works with the mission of sustainability and inclusiveness. As it is mentioned in the 2022 integrated annual report, 15% of Türkiye's installed capacity of renewable energy is constituted from projects financed by TSKB. TSKB's experienced engineering team and energy experts closely monitor the renewable energy industry enabling TSKB to have a high capability of assessing renewable energy, energy efficiency, and resource efficiency projects and also to perform a detailed environmental and social risk evaluation. So far, nearly $6B in financing has been provided to such projects. TSKB also has a dedicated marketing team for solar, wind, geothermal and energy, and resource efficiency projects. All these efforts will be crucial issues in focusing on the right projects regarding financial and technical aspects.

As said, TSKB has corporate marketing, project finance, engineering, technical consultancy, economic research, loans, and loan monitoring departments working on climate change issues. These activities are built into the daily business of the staff in these departments. Performing such internal capacity-building activities is calculated as $300K per year.

Comment
As a part of climate change, physical risks are expected to emerge and negatively affect the organizations' assets, operations, workforce, supply chains, and markets. This may cause some industrial sectors such as fossil-based conventional electricity generation, hydroelectric power generation, and paper and forestry products to be considered at high risk and those firms might need funding for taking adaptation and mitigation cautions against probable physical risks. TSKB may expect about $100M per year of additional financing with a net interest income of about $5M on an annual basis from such activities.

Identifier
Opp3

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Other, please specify (Efficiency)

Primary potential financial impact
Reduced direct costs

Thanks to our SMS, electricity cost saving is approximately $10K on an annual basis.

Company-specific description
TSKB is the first company in the Turkish finance industry with an environmental management system. TSKB has implemented ISO 14001 and ISO 14064 standards which enable the identification and control of environmental and social impacts and helps improve environmental performance significantly through more efficient use of resources and reduction of waste gradually. This helps TSKB gain a competitive advantage in the market and the trust of its clients and stakeholders, including investors and several international financial institutions.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
10000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

TSKB sets numerical improvement targets regarding its internal environmental impacts. One of them was reducing GHG emissions by 2.5% annually until the end of 2016 in comparison to 2012 levels. This target has been achieved and overreached by 7% as of 2016. Regarding this target, electricity cost saving is approximately $10K annually. TSKB has set another target of reducing its average GHG emissions from 2012 to 2016 by at least 10% below the average consumption value of the last 5 years till the end of 2022. The base year of our target has changed from 2020 to 2021 as a result of the completion of the Science-Based Targets Initiative approval procedure, which was started by TSKB in 2022. In this case, the revised target was to reduce our Scope-1 (direct) emissions by 63% by 2035 compared to the base year 2021. Scope 1 (direct) emissions decreased by 8.46% compared to last year. TSKB also commits to continue sourcing 100% renewable electricity annually through 2035. (This figure is approved as 2030 by SBTi) Besides, TSKB will continue to implement its actions to use less electricity, water, and paper with the effective measures which have been taken for over a decade.

Cost to realize opportunity

20000

Strategy to realize opportunity and explanation of cost calculation

TSKB has a well-structured Sustainability Management System (SMS) in which tasks and roles are defined clearly and distributed across different departments. The system has been certified with ISO 14001 standards since 2007. GHG emissions have been calculated, verified, and offset in accordance with ISO 14064 since 2012. TSKB purchases Gold Standard Carbon Certificates to offset its GHG emissions. The SMS is managed by the Sustainability Committee which consists of 3 board members, the CEO, and 2 executive vice presidents. The Sustainability Sub-Committee and its working groups (WG) assist the Sustainability Committee in achieving its targets. Mainly, “ISO 14001 and ISO 14064 Management System Standards Working Group” is dedicated to working for the renewal of these ISO certifications and following up on targets. For both ISO 14001 and ISO 14064 certifications, TSKB works with accredited third-party consultants.

ISO Working Group members are responsible for managing these voluntary systems and certifications. These full-time employees' costs, third-party consultants' costs, and the green power cost for offsetting GHG emissions constitute the management cost of this activity. It is approximately $20K as of 2022.

Comment

TSKB is the first company in the Turkish finance industry with an environmental management system that provides the Bank competitive and reputational advantage. To protect and advance its leading position, the Bank sets numerical improvement targets and plans to continue to be in line with 14001 and ISO 14064 certifications and Gold Standard Carbon Certificates. Moreover, TSKB commits to reduce absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which is approved by SBTi, and continue sourcing 100% renewable electricity annually through 2035 (This figure is approved as 2030 by SBTi).

TSKB also makes the required expenditures in its own buildings' energy efficiency when necessary. TSKB will get energy-efficient improvements in the upcoming years as part of the modernization of chillers and boilers. To avoid this, TSKB commits to keep making the necessary energy-efficient investments in its own facilities and to continue active annual sourcing of 100% renewable electricity through 2030.

Identifier

Opp4

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

The estimated figure is around $550K.

Company-specific description

TSKB has numerous pioneer ships in the Turkish finance sector with respect to ESG issues. These efforts not only enhance the accumulation of knowledge and experience but also boost Bank’s reputation helping TSKB to access new markets with value-added advisory services. In order to perform these services, TSKB established its subsidiary Escarus which provides sustainability consultancy services. Besides, TSKB’s advisory services were reconstructed in 2019. In this context, the Bank offers environmental, sustainability, carbon management, risk management, resilience and climate change management, and other technical and financial areas.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

With its valuable experiences, through its subsidiary Escarus, TSKB provides SMS and EMS, green bond issuance, climate risks reporting (CDP, sustainability and integrated report, carbon emission report, TCFD-aligned climate risk report) consultancy services to other companies in finance and other reel sectors. With the reorganization of its advisory services in 2019, TSKB also offers environmental, sustainability, carbon management, risk management, and resilience and climate change management advisory services. These services contribute integration of climate-related issues into the agendas of the related companies with an organized structure. TSKB expects these sustainability advisory services to support its commission income in the next couple of years. In 2022, TSKB and its subsidiaries provided various advisory services that are related to measurement and reporting of climate risks such as transition to low carbon and tackling the effects of physical risk. As of the YE-22, total revenues from those projects have been $1M. The Bank expects TSKB's consultancy services to continue with an increasing amount of contribution to TSKB's revenues in the coming years.

Cost to realize opportunity
600000

Strategy to realize opportunity and explanation of cost calculation
TSKB has given various consultancy services through/together with its subsidiaries. The total operating expenses of these projects pertaining to the year 2022 are approximately $600K.

Comment
With the growing demand, TSKB expects to access new markets with value-added advisory services. Thus, TSKB and its subsidiaries plan to provide advisory services directly and indirectly linked with low carbon transition. TSKB has given a lot of consultancy services through/together with its subsidiaries in 2022 and aims to continue its growth in this area in the near future.

Identifier
Opp5

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
The Turkish government strongly supports renewable energy investments to fulfill the electricity demand and maintain its own energy security. This situation has accelerated renewable energy investments in recent years. Renewable energy investments have been accelerated due to the feed-in tariff mechanism implemented in Turkey since 2005. Parallel to the content of the Paris Agreement, the implementation of an emission trading system and carbon tax policies have been widely in discussion in the last years by the Ministry of Environment, Urbanization and Climate Change and other relevant authorities in Türkiye. In this regard, the Ministry is undertaking a PMI with the assistance of the World Bank which is examining a carbon pricing mechanism either a tax or ETS. In addition, the Climate Council in which TSKB also participated organized by the Ministry in February 2022 had a specific working group for Green Finance and one of the topics of this working group was to facilitate transition finance for a green and low carbon economy in Türkiye. In addition, EU Parliament voted in favor of three climate laws: revision of existing EU ETS, CBAM, and Social Climate Fund as part of Fit for 55 in June 2022. After the political agreement between the Council and the European Parliament, CBAM was passed by the European Parliament and published in the Official Journal of the EU in May 2023. ETS and CBAM will shift the market for low-carbon alternatives and development in the long term. Moreover, the launch of the national ETS in Türkiye as an alternative/complementary scheme for the carbon border tax is expected to be announced in 2024 establishing a trading system to include emission-intensive sectors. In addition to that Türkiye has announced its updated NDC and committed to reduce its delta GHG emissions by 41% by 2030. Türkiye’s national ETS efforts are to be expected to accelerate to realize this more ambitious goal TSKB plans to be one of the leads in this green transition process as a development bank. As it is mentioned in the 2022 integrated annual report, 15% of Türkiye’s installed capacity of renewable energy is constituted from projects involved by TSKB.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
15000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Renewable energy is a crucial part of climate change mitigation. Renewable energy investments have surged in recent years with the declining cost of technology and established legislative promoting mechanisms. TSKB’s renewable energy loans attained a weight of around 35% within the total loan portfolio.

Recently announced regulatory incentives and new technological developments are likely to continue boosting renewable energy investments, contributing to TSKB’s financial strength. TSKB estimates that up to 2023, the potential for financing this area is about $300M. The net interest income from these investments is estimated at $15M annually.

Cost to realize opportunity
400000

Strategy to realize opportunity and explanation of cost calculation
TSKB, the first bank in Türkiye to grant a loan linked to environmental protection and industrial pollution control, started intensive renewable energy financing in the mid-2000s. The energy projects funded by TSKB range from hydroelectric power plants to solar, wind, biomass, and geothermal power plants. The total installed power of 404 projects that are involved by TSKB is 8,446 MW which represents 15% of Türkiye's total installed capacity in renewable energy. With these renewable energy projects, the Bank backs the acceleration of the transition to a low-carbon economy through the prevention of 13.2M tons of carbon emissions as of 2022. Moreover, TSKB has also supported EE and RE projects since 2013. The Bank has financed more than $1.1 bn to nearly 156 efficiency projects so far. In order to finance the aforementioned investments, TSKB provides international funds, most of which are aimed to use climate-friendly investments in order to mitigate global climate change. These funds are developed with the coordination of the development finance institutions (DFI) department.

Through this coordination, DFI Team closely works with Engineering, Financial and Technical Advisory, Corporate Marketing, and Project Finance Departments in order to manage the activities for better suitable fundraising and prompt utilization of medium to long-term funds from DFIs, international funds, developing customer relations and analyzing the investments for renewable energy. On behalf of TSKB, all of these departments have a vision of assessing, implementing, and financing sustainable energy investments. Having built in their daily business definitions, approximately $400K can be considered as the cost to manage all of these activities including inner capacity development, training, and market research.

Comment
Renewable energy is a crucial part of climate change mitigation. When considering regulatory developments and mitigation targets against transition risks, EE and RE projects are expected to grow in the near future with the effect of governmental incentives. In this regard, TSKB plans to grow its projects related to renewable energy investments. As a result, TSKB may expect about $300M per year of additional financing with a net interest income of about $15M on an annual basis from such activities.

Identifier
Opp6

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
According to the water risk report of Türkiye prepared by WWF, Türkiye will confront serious problems regarding water scarcity by 2030. In 2030, Türkiye is expected to have an annual water potential of 1,120 cubic meters per capita. Some regions of Türkiye are already faced with drought and water shortages due to the temperature increase. Therefore, the number of investments that are related to water efficiency and water desalination is expected to increase. Also, according to the 2022 Climate Change and Water Report (Türkiye Edition) which has published by CDP, “a significant number of companies (59%) discharge their water to a third-party destination without any treatment and 12% of companies discharge water to the natural environment without treatment. It is important that companies prioritize responsible wastewater management practices and invest in the necessary technologies and infrastructure to ensure that their operations do not harm the environment or public health. As a result of this, it is expected the total potential financial impact of the opportunities which are related to preventing water scarcity and making adaptation investments might be up to $5.21 bn.”

Türkiye relies on water resources that are under stress or at risk of depletion. Thus, many water-dependent companies will have to make necessary water-saving or wastewater management investments in the medium term to avoid any probable policy and legal risks. TSKB considers this as an opportunity that involves financing these new investments, increasing the number of clients, and developing new products for tackling climate change. In addition, this opportunity also gets more importance since water is also related to biodiversity which is one of the main focuses of TSKB. In this regard, as a development bank, TSKB plans to finance water efficiency projects as part of its mission to support Türkiye's sustainable development.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
500000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Efficiency investments are expected to gain more importance in the near future and TSKB has financed efficiency projects surpassing $1.1 bn so far. Note, The Bank targets to provide $8 bn of SDG-related finance to its clients in the next ten years. Considering that water intense sectors which include food and beverage, textile, thermal power plants, cement, mining and automotive constitute around 10.7% of the Bank's loan portfolio, it can be concluded that the operations of these firms can be affected by the absence of water. Additionally, the hydroelectric power generation sector which constitutes around 6.4% of the Bank's loan portfolio is also expected to be affected by water absence. Considering that precipitation may become irregular due to climate change in the future, as stated in IPCC reports, it is expected that investments in the area of water consumption reduction and desalination projects will gain momentum in the coming years. Thus, it could have resulted to create new investment opportunities of around $10M on an annual basis for TSKB. The net interest income impact from these new investments is estimated at $0.5M on an annual basis.

Cost to realize opportunity
50000

Strategy to realize opportunity and explanation of cost calculation
TSKB targets to finance water efficiency projects in order to protect natural resources. Especially engineering team of TSKB specifically studies these projects. Also, employees from various departments attend water efficiency training, panels, and summits related to water issues.

TSKB’s engineering team studies water scarcity issues. The marketing team is responsible for finding eligible water efficiency projects to finance such investments. Also, TSKB works on a project to secure water efficiency theme funds regarding climate mitigation projects from DFIs. The estimated cost of market and technical research allocated working hours is approximately $50K.

Comment
Türkiye is expected to confront serious problems regarding water scarcity by 2030 according to the latest studies. It means that there might be an increase in investments related to water consumption reduction and desalination projects. TSKB where water-intense sectors (incl. HEPP) constitute 17% of the loan portfolio may expect about $10M per year of additional financing with a net interest income of about $0,5M on an annual basis from water efficiency-related activities.

Identifier
Opp7

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Other, please specify (Development of new funding themes and access to new funding)

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
TSKB has been proceeding with its activities with the mission of being the pioneering bank in the sustainable growth of Türkiye and also climate change issues. This adopted manner has provided the opportunity to access as well as secure climate-specific loans. 91% of TSKB's loan portfolio consists of SDG-linked loans. These loans are developed to tackle climate change through mitigation and adaptation investments. Supporting the transition to a low-carbon economy and enlarging the green markets of Türkiye are at the top of TSKB's strategic priorities. In line with its strategy, TSKB has been in constant engagement with its stakeholders, including investors, International Financial Institutions, policymakers, NGOs, etc. As a result of these efforts, TSKB has gained a reputation and the opportunity that enables the Bank to access more environmentally responsible funding.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
550000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
TSKB has a wide range of sustainable products. The collaboration with stakeholders enables TSKB to access both climate-specific loans and investors in its long-term competitive success. Given the sustainability-themed funding base, TSKB will continue to support sustainable finance for its clients. Recent developments in ESG regulations especially in the adjacent countries mainly the EU, accelerate these efforts and enhance the importance of these themes. For this, TSKB is expected to raise nearly $550M in climate-related funding comprising DFI funding, alternative ESG loan agreements with FIs, and monitoring issuance opportunities in global capital markets under its Sustainable Finance Framework in 2023. Consequently, the weight of ESG loans within the funding base points to 80% levels as of YE-22.

On the other hand, with respect to its loan book, 91% of TSKB's loan portfolio consists of SDG-linked loans, and the ratio of climate-related loans in this ratio is 60%. TSKB has a target of financing $8 bn of SDG-linked investments between 2021-2030, and the Bank is committed to keeping the weight of the SDG-linked loans over 90% between 2021-2025. With its sustainable finance disbursements so far until YE-22, TSKB has fulfilled 30% of its long-term goal. TSKB expects a surge in the demand for its ESG products going forward with the regulations going into force gradually such as CBAM. Besides, thanks to our continuous relationships with DFIs and FIs, we spend dedicated efforts on capacity building in terms of following the latest trends and implementing the best practices with respect to sustainability and climate change issues.

Cost to realize opportunity
150000

Strategy to realize opportunity and explanation of cost calculation
TSKB has a well-structured Sustainability Management System (SMS) in which tasks and roles are defined clearly and distributed across different departments. The SMS is managed by the Sustainability Committee consisting of 4 board members, the CEO, and 2 executive vice presidents. The Sustainability Sub-Committee and its working groups assist the Sustainability Committee in achieving its targets. The developed know-how on sustainability issues, built technical capacity in assessments of climate-related benefits of the investments, and environmental and social impact assessment capability help the institution to construct new thematic loans.

Besides, all members of SMS play an important role in the management of SMS's activities. The System members, around 70 employees, create and/or support the basic management cost. It is approximately $150K as of 2022 which arises from the internal works, including man-hours of various department staff.

Comment
80% of TSKB's funding base is ESG linked whereas 91% of TSKB's loan portfolio consists of SDG-linked loans. To support the transition to a low-carbon economy and enlarge the green markets of Türkiye in line with our net zero commitment and SBTi approved targets, TSKB aims to maintain strong relationships with DFIs, FIs, and global ESG investor base to widen its sustainability and climate-themed funding in the coming years. For this issue, TSKB is expected to raise nearly $550M in climate-related funding comprising DFI funding and alternative ESG loan agreements with FIs in 2023.

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a climate transition plan that aligns with a 1.5°C world?

Row 1

Climate transition plan
Yes, we have a climate transition plan which aligns with a 1.5°C world

Publicly available climate transition plan
Yes

Mechanism by which feedback is collected from shareholders on your climate transition plan
Our climate transition plan is voted on at Annual General Meetings (AGMs)

Description of feedback mechanism
<Not Applicable>

Frequency of feedback collection
<Not Applicable>

Attach any relevant documents which detail your climate transition plan (optional)
Resolutions of General Assembly 2022
resolutions-of-general-assembly-2022.pdf

Explain why your organization does not have a climate transition plan that aligns with a 1.5°C world and any plans to develop one in the future
<Not Applicable>

Explain why climate-related risks and opportunities have not influenced your strategy
<Not Applicable>

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

	Use of climate-related scenario analysis to inform strategy	Primary reason why your organization does not use climate-related scenario analysis to inform its strategy	Explain why your organization does not use climate-related scenario analysis to inform its strategy and any plans to use it in the future
Row 1	Yes, qualitative and quantitative	<Not Applicable>	<Not Applicable>

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios IEA B2DS	Business activity	<Not Applicable>	The EU Green Deal published by the EU Commission in 2019 sets out the vision of the Union becoming carbon-neutral by 2050. This document has also proposed a carbon border adjustment mechanism (CBAM) as an option to avoid carbon leakage and protect the competitiveness of EU industries. After the political agreement between the Council and the European Parliament, CBAM was passed by the European Parliament and published in the Official Journal of the EU in May 2023. CBAM which applies six highly carbon-intensive sectors that are exposed to international trade including; aluminum, cement, iron and steel, electricity, hydrogen, and fertilizers will enter into force on October 2023. For the quantification of climate risks, TSKB conducted a case study to determine the potential financial impacts of CBAM on the cement industry. The cement portfolio study was carried out over two different CBAM pricing scenarios which were 75 and 150 EUR. In the study, the current financial and emission data of the companies were used as inputs. It has been seen that the companies' level of exposure to CBAM is directly related to their EBITDA size and their export rates to the EU. As a result of the analysis, in the scenario where the price was 75 EUR, it was observed that the EBITDA margin decreased by about 3-4% points. Also, in the scenario where the price was 150 EUR, EBITDA margin decreased by around 6-8% points. However, considering the low weight of the cement sector in the portfolio and the low export rate to the EU (~10%), the impact of CBAM on this sector will be limited. TSKB plans to keep studying the potential costs and revenues of climate-related risks and opportunities on the affected companies' EBITDA margins to consider the loan allocation and monitoring processes. Bank reviews the global carbon market prices, trends in carbon allowance conditions sectors by sector and science-based reports performed by international agencies. Moreover, TSKB loan assessment teams interview the clients to understand their company emission management approaches and potential climate-related investments. Bank carries out various studies as forecasting the annual carbon amount to be taxed and the price as a part of its detailed financial analysis of affected companies. Besides, TSKB intends to renew financial analysis yearly to track the trends on a company basis and improve engagement with the clients through financing and providing advisory services to their green transition plans.
Transition scenarios IEA NZE 2050	Business activity	<Not Applicable>	TSKB used the NZE 2050 scenario to set a long-term science-based target for the power generation sector. In addition, our clients' GHG reduction targets are checked against this scenario where applicable. Both intensity and absolute reduction targets can be obtained for power generation. Moreover, as part of TSKB's detailed technical and financial due-diligence process for its clients and their assets/projects for the potential investment or working capital loans, climate change-related transition risks are assessed by using 4 different parameters which are; direct emission costs, indirect emission costs, increase in CAPEX and revenue change. The clients' capacity to manage these transition risks is also considered during the assessment using the in-house tool developed by TSKB and Escarus named Climate Risk Evaluation Tool (CRET) for Transition Risks. Only a 1.5 oC scenario is used for the assessment with the CRET. The qualitative result of the transition risk assessment can vary between 0 and 5 and the corresponding quantitative results are categorized by TSKB as very low, low, low-medium, medium, medium-high, high, and very high risk. It should be noted that (for transition risks) adaptation capacity scores given for the clients or their assets/projects are mainly based on the review of the client's strategies and targets together with their low carbon transition plan, process, and technology utilized by the assets/projects, GHG emissions per unit product, etc.
Transition scenarios IEA B2DS	Business activity	<Not Applicable>	TSKB set science-based targets for corporate loan and bonds portfolio after assessment of temperature alignment against a wide range of end-of-century (2100) temperature outcomes, between 1.5 – 5°C. SBTi Finance Tool, which generates simple regression models for estimated warming in 2100 from climate scenarios with short, medium, and long-term trends in metrics like absolute emissions or emissions intensities has been used in the target-setting process. Regression models are generated based on scenarios in the IPCC Special Report on the 1.5°C scenario database. The tool provides an opportunity to carry out what/if analysis to understand and manage the effect of engagement with our clients. The possible scenarios used in the SBTi Finance Tool are: Scenario 1: All companies in the portfolio that did not yet set a valid target have been persuaded to set 2.0o Celsius (C) targets. This is simulated by changing all scores that used the default score to a score of 2.0o C. Scenario 2: All companies that already set targets are persuaded to set "Well Below 2.0o C (WB2C) targets. This is simulated by setting all scores of the companies that have valid targets to at most 1.75o C. Scenario 3: The top 10 contributors to the portfolio temperature score are persuaded to set 2.0o C targets. Scenario 3a: All top 10 contributors set 2.0o C targets. Scenario 3b: All top 10 contributors set WB2C, i.e. 1.75o C targets. Scenario 4: The user can specify which companies it wants to engage with to influence to set 2.0o C or WB2C targets. Scenario 4a: All companies that are marked as engagement targets set 2.0o C targets Scenario 4b: All companies that are marked as engagement targets set WB2C targets. After conducting all those analyses, TSKB focuses on accelerating its clients to reduce emissions significantly before 2030 and consequently move to net-zero emissions by 2050.
Physical climate scenarios RCP 4.5	Facility	<Not Applicable>	Physical climate risks are assessed by considering 9 different climate hazards including landslides, droughts, heavy rain and floods, wildfires, strong wind, heat waves, sea-level rise, water stress, and average temperature increase. Furthermore, the clients' adaptation capacity (at the facility level) to manage these physical risks is also considered during the loan assessment using the inhouse tool of TSKB named CRET for Physical Risks, which has been developed in collaboration with TSKB, Escarus, and external consultant team (from academia and climate scientists; as scientific data supplier). The qualitative result of the physical risk assessment can also vary between 0 and 5 and the corresponding quantitative results are categorized by TSKB as very low, low, medium, high, and very high risk. The physical risk assessment results are obtained for four different cases; including two climate scenarios (RCP4.5 and RCP8.5) and two time periods (2021-2040 and 2040-2060). It should be noted (for the physical risks) that adaptation capacity scores given for the clients or their assets/projects are mainly based on the review of the process and technology utilized by the assets/projects, location of the assets/projects, water usage per unit product, etc.
Physical climate scenarios RCP 8.5	Facility	<Not Applicable>	Physical climate risks are assessed by considering 9 different climate hazards including landslides, droughts, heavy rain and floods, wildfires, strong wind, heat waves, sea-level rise, water stress, and average temperature increase. Furthermore, the clients' adaptation capacity (at the facility level) to manage these physical risks is also considered during the assessment using the inhouse tool of TSKB named CRET for Physical Risks, which has been developed in collaboration with TSKB, Escarus, and external consultant team (from academia and climate scientists; as scientific data supplier). The qualitative result of the physical risk assessment can also vary between 0 and 5 and the corresponding quantitative results are categorized by TSKB as very low, low, medium, high, and very high risk. The physical risk assessment results are obtained for four different cases; including two climate scenarios (RCP4.5 and RCP8.5) and two time periods (2021-2040 and 2040-2060). It should be noted (for the physical risks) that adaptation capacity scores given for the clients or their assets/projects are mainly based on the review of the process and technology utilized by the assets/projects, the location of the assets/projects, and water usage per unit product, etc.

C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

TSKB conducts scenario analysis to make forward-looking assessments of climate-related physical and transition risks. In addition to the risks, TSKB believes that scenario analysis is an important and useful tool for assessing potential opportunities. For the physical risks, the frequency and severity of climate hazards (acute and chronic) are different depending on both scenarios (RCP4.5 and RCP8.5) and time periods (2021-2040 and 2040-2060) used. So, the main question is how the frequency and severity of climate hazards will change for a specific project and asset. Another important question is what is the level of the relevant project or assets' adaptation capacity to manage climate risks. As part of its climate risk evaluation process, TSKB makes an assessment by considering the adaptation capacity of clients' projects or assets for 9 climate hazards during the utilization of its CRET and identifies their general risk level in the above-mentioned scenarios and time periods. Based on the results, TSKB may request additional management plans. For example, for a company operating in the packaging sector, TSKB has requested the preparation of a Water Management Plan as a CP before disbursement since the water stress level was identified as high for the region in each scenario and time period where the client's facility is located. Besides, the client heavily relied on groundwater sources. For the transition risks, TSKB only utilizes the 1.5oC-aligned scenario, which corresponds to the worst case in terms of transition risks for the carbon-intensive sectors. TSKB also examines the clients'/projects' capacity to manage transition risks. Within this scope, a comparison of the technology with best practices is made, current GHG emissions (absolute and physical intensity) levels are checked, and the availability of a low carbon transition plan and GHG reduction targets are questioned. As a note, TSKB has set the principle that GHG and production data of clients are mandatory information collected from clients to be evaluated in the loan assessment process. GHG and production data availability and knowledge of clients' transition-related implementations and plans also helped TSKB to assess the Carbon Border Adjustment Mechanism's potential impact on the portfolio firms in the reporting year.

Results of the climate-related scenario analysis with respect to the focal questions

Climate-related risks in TSKB's portfolio were identified through a sector-based heat map as detailed in the TSKB's first Task Force on Climate-Related Financial Disclosures (TCFD) aligned Clima Risks Report published in 2021 which constitutes the basis of future scenario analysis studies. TSKB has also reinforced its climate risk scenario analysis through various case studies conducted in recent years. Regarding the transition risks, TSKB has focused on the potential impacts of carbon pricing-related implementations on its clients operating in carbon-intensive sectors including non-renewable energy, cement, iron, steel, aluminum, and fertilizer production. Carbon border adjustment mechanism (CBAM) which was proposed by The EU Green Deal as part of the "Fit for 55" package was passed by the European Parliament and was published in the Official Journal of the EU in May 2023. Other potential national regulations such as the Emissions Trading System (ETS) are also on the agenda of national policymakers. Considering the size of exports from Türkiye to EU countries, a study has been made by BRSA for five sectors with the inclusion of aluminum, cement, iron and steel, electricity, and fertilizers to evaluate the potential impacts of the first phase of the CBAM on the Turkish banking sector's credit portfolio at the first quarter of 2022. The evaluation results indicated that the increase in the NPL ratio of the banking sector which may be caused by the CBAM implementation at the first stage will be limited to 0.94 points for loans for the five sectors and 0.09 points for the total loan portfolio. However, it is considered that the said effects may increase significantly in the medium and long term. TSKB also participated in this study and achieved parallel results with the BRSA. TSKB has started to apply a transaction-based Climate Risk Evaluation Tool (CRET) for both physical and transition risks to make a deeper analysis to shape its strategy accordingly. In this regard, TSKB conducted a case study, which was also presented to the sustainability committee to determine the potential financial impacts of CBAM on the cement industry as of 2022. In the first scenario the CBAM price was accepted as 75 EUR while in the second scenario, the price was taken as 150 EUR. In the evaluation, the current financial data and emission data of the companies were used as inputs. As a result of the analysis, in the first scenario where the price was 75 EUR, it was observed that the EBITDA margins of the companies decreased by about 3-4% points. Moreover, in the second scenario where the price was 150 EUR, the decrease in the EBITDA margin was calculated to be around 6-8% points. In conclusion, considering the low weight of the cement sector in TSKB's portfolio and relatively low exports rate to the EU (around 10%), it is evaluated that the impact of CBAM on the solvency of the cement sector companies will be limited.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	SBTi Validated Targets and NZBA Commitment In 2022, we became a signatory of the NZBA and committed to aligning our loan and investment portfolio with net zero emission targets by 2050. During the same period, we submitted our targets to SBTi and granted approval in 2023. Being aware of the importance to act together to ensure a fair transition, we will continue to support our business partners in reducing their GHG emissions pursuant to our long-term targets. Climate and Environment-Focused Lending Portfolio According to our internally developed SDG Mapping Model, we set a long-term target to keep the share of loans contributing to climate and environment-focused SDGs in the total loan portfolio at 60% levels. As of YE-22 the loan portfolio contributing relevant SDGs account for 60%. Since 2002, we have been supporting renewable energy projects in Turkiye including hydroelectric, solar, wind, biomass, and geothermal power plants. As of YE-22 The total installed capacity of 388 projects that we are involved in financing is 8,312 MW, which represents 15% of Turkiye's total installed capacity in renewable energy. Also, within the scope of combatting climate change, we have declared that we will not finance greenfield coal-fired thermal power plants or coal mining investments for electricity generation purposes. Climate Change-Focused DFI Funding Agreements In 2022, we signed 5 different funding agreements with DFIs. More than 85% of the total amount was themed climate-focused. These are JBIC Green Loan ($220M), EBRD Green Economy Financing Loan (EUR 53.5M), AIIB Sustainable Energy and Infrastructure Loan ($200M), and AFD Circular Economy Loan (EUR 80M) finance the projects under such themes as renewable energy, energy efficiency, technologies that support the green economy, climate change mitigation and adaptation and circular economy, respectively. This funding structure directly affects our loan portfolio and supports its transition to a low-carbon economy. Starting from the negotiation process, loan agreements with pioneer DFIs also improve our technical capacity which nourishes loan allocation and monitoring mechanisms.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Supply chain and/or value chain	Yes	Double Materiality We are in constant communication and reciprocal engagement with our stakeholders. Every 2 years, we update our stakeholder and materiality analysis which is the one of important feedback mechanisms with both internal and external stakeholders. In 2022, we renewed the analysis with respect to the double materiality concept, to reflect also our impact on people and the planet. According to the analysis, the top 5 material issues are "Ethics, Compliance with the Laws, and Anti-Corruption", "Cyber Security and Data Privacy", "Sustainable Financial Performance", "Management of Climate Risks and Opportunities" and "Competent Human Capital". The outcomes of the analysis nourish and enlighten the long-term strategy of the Bank. Sustainable Workplace Practices In line with our Sustainable Procurements Management Policy, we give priority to working with responsible, ethical, reputable, and local suppliers who provide high-quality and affordable goods and services while performing its outsourcing activities. In this context, in 2022 we start to manage and upcycle the micro waste of coffee sediments collected at our buildings in collaboration with Wastespresso. Thus, we minimize carbon emissions caused by coffee wastes and support alternative inventions to plastics that remain nonbiodegradable in nature for a long time. Also, for more comprehensive sorting to manage wastes by minimizing them, we also placed biodegradable waste boxes for biological wastes in addition to boxes for batteries, papers, metals, glasses, plastics, and masks. Circular Economy At the end of 2022, we signed EUR 80M loan agreement with AFD for the purpose of financing the investments that directly serve the circular economy and support the companies aiming to develop circular economy practices. Both parties focus on the circular economy theme for the first time with this agreement. This new theme enables us to improve our technical capacity and also broaden our risk and opportunities point of view. Our relevant team members, including engineering, sales, and marketing, will be trained on the Circular economy. According to this agreement, we develop a methodology to assess the positive impacts of Circular Economy investments especially in terms of carbon footprint.
Investment in R&D	Yes	SBTi Approval As one of the first signatories of the SBTi, after the publication of the guideline for FIs, our work on setting emission reduction targets has accelerated. In 2021, we determined Scope 1&2 emission reduction targets by taking into account the 2020 GHG inventory, using the SBTi guidelines. Accordingly, we committed to reduce direct emissions by 63% until 2035 and to continue to provide 100% of our premises' electricity needs from renewable energy sources. In 2022, we submitted our targets to SBTi, and in July 2023, we obtained SBTi validation. We are the first development and investment bank in Turkey with SBTi approval. Our approved targets account for 53% of our total assets. Not only Scope 1&2 emissions but after a thorough analysis and engagement with the SBTi, we also set our Scope 3 targets that cover 70% of the total lending and investment portfolio. We committed to achieving a substantial reduction in GHG emissions such as 85% energy sector and 71% real estate sector. TCFD Phase 3 Banking Pilot Project As the only Turkish bank participating in TCFD Phase 3 working group, we are among the 47 banks contributing to the case studies, and sectoral analysis of climate risks assessment. The working group published 2 important reports: "The Climate Risk Tool Landscape: 2022 Supplement" and "Climate Tango: Principles for integrating physical and transition climate risk assessment with sectoral examples". The first report gives FI insights into the process, challenges, and outputs related to using selected climate risk tools through detailed case studies from 15 financial institutions. The second report produced with ClimateWise, explores the combined financial impact of physical and transition risks. It includes theoretical principles and practical steps for the implementation of an integrated assessment of physical and transition risks. Green Asset Ratio Studies Our Bank holds the position of chair of the TBA Sustainability WG. In 2022, WG worked on the Guideline of a Green Asset Ratio for the Turkish Banking System. Relevant WG members convened monthly with the BRSA officials. At each meeting, the green asset technical scanning criteria studies on a sectoral basis have been conducted by different member banks and an integrated set of rules was prepared in line with the EU Taxonomy and Turkish environment-related standards.
Operations	Yes	Environmental Impact Management We carry out all of our operations as per ISO 14001 and 14064-1 Standards. In 2021, we completed our training for compliance with the revised ISO 14064-1 standard published in 2018 and updated our greenhouse gas inventory in accordance with the requirements of the new standard. In this context, we thus calculated the impact of carbon-intensive industries in our portfolio, in other words, our financed emissions, in an end-to-end transparent manner for the first time in 2021. As of YE-22, the projects included in the calculation for financed emissions account for 8.4% of our total portfolio. ESG Risk Management We are dedicated to improving our internal ESG standards and procedures. In November 2022, we completed the update of our Bank's ESG Risk rating from Sustainalytics. Our ESG Risk Rating was determined as 7.9 which represents 5.6 points of improvement and uplift in the risk category "negligible risk." As of the date of publication, our Bank, which was ranked first among Turkish Banks, was ranked 12th among international development banks, 15th in the banking industry, and 60th among about 15K institutions evaluated by Sustainalytics. Climate Risks Evaluation Tool (CRET) In addition to the Environmental and Social Risk Evaluation Tool, we developed CRET to include climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model. Integration of ESG Perspective to the Performance Scorecards We restructure the performance assessment process and integrate the ESG perspective into the employees' scorecards. 2 sustainability KPIs, which one of is linked to our climate-focused loan portfolio, were included in the Bank's scorecard. To ensure the responsibility of the employees towards the sustainability focus of the Bank and create a collective engagement, we took further steps and include sustainability KPIs in each department's scorecards. These department-tailored KPIs are linked to the sustainability WGs' responsibilities and so create synergy and completeness in our value creation model.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Capital expenditures Acquisitions and divestments Access to capital Assets Liabilities Provisions or general reserves	TSKB defines climate risks and opportunities from the internationally-recognized perspective of physical risks and transition risks. From this point of view, it examines the risks and opportunities created by climate change within the organization in terms of direct and indirect effects. The Bank defines direct and indirect risks and opportunities in the short (<1 year), medium (1-5 years), and long term (>5 years) and analyses the effects of these risks and opportunities on the organization's activities, strategy, and financial structure. As part of physical and transition risks, the transition to a low-carbon economy is expected to present new opportunities for TSKB in the fields of financing, investment banking, and advisory services. Potential Impacts of the CBAM CBAM which was adopted in May 2023 by the European Commission as part of the "Fit for 55" package and is going to have an impact on the trade business between the EU countries and developing countries including Türkiye. Apart from existing environmental taxes, an additional tax is considered a burden that may increase the cost of Turkish export products and reduce their competitiveness. The launch of an emissions trading mechanism in Türkiye as a complementary element for the CBAM has been discussed in the reporting year as well. These two developments are expected to affect carbon-intensive sectors in TSKB's loan portfolio such as cement and iron and steel. TSKB has conducted various studies to analyze the risk on TSKB portfolio arising from expected additional OPEX on TSKB's clients' financials. Accordingly, the Bank annually calculates GHG emissions of carbon-intensive sector portfolio based on MRV reports received from clients and monitored the legislative developments regarding the implementation of a local ETS closely. Not only developments in Turkiye but also European sectoral GHG reports have been reviewed to analyze the resilience of sectors in terms of potential CBAM costs. In addition, several case studies have been conducted in the Bank regarding the proportion of vulnerable sectors within the portfolio and sectoral risks of carbon pricing for the case that an emission trading system would be put into practice. New Theme Development: Circular Economy Application of circular economy practices is still emergent with a global economy circularity index of only 7%. In 2022, in collaboration with AFD, we developed the circular economy loan theme to improve circular economy practices aiming at preserving all available resources by optimizing their use and that of the resulting products. In December 2022, TSKB and AFD signed a loan agreement in the amount of EUR 80M. According to this loan agreement, at least 10 companies will be accompanied during the change of their practices, and pilot investments will be financed. The circular economy is key to the transition to a low-carbon economy. Companies' carbon footprint will be reduced thanks to the implementation of innovative mitigation projects with a minimum target of avoiding 5,000 tonnes of CO_2 per year. The importance of the circular economy in the scope of climate finance will be strengthened, as well as the driving role of the financial sector to facilitate the development of the circular economy. Climate Change Focus on Funding Structure and Loan Portfolio In 2022, we signed 4 different climate focus loan agreements with DFIs to finance the projects under such themes as renewable energy, energy efficiency, technologies that support the green economy, climate change mitigation and adaptation, and circular economy, respectively. Additionally, in 2021, our Bank issued its 3rd sustainable bond. The proceed of this bond were allocated within the year 2022. As disclosed in the bond's Allocation and Impact Reporting, more than 65% of the disbursement was to green loans in 2022 allocations. Moreover, as of YE-22, TSKB has approximately $600M in non-withdrawn DFI funding which is totally climate and environment focus. This structure also shapes the Bank's loan portfolio. As of YE-22, 60% of the loan portfolio support climate and environment-focused SDGs. Business Continuity and Climate Adaptation and Mitigation Action Plans TSKB regularly studies the necessary action plans, under the Emergency and Contingency Plan, against both acute and chronic natural disaster events such as excessive rainfall, floods, drought, and earthquake. With the aim of ensuring business continuity and minimizing operational risks, we started the expansion process of TSKB Ankara Office. Gradual relocation of relevant department members is planned to begin in the second half of 2023. The budgeted cost of the project installation will be ~$0.9M. Efforts to strengthen the Bank's business continuity and resilience are coordinated by the Business Continuity Management Committee and the Building Operation and Administrative Affairs Unit. In 2022, a $39K expenditure was made in accordance with climate mitigation including replacement of existing fire extinguishing system gas with a more friendly one. Although the efforts have increased the Bank's costs, these steps taken to protect it from major disaster risks, in the long term, are important. Advisory Services Driving Role Türkiye's transition to a low-carbon economy requires restructuring of companies. This is expected to increase the demand for TSKB's climate-oriented advisory services. TSKB Sustainability Consultancy subsidiary Escarus, services of which are 100% sustainability empowerment oriented, has accomplished 36 projects which support the transition to a low-carbon economy in 2022. Capacity Development Project with the Turkish Ministry of Energy and Natural Resources The World Bank-funded project was carried out by an international consortium led by Escarus. Under the advisory services undertaken between 2021 and 2023, it was aimed to provide training courses on energy efficiency, ISO 50006, ISO 50015, measurement, and evaluation in order to improve the technical capacities of the Ministry personnel, energy service companies, and energy audit firms, to update the existing training materials of the Ministry on energy efficiency, and to improve the capacity of the training center. National Energy Efficiency Action Plan Preparatory Project Phase-I Through a project undertaken by Escarus in 2022, which aimed to achieve MENR for public consultation activities, a set of studies were carried out for data collection, and analysis as well as feed in the work for drafting the National Energy Efficiency Action Plan. Within the scope of the project, 8 workshops covering various sectors/areas (from agriculture to energy distribution, from municipality services to the manufacturing industry) in 6 cities in Turkey were organized. In the workshops round table discussions were organized, action proposals were collected based on the workshop subjects, and finally, a huge action/activities list was enlisted and elaborated.

C3.5

(C3.5) In your organization's financial accounting, do you identify spending/revenue that is aligned with your organization's climate transition?

	Identification of spending/revenue that is aligned with your organization's climate transition	Indicate the level at which you identify the alignment of your spending/revenue with a sustainable finance taxonomy
Row 1	Yes, we identify alignment with our climate transition plan	<Not Applicable>

C3.5a

(C3.5a) Quantify the percentage share of your spending/revenue that is aligned with your organization's climate transition.

Financial Metric
OPEX

Type of alignment being reported for this financial metric
Alignment with our climate transition plan

Taxonomy under which information is being reported
<Not Applicable>

Objective under which alignment is being reported
<Not Applicable>

Amount of selected financial metric that is aligned in the reporting year (unit currency as selected in C0.4)
39000

Percentage share of selected financial metric aligned in the reporting year (%)
1

Percentage share of selected financial metric planned to align in 2025 (%)
4

Percentage share of selected financial metric planned to align in 2030 (%)
4

Describe the methodology used to identify spending/revenue that is aligned
In TSKB's financial accounting, we identify our spending that is aligned with our climate transition plan. To calculate this alignment, we consider other operating expenses which stood at $4.1M at the end of 2022.

In light of our climate transition plan, we measure and report greenhouse gas emissions arising from our operations and lending activities and set strong targets for the reduction of greenhouse gas emissions. In this context, in 2021, we completed the change of the fire extinguishers in our buildings.

The 2022 spending that was linked to the climate transition plan was constituted mainly by the renovation of the air conditioning systems within the buildings and newly acquired hybrid cars. As of YE-22, 40% of our fleet is hybrid cars. Due to the inflationary environment size of OPEX increased. Thereby, the share of aligned spending decreased from 5.4% to %1.

According to our effective carbon management strategy, in the upcoming period, we will continue the infrastructure investments to be able to be in line with our targets. Also, we plan to replace our feet with new electric cars gradually until 2030. In addition, the increase in carbon pricing will cause an increase in our expenses within the scope of our offset works. Therefore, in the upcoming period, we foresee that our expenses for the transition to a low-carbon economy will be higher than 4% of OPEX.

C-FS3.6

(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?

	Policy framework for portfolio activities that include climate-related requirements for clients/investees, and/or exclusion policies	Explain why the policy framework for your portfolio activities do not include climate-related requirements for clients/investees, and/or exclusion policies
Row 1	Yes, our framework includes both policies with climate-related client/investee requirements and climate-related exclusion policies	<Not Applicable>

C-FS3.6a

(C-FS3.6a) Provide details of the policies which include climate-related requirements that clients/investees need to meet.

Portfolio
Banking (Bank)

Type of policy
Credit/lending policy
Policy related to other products and services
Engagement policy

Portfolio coverage of policy
100

Policy availability
Publicly available

Attach documents relevant to your policy
https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-sustainability-policy ;
https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Climate%20Change%20Mitigation%20and%20Adaptation%20Policy.pdf ;
https://sciencebasedtargets.org/resources/files/Target-language-and-summary_TSKB.pdf

Criteria required of clients/investees
Disclosure of Scope 1 emissions
Disclosure of Scope 2 emissions
Disclosure of Scope 3 emissions
Disclosure of product-related emissions
Set a science-based emissions reduction target
Set an emissions reduction target
Be on track to achieving a science-based emissions reduction target

Value chain stages of client/investee covered by criteria
Direct operations only

Timeframe for compliance with policy criteria
Clients/investees must be compliant within the next 5 years

Industry sectors covered by the policy
Energy
Materials
Capital Goods
Commercial & Professional Services
Transportation
Automobiles & Components
Consumer Durables & Apparel
Consumer Services
Retailing
Food & Staples Retailing
Food, Beverage & Tobacco
Household & Personal Products
Health Care Equipment & Services
Pharmaceuticals, Biotechnology & Life Sciences
Software & Services
Technology Hardware & Equipment
Semiconductors & Semiconductor Equipment
Telecommunication Services
Media & Entertainment
Utilities
Real Estate

Exceptions to policy based on
<Not Applicable>

Explain how criteria required, criteria coverage and/or exceptions have been determined
CRET Model
GHG emissions per unit product and having targets and a transition plan are considered within the scope of a climate risk assessment conducted by TSKB using its in-house tools named CRET for both physical and transition risks. Based on CRET results, TSKB engages with its clients and recommends developing a climate transition plan and develop GHG reduction targets. TSKB and its subsidiary Escarus also services to provide technical and sustainability consultancy to help its clients with GHG measuring, setting GHG reduction targets, and preparation of transition plans.
TSKB has requested verified GHG reports from its clients which are subject to national MRV Regulation since the beginning of 2021. In 2022, TSKB also started to collect activity data from its clients on their fossil fuel use and electricity generation as part of the Engineering Team's technical due diligence studies within the scope of the credit appraisal process. In 2021, TSKB also committed not to finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes.
Science-Based Targets
TSKB completed its near-term science-based targets setting and approval journey in July 2023 after long negotiations started in the reporting year. Two different methodologies were followed in developing science-based targets, which are the sectoral decarbonization approach (SDA) and temperature rating (TR) methods. TR method was used to set targets for long-term corporate loans, except for energy generation and real estate sectors. The temperature score of the base year, 2021, is calculated through SBTi Finance Tool which takes into consideration the client’s publicly available GHG data, including annual GHG emissions, available reduction targets, targets performance, etc. As a result, TSKB committed to decreasing its scope 1&2 portfolio temperature score from 3.2°C to 2.74°C and its scope 1&2& 3 portfolio temperature score from 3.2°C to 2.82°C by 2027. In order to reach the mentioned target TSKB is committed to engaging with clients to encourage them to measure and disclose GHG emissions, set ambitious GHG emission reduction targets, and disclose the performance on an annual basis.
Exclusion List
https://www.tskb.com.tr/uploads/file/list-of-activities-that-are-not-to-be-financed-annex-1.pdf
Greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes (as committed in our first Climate Risk Report).

C-FS3.6b

(C-FS3.6b) Provide details of your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Portfolio
Banking (Bank)

Type of exclusion policy
All Coal
Coal mining
Other, please specify (As of YE-22, there are no projects from the following sectors in our loan portfolio: Mountaintop removal mining, Oil from tar sands and shale, Gas from shale, Arctic oil and gas, Ultra-deepwater oil and gas, Fracked oil and gas, Liquified natural gas)

Year of exclusion implementation
2021

Timeframe for complete phase-out
Other, please explain (In 2022, TSKB committed to align its loan and investment portfolio with zero-emission targets by 2050 through becoming a signatory of the Net-Zero Banking Alliance. TSKB will be working on phasing out coal.)

Application
New business/investment for new projects

Country/Area/Region the exclusion policy applies to
Turkey

Description
As we declared in the Climate Risk Report published in 2021, we commit not to finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes.

Also, we aim to limit the share of power plants generating electricity from non-renewable resources within our Bank's entire loan portfolio to 5%. As of YE-22, the share was 3.5%.

In 2022, TSKB became a signatory of the Net-Zero Banking Alliance, established by the UNEP FI. TSKB has committed to aligning its loan and investment portfolio with zero-emission targets by 2050 and will support its business partners and customers in reducing carbon emissions. TSKB set its science-based targets as the first step to achieve this commitment in 2023 after a thorough analysis process with SBTi starting in 2022.

In addition, we have a list of activities in which we do not directly involve financing. The list includes the themes and sectors that we commit not to finance in line with our ESG perspective and our Sustainability Policy. The list is publicly disclosed on our website.

C-FS3.8

(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?

	Climate-related covenants in financing agreements	Primary reason for not including climate-related covenants in financing agreements	Explain why your organization does not include climate-related covenants in financing agreements and your plans for the future
Row 1	Yes	<Not Applicable>	<Not Applicable>

C-FS3.8a

(C-FS3.8a) Provide details of the covenants included in your organization’s financing agreements to reflect and enforce your climate-related policies.

Types of covenants used	Asset class/product types	Coverage of covenants	Please explain
Purpose or use of proceeds clause refers to sustainable project Margin or pricing depends on sustainability criteria Legal mandate to obtain third party verification Covenants related to compliance with your policies	Corporate loans Trade finance Project finance	All business/investment for all projects	Funding Structure Funding through DFIs, which is disbursed in a “use of proceeds” approach, accounts for almost 70% of the funding structure of TSKB, being one of the well-known banks in the international markets. Recently we signed EUR 100M worth of climate finance loan agreement with KfW. This loan is the first transaction under the memorandum of understanding signed in 2022 between Türkiye and development partners, including KfW, to help Türkiye achieve the SDGs and fulfill its international commitments under the Paris Climate Agreement. Each DFI loan agreement has its own methodologies and covenants related to the respective theme. In line with the requirements of the agreement, the information and documents we request from our customers are followed up by our engineering team, and if necessary, independent third-party opinions are taken. In addition to DFI funding, we secure sustainability-linked syndicated loans every year, since 2020. 3 different sustainability KPIs we set with our sustainability coordinators determine the margin of the loan. With the achievement of these targets, we succeed in 2.5 bps of margin reduction. Moreover, the projects financed via our green/sustainable bonds have additional requirements in line with our Sustainable Finance Framework. Loan Portfolio In 2020, we implemented the SDG Loan Model developed with Escarus. In this context, with the SDG Evaluation Tool, the performance of companies in the social, economic, and environmental areas is evaluated and action plans are determined. In the final stage, companies are offered improved financing costs depending on their assessed impacts. CRET in addition to our ERET Model With the CRET, the pilot applications of which started in 2021 and were put into operation in 2022, we have included climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. We aim to detect climate-related risks at an early stage and reduce the negative financial effects of these risks. The development of this model is also considered an important step in the process of integrating climate change-related risks into our loan processes. In the next stage, we aim to integrate the risk score model outputs into our internal rating model to observe the marginal impact realized and this is aimed to be noted as a shadow rating.

C4. Targets and performance

C4.1

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

C4.1a

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

Target reference number
Abs 2

Is this a science-based target?
Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

Target ambition
1.5°C aligned

Year target was set
2022

Target coverage
Company-wide

Scope(s)
Scope 1

Scope 2 accounting method
<Not Applicable>

Scope 3 category(ies)
<Not Applicable>

Base year
2021

Base year Scope 1 emissions covered by target (metric tons CO2e)
449

Base year Scope 2 emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 7: Employee commuting emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year total Scope 3 emissions covered by target (metric tons CO2e)
<Not Applicable>

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)
449

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1
100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2
<Not Applicable>

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target as % of total base year emissions in Scope 3, Category 1: Purchased goods and services (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target as % of total base year emissions in Scope 3, Category 2: Capital goods (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target as % of total base year emissions in Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution covered by target as % of total base year emissions in Scope 3, Category 4: Upstream transportation and distribution (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target as % of total base year emissions in Scope 3, Category 5: Waste generated in operations (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target as % of total base year emissions in Scope 3, Category 6: Business travel (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 7: Employee commuting covered by target as % of total base year emissions in Scope 3, Category 7: Employee commuting (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 8: Upstream leased assets (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target as % of total base year emissions in Scope 3, Category 9: Downstream transportation and distribution (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 10: Processing of sold products (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 11: Use of sold products (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 12: End-of-life treatment of sold products (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 13: Downstream leased assets (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target as % of total base year emissions in Scope 3, Category 14: Franchises (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target as % of total base year emissions in Scope 3, Category 15: Investments (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target as % of total base year emissions in Scope 3, Other (upstream) (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target as % of total base year emissions in Scope 3, Other (downstream) (metric tons CO2e)
<Not Applicable>

Base year total Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)
<Not Applicable>

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes
100

Target year
2035

Targeted reduction from base year (%)
58.8

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]
184.988

Scope 1 emissions in reporting year covered by target (metric tons CO2e)
411

Scope 2 emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 1: Purchased goods and services emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 2: Capital goods emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 4: Upstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 5: Waste generated in operations emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 6: Business travel emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 7: Employee commuting emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 8: Upstream leased assets emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 9: Downstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 10: Processing of sold products emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 11: Use of sold products emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 12: End-of-life treatment of sold products emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 13: Downstream leased assets emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 14: Franchises emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 15: Investments emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Other (upstream) emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Other (downstream) emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Total Scope 3 emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)
411

Does this target cover any land-related emissions?
No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

% of target achieved relative to base year [auto-calculated]
14.3932851537051

Target status in reporting year
Replaced

Please explain target coverage and identify any exclusions
In 2022, the Abs2 entitled target was revised within the scope of the negotiations with the SBTi team. As of July 2023, TSKB has had its SBTi targets approved and reported as Abs5 in the following row.

Plan for achieving target, and progress made to the end of the reporting year

<Not Applicable>

List the emissions reduction initiatives which contributed most to achieving this target
<Not Applicable>

Target reference number
Abs 5

Is this a science-based target?
Yes, and this target has been approved by the Science Based Targets initiative

Target ambition
1.5°C aligned

Year target was set
2022

Target coverage
Company-wide

Scope(s)
Scope 1

Scope 2 accounting method
<Not Applicable>

Scope 3 category(ies)
<Not Applicable>

Base year
2021

Base year Scope 1 emissions covered by target (metric tons CO2e)
449

Base year Scope 2 emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 7: Employee commuting emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target (metric tons CO2e)
<Not Applicable>

Base year total Scope 3 emissions covered by target (metric tons CO2e)
<Not Applicable>

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)
449

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1
100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2
<Not Applicable>

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target as % of total base year emissions in Scope 3, Category 1: Purchased goods and services (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target as % of total base year emissions in Scope 3, Category 2: Capital goods (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target as % of total base year emissions in Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution covered by target as % of total base year emissions in Scope 3, Category 4: Upstream transportation and distribution (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target as % of total base year emissions in Scope 3, Category 5: Waste generated in operations (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target as % of total base year emissions in Scope 3, Category 6: Business travel (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 7: Employee commuting covered by target as % of total base year emissions in Scope 3, Category 7: Employee commuting (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 8: Upstream leased assets (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target as % of total base year emissions in Scope 3, Category 9: Downstream transportation and distribution (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 10: Processing of sold products (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 11: Use of sold products (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 12: End-of-life treatment of sold products (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 13: Downstream leased assets (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target as % of total base year emissions in Scope 3, Category 14: Franchises (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target as % of total base year emissions in Scope 3, Category 15: Investments (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target as % of total base year emissions in Scope 3, Other (upstream) (metric tons CO2e)
<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target as % of total base year emissions in Scope 3, Other (downstream) (metric tons CO2e)
<Not Applicable>

Base year total Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)
<Not Applicable>

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes
100

Target year
2035

Targeted reduction from base year (%)
63

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]
166.13

Scope 1 emissions in reporting year covered by target (metric tons CO2e)
411

Scope 2 emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 1: Purchased goods and services emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 2: Capital goods emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 4: Upstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 5: Waste generated in operations emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 6: Business travel emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 7: Employee commuting emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 8: Upstream leased assets emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 9: Downstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 10: Processing of sold products emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 11: Use of sold products emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 12: End-of-life treatment of sold products emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 13: Downstream leased assets emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 14: Franchises emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Category 15: Investments emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Other (upstream) emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Scope 3, Other (downstream) emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Total Scope 3 emissions in reporting year covered by target (metric tons CO2e)
<Not Applicable>

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)
411

Does this target cover any land-related emissions?
No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

% of target achieved relative to base year [auto-calculated]
13.4337328101248

Target status in reporting year
New

Please explain target coverage and identify any exclusions
TSKB calculates and validates its GHG emissions arising from operational activities conducted in its Head Quarter since 2012. GHG inventory does not cover the Ankara office due to its ignorable, small footprint. TSKB commits to reducing its absolute Scope 1 GHG emissions by 63% by 2035 from a 2021 base year, which has been calculated by SBTi v2.1.2 tool developed for the Absolute Contraction method.
In 2022, previously reported the Abs2 target was revised within the scope of the negotiations with the Science Based Targets initiative validation team. As of July 2023, TSKB's Science-Based Greenhouse Gas Emissions Reduction Targets approved by SBTi and this scope 1 target is defined as Abs5. Please note that Scope 1 emissions were calculated as 411 tons/year and a 8.46% reduction has been achieved in the reporting year. It succeeded through the implementation of TSKB's emission reduction plan developed in parallel with target-setting studies.

Plan for achieving target, and progress made to the end of the reporting year
TSKB commits to reducing absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which is approved by SBTi. There are four action areas in order to achieve our target:
1) Modernization investment for fire extinguishing system. It includes changing the clean agent which has a very high GWP (from FM200 to Novec1230) which will cause a reduction in Scope-1 GHG emissions
2) New investment in company cars. It includes changing the existing diesel-fueled cars. In the early stages, TSKB will procure hybrid cars, later on, TSKB will procure electric cars. This change will cause a reduction in diesel consumption-related emissions and Scope-1 GHG emissions accordingly.
3) Modernization investment in natural gas burning (boiler) systems. It includes energy efficiency on a unit basis that will cause a reduction in Scope-1 GHG emissions.
4) Assessment of Modernization investment in cooling systems (chiller and air conditioners) after monitoring of the current performances.

4.a) For the chiller it includes changing the cooling gases which have very high GWP that will cause a reduction in Scope-1 GHG emissions; moreover, it includes energy efficiency on a unit basis that will cause a reduction in electricity consumption and Scope-2 location-based GHG emissions accordingly.
4.b) For air conditioners, it includes changing the cooling gases which have very high GWP which will cause a reduction in Scope-1 GHG emissions
Following the TSKB Commitment, the investments and procurements made in 2021 and 2022 are listed below:
A) Investment of fire extinguisher system; 9 of the 11 FM200 used-fire extinguishing systems were completed at the end of 2021 and a total of 1546 kilograms of FM200 gas was transferred to Novec1230. TSKB continues investment for other Novec1230 systems.
B) Procurement of company cars; all rental cars of TSKB which are diesel-fueled cars, have been replaced by hybrid cars.

List the emissions reduction initiatives which contributed most to achieving this target
<Not Applicable>

C-FS4.1d

(C-FS4.1d) Provide details of the climate-related targets for your portfolio.

Target reference number
Por1

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Corporate loans

Sectors covered by the target
Other, please specify (All sectors except electricity generation and real estate)

Target type
Portfolio temperature alignment

Target type: Absolute or intensity
<Not Applicable>

Scopes included in temperature alignment
Scope 1 + 2

Metric (or target numerator if intensity)
Degrees of warming

Target denominator
<Not Applicable>

Base year
2021

Figure in base year
3.2

Percentage of portfolio emissions covered by the target
50

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
29.54

Frequency of target reviews
Annually

Interim target year
2027

Figure in interim target year
2.74

Target year
2027

Figure in target year
2.74

Figure in reporting year
3.2

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
Weighted average temperature score (WATS)

Proportion of portfolio emissions calculated in the reporting year based on asset level data
<Not Applicable>

Proportion of the temperature score calculated in the reporting year based on company targets

0

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
Well-below 2°C aligned

Please explain target coverage and identify any exclusions
TSKB believes that incentivizing customers to make a positive change is the main duty of financial sector players in the transition to a net-zero economy. Accordingly, TSKB followed SBTi's Temperature Rating method in setting science-based targets for corporate loans: other sectors asset class. The temperature score of the base year, 2021, is calculated by SBTi Finance Tool which takes into consideration the Client's publicly available GHG data, including annual GHG emissions, available reduction targets, targets performance, etc. The target covers 100% of fossil fuel companies and 67% of the remaining sector companies as per SBTi's minimum requirements. The asset class constitutes 29.54% of TSKB's total lending and investment portfolio (reported as the Percentage of portfolio covered by the target, using a monetary metric) for the base year, 2021. Mentioned asset class emission represents 50% of the entire portfolio emissions (reported as the Proportion of portfolio emissions calculated in the reporting year based on asset level data) when TSKB portfolio is compared with Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA. Since SBTi approval process for the target was completed in July 2023, it is planned to report the first target performance in the next year.

Target reference number
Por2

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Corporate loans

Sectors covered by the target
Other, please specify (All sectors except electricity generation and real estate)

Target type
Portfolio temperature alignment

Target type: Absolute or intensity
<Not Applicable>

Scopes included in temperature alignment
Scope 1 + 2 + 3

Metric (or target numerator if intensity)
Degrees of warming

Target denominator
<Not Applicable>

Base year
2021

Figure in base year
3.2

Percentage of portfolio emissions covered by the target
50

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
29.54

Frequency of target reviews
Annually

Interim target year
2027

Figure in interim target year
2.82

Target year
2027

Figure in target year
2.82

Figure in reporting year
3.2

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
Weighted average temperature score (WATS)

Proportion of portfolio emissions calculated in the reporting year based on asset level data

<Not Applicable>

Proportion of the temperature score calculated in the reporting year based on company targets
0

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
Well-below 2°C aligned

Please explain target coverage and identify any exclusions
TSKB believes that incentivizing customers to make a positive change is the main duty of financial sector players in the transition to a net-zero economy. Accordingly, TSKB followed SBTi's Temperature Rating method in setting science-based targets for corporate loans: other sectors asset class. The temperature score of the base year, 2021, is calculated by SBTi Finance Tool which takes into consideration the Client's publicly available GHG data, including annual GHG emissions, available reduction targets, targets performance, etc. The target covers 100% of fossil fuel companies and 67% of the remaining sector companies as per SBTi's minimum requirements. The asset class constitutes Corporate loan: other sectors' asset class covers 29.54% of TSKB's total lending and investment portfolio (reported as the Percentage of portfolio covered by the target, using a monetary metric) for the base year, 2021. Mentioned asset class emission represents 50% of the entire portfolio emissions (reported as the Proportion of portfolio emissions calculated in the reporting year based on asset level data) when TSKB portfolio is compared with Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA. Since SBTi approval process for the target was completed in July 2023, it is planned to report the first target performance in the next year.

Target reference number
Por3

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Other, please specify (Corporate bonds)

Sectors covered by the target
All sectors

Target type
Portfolio temperature alignment

Target type: Absolute or intensity
<Not Applicable>

Scopes included in temperature alignment
Scope 1 + 2

Metric (or target numerator if intensity)
Degrees of warming

Target denominator
<Not Applicable>

Base year
2021

Figure in base year
2.57

Percentage of portfolio emissions covered by the target
1

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
0.3

Frequency of target reviews
Annually

Interim target year
2027

Figure in interim target year
2.31

Target year
2027

Figure in target year
2.31

Figure in reporting year
2.57

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
Weighted average temperature score (WATS)

Proportion of portfolio emissions calculated in the reporting year based on asset level data
<Not Applicable>

Proportion of the temperature score calculated in the reporting year based on company targets
0

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
Well-below 2°C aligned

Please explain target coverage and identify any exclusions
TSKB believes that incentivising customers to make a positive change is main duty of financial sector players in transition to a net-zero economy. Accordingly, TSKB followed SBTi's Temperature Rating method in setting its science-based targets for corporate bonds asset class. The temperature score of the base year, 2021, is calculated by SBTi Finance Tool which takes into consideration Client's publicly available GHG data, including annual GHG emissions, available reduction targets, targets performance, etc. Corporate bond class covers all listed private sector companies as per SBTi's requirement. The asset class constitutes 0.3% of TSKB's total lending and investment portfolio (reported as Percentage of portfolio covered by the target, using a monetary metric) of base year, 2021. It is assumed that mentioned asset class emission represents 1% of the entire portfolio emissions (reported as Proportion of portfolio emissions calculated in the reporting year based on asset level data) due the investment amount is so small in the balance sheet of TSKB. Since SBTi approval process for the target was completed in July 2023, it is planned to report first target performance in next year.

Target reference number
Por4

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Other, please specify (Corporate bonds)

Sectors covered by the target
Banks

Target type
Portfolio temperature alignment

Target type: Absolute or intensity
<Not Applicable>

Scopes included in temperature alignment
Scope 1 + 2 + 3

Metric (or target numerator if intensity)
Degrees of warming

Target denominator
<Not Applicable>

Base year
2021

Figure in base year
2.86

Percentage of portfolio emissions covered by the target
1

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
0.3

Frequency of target reviews
Annually

Interim target year
2027

Figure in interim target year
2.59

Target year
2027

Figure in target year
2.59

Figure in reporting year
2.86

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
Weighted average temperature score (WATS)

Proportion of portfolio emissions calculated in the reporting year based on asset level data
<Not Applicable>

Proportion of the temperature score calculated in the reporting year based on company targets
0

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
Well-below 2°C aligned

Please explain target coverage and identify any exclusions
TSKB believes that incentivizing customers to make a positive change is the main duty of financial sector players in the transition to a net-zero economy. Accordingly, TSKB followed SBTi's Temperature Rating method in setting its science-based targets for the corporate bonds asset class. The temperature score of the base year, 2021, is calculated by SBTi Finance Tool which takes into consideration the Client's publicly available GHG data, including annual GHG emissions, available reduction targets, targets performance, etc. The corporate bond class covers all listed private sector companies as per SBTi's requirement. The asset class constitutes 0.3% of TSKB's total lending and investment portfolio (reported as the Percentage of the portfolio covered by the target, using a monetary metric) for the base year, 2021. It is assumed that mentioned asset class emission represents 1% of the entire portfolio emissions (reported as the Proportion of portfolio emissions calculated in the reporting year based on asset level data) due to the investment amount being so small in the balance sheet of TSKB. Since SBTi approval process for the target was completed in July 2023, it is planned to report the first target performance in the next year.

Target reference number
Por5

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Project finance

Sectors covered by the target
Other, please specify (Electricity generation)

Target type
Sector Decarbonization Approach (SDA)

Target type: Absolute or intensity
Intensity

Scopes included in temperature alignment
<Not Applicable>

Metric (or target numerator if intensity)
Metric tons CO2e

Target denominator
Other, please specify (MWh)

Base year
2021

Figure in base year
0.228

Percentage of portfolio emissions covered by the target
44

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
26.52

Frequency of target reviews
Annually

Interim target year
2035

Figure in interim target year
0.033

Target year
2035

Figure in target year
0.033

Figure in reporting year
0.228

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
<Not Applicable>

Proportion of portfolio emissions calculated in the reporting year based on asset level data
0

Proportion of the temperature score calculated in the reporting year based on company targets
<Not Applicable>

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
1.5°C aligned

Please explain target coverage and identify any exclusions
TSKB measures and publishes its financed emissions for the last 2 years on an annual basis in its Integrated Annual Report. In July 2023, it obtained its science-based targets approval from SBTi. Financed clients, which are operating in carbon-intensive sectors (non-renewable power generation, cement, aluminum, and iron-steel sectors) and have provided their verified MRV reports of their plants to TSKB, have been considered while calculating the "financed emissions" of TSKB. Moreover, TSKB calculated real estate sector emissions of its portfolio during science-based targets setting and approval processes.
Two different methodologies were followed in developing science-based targets, which are the Sectoral Decarbonization Approach (SDA) and Temperature Rating (TR) methods. Not only the calculation of financed emissions but also sectoral carbon intensity figures became crucial when using the SDA method. TSKB calculated GHG emissions stemming from electricity generation loans as described above in order to identify the carbon intensity of this part of the portfolio. Thanks to SBTi Tool v2.1.2 for the Sectoral Decarbonization Approach method, TSKB defined electricity generation sector science-based targets for project finance and corporate loans independently. The Electricity Generation Project Finance asset class covers 26.52% of TSKB's total lending and investment portfolio of base year, 2021. Mentioned asset class emission represents 44% of the entire portfolio emissions (reported as the Proportion of portfolio emissions calculated in the reporting year based on asset level data) when TSKB portfolio is compared with Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA. Since SBTi approval process for the target was completed in July 2023, it is planned to report the first target performance in the next year.

Target reference number
Por6

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Corporate loans

Sectors covered by the target
Other, please specify (Electricity generation)

Target type
Sector Decarbonization Approach (SDA)

Target type: Absolute or intensity
Intensity

Scopes included in temperature alignment
<Not Applicable>

Metric (or target numerator if intensity)
Metric tons CO2e

Target denominator
Other, please specify (MWh)

Base year
2021

Figure in base year
0.838

Percentage of portfolio emissions covered by the target
4

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
2.97

Frequency of target reviews
Annually

Interim target year
2035

Figure in interim target year

0.12

Target year
2035

Figure in target year
0.12

Figure in reporting year
0.838

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
<Not Applicable>

Proportion of portfolio emissions calculated in the reporting year based on asset level data
0

Proportion of the temperature score calculated in the reporting year based on company targets
<Not Applicable>

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
1.5°C aligned

Please explain target coverage and identify any exclusions
TSKB measures and publishes its financed emissions for the last 2 years on an annual basis in its Integrated Annual Report. In July 2023, it obtained its science-based targets approval from SBTi. Financed clients, which are operating in carbon-intensive sectors (non-renewable power generation, cement, aluminum, and iron-steel sectors) and have provided their verified MRV reports of their plants to TSKB, have been considered while calculating the “financed emissions” of TSKB. Moreover, TSKB calculated real estate sector emissions of its portfolio during science-based targets setting and approval processes.
Two different methodologies were followed in developing science-based targets, which are the Sectoral Decarbonization Approach (SDA) and Temperature Rating (TR) methods. Not only the calculation of financed emissions but also sectoral carbon intensity figures became crucial when using the SDA method. TSKB calculated GHG emissions stemming from electricity generation loans as described above in order to identify the carbon intensity of this part of the portfolio. Thanks to SBTi Tool v2.1.2 for the Sectoral Decarbonization Approach method, TSKB defined electricity generation sector science-based targets for project finance and corporate loans independently.
The Electricity Generation Project Finance asset class covers 2.97% of TSKB's total lending and investment portfolio for the base year, 2021. Mentioned asset class emission represents 4% of the entire portfolio emissions (reported as the Proportion of portfolio emissions calculated in the reporting year based on asset level data) when TSKB portfolio is compared with Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA. Since SBTi approval process for the target was completed in July 2023, it is planned to report first target performance in the next year.

Target reference number
Por7

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Other, please specify (Corporate loans: Real estate)

Sectors covered by the target
Real estate

Target type
Sector Decarbonization Approach (SDA)

Target type: Absolute or intensity
Intensity

Scopes included in temperature alignment
<Not Applicable>

Metric (or target numerator if intensity)
Metric tons CO2e

Target denominator
Meters squared

Base year
2021

Figure in base year
0.21

Percentage of portfolio emissions covered by the target
1

Monetary metric for portfolio coverage (unit currency as reported in C0.4)
Loan book value

Percentage of portfolio covered by the target, using a monetary metric
1.88

Frequency of target reviews
Annually

Interim target year
2035

Figure in interim target year
0.062

Target year
2035

Figure in target year
0.062

Figure in reporting year
0.21

% of target achieved relative to base year [auto-calculated]
0

Aggregation weighting used
<Not Applicable>

Proportion of portfolio emissions calculated in the reporting year based on asset level data
0

Proportion of the temperature score calculated in the reporting year based on company targets
<Not Applicable>

Target status in reporting year
New

Is this a science-based target?
Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition
Well-below 2°C aligned

Please explain target coverage and identify any exclusions
TSKB measures and publishes its financed emissions for the last 2 years on an annual basis in its Integrated Annual Report. In July 2023, it obtained its science-based targets approval from SBTi. Financed clients, which are operating in carbon-intensive sectors (non-renewable power generation, cement, aluminum, and iron-steel sectors) and have provided their verified MRV reports of their plants to TSKB, have been considered while calculating the "financed emissions" of TSKB. Moreover, TSKB calculated real estate sector emissions of its portfolio during science-based targets setting and approval processes.
Two different methodologies were followed in developing science-based targets, which are the Sectoral Decarbonization Approach (SDA) and Temperature Rating (TR) methods. Not only the calculation of financed emissions but also sectoral carbon intensity figures became crucial when using the SDA method. TSKB calculated GHG emissions stemming from real estate corporate loans as described above in order to identify the carbon intensity of this part of the portfolio. Thanks to SBTi Tool v2.1.2 for the Sectoral Decarbonization Approach method, TSKB defined the real estate sector science-based target accordingly.
Corporate loans for the Real estate sector asset class cover 1.88% of TSKB's total lending and investment portfolio of base year, 2021. Mentioned asset class emission represents 1% of the entire portfolio emissions (reported as the Proportion of portfolio emissions calculated in the reporting year based on asset level data) when TSKB portfolio is compared with Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA. Since SBTi approval process for the target was completed in July 2023, it is planned to report first target performance in the next year.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?
Target(s) to increase low-carbon energy consumption or production
Other climate-related target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number
Low 2

Year target was set
2023

Target coverage
Company-wide

Target type: energy carrier
Electricity

Target type: activity
Consumption

Target type: energy source
Renewable energy source(s) only

Base year
2021

Consumption or production of selected energy carrier in base year (MWh)
1013307

% share of low-carbon or renewable energy in base year
0

Target year
2030

% share of low-carbon or renewable energy in target year
100

% share of low-carbon or renewable energy in reporting year
100

% of target achieved relative to base year [auto-calculated]
100

Target status in reporting year
Achieved

Is this target part of an emissions target?
TSKB uses green electricity from renewable power plants in order to offset its Scope 2 emissions since 2009.
TSKB committed to continuing to provide 100% of the premises' electricity needs from renewable energy sources through 2035 from the base year 2021. TSKB has been consuming green electricity which is produced from renewable energy production plants and sourcing 100% electricity from an I-REC-certified renewable energy power plant of the renewable energy company of Aydem Renewable Energy since 2020. Thus, TSKB has been continuing 0 (zero) Scope 2 greenhouse gas emission practice as market-based.
In 2022, the previously reported "Low1" target was revised within the scope of the negotiations with the Science Based Targets initiative validation team. As of July 2023, TSKB's Science-Based Greenhouse Gas Emissions Reduction Targets were approved by SBTi, by setting the target year as 2030, and this target is entitled in the CDP report as "Low2".

Is this target part of an overarching initiative?
Science Based Targets initiative

Please explain target coverage and identify any exclusions
Please note that our subsidiaries' main offices are also located in the TSKB buildings in Istanbul. The latest GHG inventory of TSKB also includes the subsidiaries' related stationary combustion, mobile combustion, electricity consumption, and fugitive emissions-related GHG emissions since the buildings and cars are controlled by TSKB. It should be noted that there are also (with a limited number of) small offices outside Istanbul used by our subsidiaries with a limited number of workers:

• TSKB Gayrimenkul Değerleme (Real Estate Appraisal Services)
• TSKB Gayrimenkul Yatırım Ortaklığı (Real Estate Investment Trust) (Asset management company)
• Yatırım Finansman (Capital Markets Brokerage house and financial consultancy services)

The small offices used by these subsidiaries are excluded due to difficulties in data collection and monitoring.

This target was an annual company target. Because of that reason, the target set year, base year, and target year were disclosed as 2022. The figure in the base year was written the same as the figure in the target year and reporting year. At the end of the reporting year, it was realized as 100% and the target is achieved for 2022. The base year ratio was 0% because of the calculation's algorithm.

Plan for achieving target, and progress made to the end of the reporting year
<Not Applicable>

List the actions which contributed most to achieving this target
TSKB has been consuming green electricity which is produced from renewable energy production plants and sourcing 100% electricity from an I-REC-certified renewable energy power plant of the renewable energy company of Aydem Renewable Energy. Thus, TSKB has been continuing 0 (zero) Scope 2 greenhouse gas emission practice as market-based.

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 3

Year target was set
2022

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance	Other, please specify (Share of loans linked to climate and environment focused SDGs in total loan portfolio (%))

Target denominator (intensity targets only)
<Not Applicable>

Base year
2022

Figure or percentage in base year
0

Target year
2022

Figure or percentage in target year
60

Figure or percentage in reporting year
60

% of target achieved relative to base year [auto-calculated]
100

Target status in reporting year
Achieved

Is this target part of an emissions target?
No, it is not. It is a company target evaluated under 2022 natural capital targets and realizations were disclosed and shared transparently with our stakeholders, employees, investors, etc. via the 2022 Integrated Report which is publicly available on our website. Besides, this target (and realization) was verified by PwC which is one of the Big Four financial reporting and accounting advisory services. Details are accessible through the following link and page number;
https://www.tskb.com.tr/uploads/file/tskb-2022-integrated-annual-report.pdf, page 89.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Please explain target coverage and identify any exclusions
This target was an annual company target. Because of that reason, the target set year, base year, and target year were disclosed as 2022. The figure in the base year was written the same as the figure in the target year and reporting year. It was aimed to maximize the share of climate and environment-linked investments in the total loan portfolio, at least 60% between 2021 and 2025. At the end of the reporting year, it was realized as 60% and the target is achieved for 2022. The base year ratio was 0% because of the calculation's algorithm.

Plan for achieving target, and progress made to the end of the reporting year
<Not Applicable>

List the actions which contributed most to achieving this target
TSKB has implemented its road map to increase the share of climate and environment-linked loans within its portfolio. TSKB will continue to work to sustain and increase the environment and climate-linked loans by increasing its partnerships with multilateral development banks to provide climate change mitigation & adaptation and circular economy, decarbonization-themed loans to the Turkish real sector during the next years.

Target reference number
Oth 4

Year target was set
2022

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Fossil fuel reduction target	Other, please specify (Share of loans linked to non-renewable electricity projects in total loan portfolio (%))

Target denominator (intensity targets only)
<Not Applicable>

Base year
2022

Figure or percentage in base year
5

Target year
2022

Figure or percentage in target year
2.65

Figure or percentage in reporting year
2.65

% of target achieved relative to base year [auto-calculated]
100

Target status in reporting year
Achieved

Is this target part of an emissions target?
SBTi

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Please explain target coverage and identify any exclusions
This target was a yearly company target. Because of that reason, the target set year, base year, and target year were disclosed as 2022. The figure in the base year is written the same as the figure in the target year and reporting year. It was aimed to minimize the share of non-renewable electricity in the total loan portfolio at most 5%. At the end of the reporting year, it was realized as 2.65% and the target is achieved. The base year ratio was 5% because of the calculation's algorithm.

Plan for achieving target, and progress made to the end of the reporting year
<Not Applicable>

List the actions which contributed most to achieving this target
It was aimed to minimize the share of non-renewable electricity in the total loan portfolio at most 5%. At the end of the reporting year, it was realized as 2.65% and the target is achieved. The share of non-renewable electricity generation, which is considered to be a high-risk sector in terms of transition risks, is already negligible within TSKB's loan portfolio. To note, TSKB declared in its Climate Risk Report dated May 2021 that it will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes.

C4.3

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

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	3	153.2
To be implemented*	1	39.6
Implementation commenced*	0	0
Implemented*	1	89.8
Not to be implemented	0	0

C4.3b

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

Initiative category & Initiative type

Fugitive emissions reductions	Other, please specify (Investment of fire extinguisher system)

Estimated annual CO2e savings (metric tonnes CO2e)
89.8

Scope(s) or Scope 3 category(ies) where emissions savings occur
Scope 1

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
0

Investment required (unit currency – as specified in C0.4)
103600

Payback period
No payback

Estimated lifetime of the initiative
Ongoing

Comment
Replacement of 9 of the 11 FM200 used-fire extinguishing systems were completed at the end of 2021 and a total of 1546 kilograms of FM200 gas was transferred to Novec1230. TSKB continues investment for other Novec1230 systems.

C4.3c

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

Method	Comment
Financial optimization calculations	After approval by the manager of the data owner, the activity data related to the identified emission sources is collected through the workflows semi-annually. Corresponding GHG emissions from each source are calculated by using an in-house tool named "Carbonmeter" which utilizes internationally recognized calculation methodologies. By using the data obtained by the tool, the amounts and distribution of the emissions from different sources are analyzed. If a potential reduction opportunity is identified during the assessment, the monetary cost of implementation is calculated accordingly. TSKB's Sustainability Management System (SMS) Working Group (former ISO 14001-14064 Working Group) studies and reports their findings regarding the potential improvement areas for reductions in GHG emissions together with all environmental activities to the Sustainability Management Committee and Sustainability Committee. The Carbonmeter results of the latest year are compared with the GHG emissions of the previous years and as well as the targets of the reporting year. If needed, appropriate countermeasures are proposed for any deviations. At the end of each year, the SMS Working Group Responsible presents the results of TSKB GHG inventory report (together with the environmental activities of the SMS team) and presents all potential GHG reduction strategies to the Bank's top management. Investment decisions have been made according to the payback period and investment cost gathered from financial optimization calculations. After obtaining the top management's approval on reduction strategies for the next year, SMS Working Group plans and organizes its projects with specific targets and time schedules. Finally, after the implementation, the measurements are conducted and a comparison with the previous values is made to understand the scale of positive impact. All these steps in data management and calculation methodology for GHG inventory have been defined by a procedure named "P-7: Greenhouse Gas Emissions" which is fully integrated with TSKB's Sustainability Management System. The procedure is kept updated considering the latest version (2018) of ISO 14064-1 Standard.
Dedicated budget for other emissions reduction activities	TSKB calculates its GHG emissions each year. The calculated emissions are verified according to ISO 14064-3 by an accredited verifier since 2012 and offset via purchasing carbon credits (from Gold Standard) from the voluntary carbon market annually, since 2009. It is anticipated that the unit price of high-quality carbon credit will increase over time considering the increased awareness among the private sector companies to operate more climate-friendly or to become carbon neutral. Thus, demand for carbon credits will increase and raise the price of the unit price of carbon credits. Thus, TSKB monitors the increased carbon offset prices and considers them in its operations since the offsetting expenses are included in the annual budget plans. Therefore, it is a motivation for TSKB to reduce its emissions and change its business positively. Please note that GHG reduction in line with science is a priority for TSKB.
Other (Lenders' and investors' expectations to achieve Paris Agreement-aligned world)	Several regulatory mechanisms have been developed and precautions continue to be taken all around the world in line with the goal of the Paris Agreement. International investors have become more sensitive regarding the Financial Institutions' (FIs) impacts on climate change. In addition to the investors, the Development Finance Institutions (DFIs) want to ensure that the financial flows to sustainable activities/clients. Some of the international lenders also expect to see our emission reduction targets and initiatives. In order to meet investor and lender expectations and also take advantage of lower interest ratios for long-term debts, TSKB is now working on new emission reduction initiatives to limit its contribution to climate change by considering its portfolio.
Internal price on carbon	TSKB plans to keep studying the potential costs and revenues of climate-related risks and opportunities on the affected companies' EBITDA margins to take into consideration in the loan decision process. The Bank reviews the global carbon market prices, trends in carbon allowance conditions sectors by sector, and science-based reports performed by international agencies. Moreover, TSKB loan assessment teams interview the clients to understand their company emission management approaches, potential climate-related investments, and their insights on a future perspective. Thanks to the efficient engagement which is built with the clients, the Bank is able to represent an annual carbon amount that needs to be taxed and assume a reasonable price in the financial analysis of affected companies. Besides, TSKB intends to renew financial analysis on an annual basis to track the trends on a company basis and improve engagement with the clients through financing and providing advisory service to their green transmission plans in the following years.

C-FS4.5

(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?
Yes

C-FS4.5a

(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to

classify the products(s).

Product type/Asset class/Line of business

Banking	Project finance

Taxonomy or methodology used to classify product

Internally classified

Description of product

TSKB supports its clients by offering sustainable products and services that provide low-carbon and circular solutions. Renewable energy, energy efficiency (EE), and resource efficiency (RE) finance thematic loans are constituted as sustainability products.
The percentage of Sustainable Development Goals (SDG) linked loans in the loan portfolio by the end of 2022 is approximately 91%. By the end of 2022, TSKB-funded renewable energy installed capacity has reached 8.312 MW and 388 projects, with a total investment amount of $12.3 bn of which $5.0 bn was committed for the loan by TSKB, between 2003 and 2022. Besides, the Bank has financed 156 EE and RE projects surpassing $1.1 bn so far. In order to report renewable energy funding results based on carbon dioxide reduction and performance indicators, TSKB has calculated Türkiye's emission factor for its own internal use. Starting from 2009, this emission factor was used to calculate and report carbon reductions in renewable energy and EE investments. Annual GHG emissions in Türkiye were reduced by 16,4 million tons of CO2 emission by financing these sustainable products including renewable energy, EE, and RE investments.
Additionally, TSKB issued its Green/Sustainable Bond which is the first issuance in Türkiye and CEEMEA in 2016. TSKB has set an example in the industry in tackling climate change with this new product. The bond has a size of $300M and a tenor of 5 years. In 2017, TSKB issued its first subordinated bond, which was also a Subordinated Sustainable Bond and was thus crowned as the first of its kind in the world. The bond issuance worth $300M was four times oversubscribed through investor diversification, reflecting the long-term confidence investors had in the Bank's issuance. In January 2018, TSKB issued the first Eurobond of the year in the sector. The issuance was worth $350M and had a maturity of 5 years.
To sum up, with its successful sustainable products and services, TSKB has been awarded by international platforms such as Euromoney, Financial Times, IFC, CDP, Global Capital, and IFR. TSKB, which became a signatory to the United Nations Global Compact in 2010, contributes directly or indirectly to all of the Sustainable Development Goals.

Product enables clients to mitigate and/or adapt to climate change

Mitigation
Adaptation

Portfolio value (unit currency – as specified in C0.4)

4293118108

% of total portfolio value

91

Type of activity financed/insured or provided

Green buildings and equipment
Low-emission transport
Renewable energy
Carbon removal
Other, please specify (Energy efficiency and resource efficiency, adaptation investments)

Product type/Asset class/Line of business

Banking	Corporate loans

Taxonomy or methodology used to classify product

Internally classified

Description of product

TSKB supports its clients by offering sustainable products and services that provide low-carbon and circular solutions. Renewable energy, energy efficiency (EE), and resource efficiency (RE) finance thematic loans are constituted as sustainability products.
The percentage of Sustainable Development Goals (SDG) linked loans in the loan portfolio by the end of 2022 is approximately 91%. By the end of 2022, TSKB-funded renewable energy installed capacity has reached 8.312 MW and 388 projects, with a total investment amount of $12.3 bn of which $5.0 bn was committed for the loan by TSKB, between 2003 and 2022. Besides, the Bank has financed 156 EE and RE projects surpassing $1.1 bn so far. In order to report renewable energy funding results based on carbon dioxide reduction and performance indicators, TSKB has calculated Türkiye's emission factor for its own internal use. Starting from 2009, this emission factor was used to calculate and report carbon reductions in renewable energy and EE investments. Annual GHG emissions in Türkiye were reduced by 16,4 M tons of CO2 emission by financing these sustainable products including renewable energy, EE, and RE investments.
Additionally, TSKB issued its Green/Sustainable Bond which is the first issuance in Türkiye and CEEMEA in 2016. TSKB has set an example in the industry in tackling climate change with this new product. The bond has a size of $300M and a tenor of 5 years. In 2017, TSKB issued its first subordinated bond, which was also a Subordinated Sustainable Bond and was thus crowned as the first of its kind in the world. The bond issuance worth $300M was four times oversubscribed through investor diversification, reflecting the long-term confidence investors had in the Bank's issuance. In January 2018, TSKB issued the first Eurobond of the year in the sector. The issuance was worth $350M and had a maturity of 5 years.
To sum up, with its successful sustainable products and services, TSKB has been awarded by international platforms such as Euromoney, Financial Times, IFC, CDP, Global Capital, and IFR. TSKB, which became a signatory to the United Nations Global Compact in 2010, contributes directly or indirectly to all of the Sustainable Development Goals.

Product enables clients to mitigate and/or adapt to climate change

Mitigation
Adaptation

Portfolio value (unit currency – as specified in C0.4)

4293118108

% of total portfolio value

91

Type of activity financed/insured or provided

Green buildings and equipment
Low-emission transport
Renewable energy

Carbon removal
Other, please specify (Energy efficiency and resource efficiency, adaptation investments,)

C5. Emissions methodology

C5.1

(C5.1) Is this your first year of reporting emissions data to CDP?
No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?
No

Name of organization(s) acquired, divested from, or merged with
<Not Applicable>

Details of structural change(s), including completion dates
<Not Applicable>

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?	Details of methodology, boundary, and/or reporting year definition change(s)
Row 1	No	<Not Applicable>

C5.2

(C5.2) Provide your base year and base year emissions.

Scope 1

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
449

Comment
Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerators, etc.)
TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2018 Standard.
TSKB commits to reducing absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which is approved by SBTi. There are four action areas in order to achieve our target:
1) Modernization investment for fire extinguishing system. It includes changing the clean agent which has a very high GWP (from FM200 to Novec1230) which will cause a reduction in Scope-1 GHG emissions
2) New investment in company cars. It includes changing the existing diesel-fueled cars. In the early stages, TSKB will procure hybrid cars, later on, TSKB will procure electric cars. This change will cause a reduction in diesel consumption-related emissions and Scope-1 GHG emissions accordingly.
3) Modernization investment in natural gas burning (boiler) systems. It includes energy efficiency on a unit basis that will cause a reduction in Scope-1 GHG emissions.
4) Assessment of Modernization investment in cooling systems (chiller and air conditioners) after monitoring of the current performances.
4.a) For the chiller it includes changing the cooling gases which have very high GWP that will cause a reduction in Scope-1 GHG emissions; moreover, it includes energy efficiency on a unit basis that will cause a reduction in electricity consumption and Scope-2 location-based GHG emissions accordingly.
4.b) For air conditioners, it includes changing the cooling gases which have very high GWP which will cause a reduction in Scope-1 GHG emissions

Scope 2 (location-based)

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
494

Comment
We are reporting a Scope 2, location-based figure. TSKB commits to continue annually sourcing 100% renewable electricity through 2030 which is approved by SBTi.

Scope 2 (market-based)

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
We are reporting a Scope 2, market-based figure. TSKB has been consuming green electricity which is produced from renewable energy production plants and sourcing 100% electricity from an I-REC-certified renewable energy power plant of the renewable energy company of Aydem Renewable Energy. Aydem Renewable Energy has signed the international Science Based Targets Initiative and also raised its rating from "A-Leadership Level" to "A Leadership Level" as a result of the Carbon Disclosure Project (CDP) Climate Change Reporting.

Scope 3 category 1: Purchased goods and services

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
139.3

Comment
Emissions due to employee meals, which are served for lunch in the office, and also paper-work items, plastic-work items, plastic water, and glass water as purchased goods have been calculated as the multiplication of the annual number of purchased meals from TSKB records and emission factor from the Bilan Carbone and Defra Environmental Reporting Guidelines emission factor database.
Emissions due to security, cleaning, social activities, courier services, and education as purchased services, which are used for office operations, have been calculated as the multiplication of annual spending in Euro equivalent from TSKB records and emission factors from the Bilan Carbone emission factor database. However, calculated emission for a few partial emission sources has been considered insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Scope 3 category 2: Capital goods

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
33.7

Comment
Emissions due to owned cars, laptop computers, desktop computers, screens, mobile phones, fixed phones, tablets, television, and projector as capital goods, which are used for banking operations, have been calculated as a multiplication of the number of equipment/machinery from TSKB records and emission factors from the Bilan Carbone emission factor database. Also, emissions due to owned furniture as capital goods services, which are used for office operations, have been calculated as the multiplication of annual spendings in Euro from TSKB records with consideration of the amortization period of goods and emission factors from the Bilan Carbone emission factor database. However, calculated emission for a few partial emission sources has been considered insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
All fuel and energy-related activities have been disclosed under Scope 1 and Scope 2.

Scope 3 category 4: Upstream transportation and distribution

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
Emissions due to upstream transportation of paper-work items, plastic water, glass water, and meals, which are used for office operations, have been calculated as the multiplication of total distance of transportation in km from TSKB records, average fuel consumption per km from online sources and emission factors from IPCC Guidelines for National Greenhouse Gas Inventories. However, calculated emission for each partial emission source has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Scope 3 category 5: Waste generated in operations

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
Emissions due to household waste, plastic, glass, paper, and battery waste, which are generated due to office operations, have been calculated as a multiplication of the total amount of waste generated in kg from TSKB records and emission factors from Defra Environmental Reporting Guidelines emission factor database. However, calculated emission for each partial emission source has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Scope 3 category 6: Business travel

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
46.9

Comment
Emissions due to using planes, hotel stays, taxis, buses, and personal cars for business travel, which are used for banking operations, have been calculated as the multiplication of total km distance and the number of total passengers from TSKB records and emission factors from the Carbon Planet GHG Emissions Resulting from Aircraft Travel emission factor table. However, calculated emission for a few partial emission sources has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Scope 3 category 7: Employee commuting

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
130.4

Comment
Emissions due to employee service buses and employee service ferries as employee commuting have been calculated as the multiplication of total distance of transportation in km from TSKB records, average fuel consumption per km from online sources, and emission factors from IPCC Guidelines for National Greenhouse Gas Inventories. Also, emissions due to employee remote working activities have been calculated as a multiplication of annual remote working days using TSKB Human Resources' records and emission factors from the Ecometrica database for homeworkers. However, calculated emission for a few partial emission sources has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Scope 3 category 8: Upstream leased assets

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
TSKB has no leased assets from other entities. There are leased company cars but fuel consumption has been already evaluated under Scope 1.

Scope 3 category 9: Downstream transportation and distribution

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
TSKB is a financial institution and has no product sold, transported, or distributed physically.

Scope 3 category 10: Processing of sold products

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
TSKB is a financial institution and has no products sold to third parties and processes physically.

Scope 3 category 11: Use of sold products

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
TSKB is a financial institution and has no goods and services sold physically.

Scope 3 category 12: End of life treatment of sold products

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
TSKB is a financial institution and has no goods and services sold physically.

Scope 3 category 13: Downstream leased assets

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
TSKB has no owned assets to lease to other entities.

Scope 3 category 14: Franchises

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
The business of TSKB is not operated under a license that is sold or distributed to another company’s goods or services within a certain location which defines the franchise business model. Since this model does not fit the business model of TSKB, this emission category is not relevant.

Scope 3: Other (upstream)

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
There are no other Scope 3 emission sources relevant to TSKB operations.

Scope 3: Other (downstream)

Base year start
January 1 2021

Base year end
December 31 2021

Base year emissions (metric tons CO2e)
0

Comment
There are no other Scope 3 emission sources relevant to TSKB operations.

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
Bilan Carbone
Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019
IPCC Guidelines for National Greenhouse Gas Inventories, 2006
ISO 14064-1
US EPA Center for Corporate Climate Leadership: Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases
Other, please specify (IPCC Fifth Assessment Report, Carbon Planet GHG Emissions Resulting from Aircraft Travel, Ecometrica for Homeworkers Factors)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
411

Start date
January 1 2022

End date
December 31 2022

Comment
Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerators, etc.) In 2021, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2018 Standard, and continued this methodology in 2022, as well. In the previous reporting years (2020 and before), calculations have been conducted in accordance with ISO 14064-1:2006 Standard. TSKB commits to reducing absolute Scope-1 GHG emissions by 63% by 2035 from a 2021 base year which is approved by SBTi. There are 4 action areas in order to achieve our target:
1) Modernization investment for fire extinguishing system. It includes changing the clean agent which has a very high GWP (from FM200 to Novec1230) which will cause a reduction in Scope1 emissions 2) New investment in company cars. It includes changing the existing diesel-fueled cars. In the early stages, TSKB will procure hybrid cars, later on, TSKB will procure electric cars. This change will cause a reduction in diesel consumption-related emissions and Scope1 emissions accordingly. 3) Modernization investment in natural gas burning (boiler) systems. It includes energy efficiency on a unit basis that will cause a reduction in Scope1 emissions. 4) Assessment of Modernization investment in cooling systems (chiller and air conditioners) after monitoring of the current performances. 4.a) For the chiller it includes changing the cooling gases which have very high GWP that will cause a reduction in Scope1 emissions; moreover, it includes energy efficiency on a unit basis that will cause a reduction in electricity consumption and Scope2 location-based GHG emissions accordingly. 4.b) For air conditioners, it includes changing the cooling gases which have very high GWP which will cause a reduction in Scope-1 GHG emissions
Following the TSKB Commitment, the investments and procurements made in 2021 and 2022 are listed below:
A) Investment of fire extinguisher system; 9 of the 11 FM200 used fire extinguishing systems were completed at the end of 2021 and a total of 1546 kg of FM200 gas was transferred to Novec1230. TSKB continues investment for other Novec1230 systems.
B) Procurement of company cars; all rental cars of TKSB which are diesel-fueled cars, have been replaced by hybrid cars.

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)
449

Start date
January 1 2021

End date
December 31 2021

Comment
Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerators, etc.) In 2021, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2018 Standard. Previous reporting year (2020) calculations have been conducted in accordance with ISO 14064-1:2006 Standard. The change in the reference standard version caused 2 major methodological changes in emission calculations different from the previous reporting year. In the previous years, for Scope1, the subsidiaries' (they also operate in TSKB buildings) natural gas consumption was separated from TSKB's GHG inventory according to their number of employees and allowed meter square space. In the reporting year, whole natural gas consumption has been added to TSKB inventory by the requirement of the operational control approach mentioned in ISO 14064-1:2018 Standard. As the boiler was controlled by TSKB. This change has increased TSKB's Scope1. TSKB commits to reducing absolute Scope1 emissions by 63% by 2035 from a 2021 base year which is approved by SBTi. There are four action areas in order to achieve our target:
1) Modernization investment for fire extinguishing system. It includes changing the clean agent which has a very high GWP which will cause a reduction in Scope1
2) New investment in company cars. It includes changing the existing diesel-fueled cars. In the early stages, TSKB will procure hybrid cars, later on, TSKB will procure electric cars. This change will cause a reduction in diesel consumption-related emissions and Scope1
3) Modernization of investment in natural gas boiler systems. It includes energy efficiency on a unit basis that will cause a reduction in Scope1
4) Assessment of Modernization investment in cooling systems (chiller and air conditioners) after monitoring of the performances.
4.a) For the chiller it includes changing the cooling gases which have very high GWP that will cause a reduction in Scope1 emissions; moreover, it includes energy efficiency on a unit basis that will cause a reduction in electricity consumption and Scope2 location-based emissions accordingly.
4.b) For air conditioners, it includes changing the cooling gases which have very high GWP which will cause a reduction in Scope1 emissions

Past year 2

Gross global Scope 1 emissions (metric tons CO2e)
420

Start date
January 1 2020

End date
December 31 2020

Comment
In 2020, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2006 Standard. Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerators, etc.)

Past year 3

Gross global Scope 1 emissions (metric tons CO2e)
362

Start date
January 1 2019

End date
December 31 2019

Comment
In 2019, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2006 Standard. Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerators, etc.)

Past year 4

Gross global Scope 1 emissions (metric tons CO2e)
451

Start date
January 1 2018

End date
December 31 2018

Comment
In 2018, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2006 Standard. Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerator,s etc.)

Past year 5

Gross global Scope 1 emissions (metric tons CO2e)
416

Start date
January 1 2017

End date
December 31 2017

Comment
In 2017, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2006 Standard. Emission sources are boilers (natural gas consumption), generators (diesel-oil), company cars (fuel consumption), and fugitive gases (fire extinguishers, chillers, air conditioners, refrigerator,s etc.)

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment
TSKB has been consuming green electricity which is produced from renewable energy production plants and sourcing 100% electricity from an I-REC-certified renewable energy power plant of the renewable energy company Aydem Renewable Energy. An official document, which contains the details of redeeming certificates generated from a hydropower plant in Türkiye, has also been obtained from Aydem Renewable Energy by TSKB. Aydem Renewable Energy has signed the international Science Based Targets Initiative and also raised its rating from "A-Leadership Level" to "A Leadership Level" as a result of the Carbon Disclosure Project (CDP) Climate Change Reporting.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
624

Scope 2, market-based (if applicable)
0

Start date
January 1 2022

End date
December 31 2022

Comment
TSKB has been consuming green electricity which is produced from renewable energy production plants and sourcing 100% electricity from an I-REC-certified renewable energy power plant of the renewable energy company Aydem Renewable Energy. An official document, which contains the details of redeeming certificates generated from a hydropower plant in Türkiye, has also been obtained from Aydem Renewable Energy by TSKB. TSKB will be publishing its location-based Scope-2 GHG emissions as of 2023. Aydem Renewable Energy has signed the international Science Based Targets Initiative and also raised its rating from "A-Leadership Level" to "A Leadership Level" as a result of the Carbon Disclosure Project (CDP) Climate Change Reporting. TSKB will be publishing their location-based Scope-2 GHG emissions in their Integrated Report as of 2024.

Past year 1

Scope 2, location-based
494

Scope 2, market-based (if applicable)
0

Start date
January 1 2021

End date
December 31 2021

Comment
TSKB has been consuming green electricity which is produced from renewable energy production plants and sourcing 100% electricity from an I-REC-certified renewable energy power plant of the renewable energy company Aydem Renewable Energy. An official document, which contains the details of redeeming certificates generated from a hydropower plant in Türkiye, has also been obtained from Aydem Renewable Energy by TSKB.

Past year 2

Scope 2, location-based
496

Scope 2, market-based (if applicable)
0

Start date
January 1 2020

End date
December 31 2020

Comment
Since July 2009, TSKB has been consuming green electricity produced from renewable energy production plants and sourcing 100% electricity from the renewable energy company of Aydem Renewable Energy (formerly known as Bereket Energy).

Past year 3

Scope 2, location-based
589

Scope 2, market-based (if applicable)
0

Start date
January 1 2019

End date
December 31 2019

Comment
TSKB has been sourcing green electricity from Bereket Energy. The renewable energy portfolio of Bereket consists generally of hydroelectric resources Since July 2009, TSKB has been using green electricity from these hydroelectric power plants of Bereket Energy.

Past year 4

Scope 2, location-based
655

Scope 2, market-based (if applicable)
0

Start date
January 1 2018

End date
December 31 2018

Comment
TSKB has been sourcing green electricity from Bereket Energy. The renewable energy portfolio of Bereket consists generally of hydroelectric resources Since July 2009, TSKB has been using green electricity from these hydroelectric power plants of Bereket Energy.

Past year 5

Scope 2, location-based
623

Scope 2, market-based (if applicable)
0

Start date
January 1 2017

End date
December 31 2017

Comment
TSKB has been sourcing green electricity from Bereket Energy. The renewable energy portfolio of Bereket consists generally of hydroelectric resources Since July 2009, TSKB has been using green electricity from these hydroelectric power plants of Bereket Energy.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1, Scope 2 or Scope 3 emissions that are within your selected reporting boundary which are not included in your disclosure?
No

C6.5

(C6.5) Account for your organization’s gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
224.6

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emissions due to employee meals, which are served for lunch in the office, and also paper-work items, plastic-work items, plastic water, and glass water as purchased goods have been calculated as the multiplication of the annual number of purchased meals from TSKB records and emission factor from the Bilan Carbone and Defra Environmental Reporting Guidelines emission factor database. Emissions due to Paper-work items, plastic-work items, plastic water, and glass water in the purchased goods category, have been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 GHG emissions.
Emissions due to security, cleaning, social activities, courier services, and education as purchased services, which are used for office operations, have been calculated as the multiplication of annual spending in Euro equivalent from TSKB records and emission factors from the Bilan Carbone emission factor database. Emissions due to courier services have been considered insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 GHG emissions.

Capital goods

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
95.7

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emissions due to owned cars, laptop computers, desktop computers, screens, mobile phones, fixed phones, tablets, television, and projector as capital goods, which are used for banking operations, have been calculated as a multiplication of the number of equipment/machinery from TSKB records and emission factors from the Bilan Carbone emission factor database. Also, emissions due to owned furniture as capital goods services, which are used for office operations, have been calculated as the multiplication of annual spendings in Euro from TSKB records with consideration of the amortization period of goods and emission factors from the Bilan Carbone emission factor database. Emissions due to Laptop computer, desktop computer, screen, mobile phone, fixed phone, tablet, television, and projector in the Capital goods category has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

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

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
All fuel and energy-related activities have been disclosed under Scope 1 and Scope 2.

Upstream transportation and distribution

Evaluation status
Not relevant, calculated

Emissions in reporting year (metric tons CO2e)
1.2

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emissions due to upstream transportation of paper-work items, plastic water, glass water, and meals, which are used for office operations, have been calculated as the multiplication of total distance of transportation in km from TSKB records, average fuel consumption per km from online sources and emission factors from IPCC Guidelines for National Greenhouse Gas Inventories. However, calculated emission for each partial emission source has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Waste generated in operations

Evaluation status
Not relevant, calculated

Emissions in reporting year (metric tons CO2e)
0.3

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emissions due to household waste, plastic, glass, paper, and battery waste, which are generated due to office operations, have been calculated as a multiplication of the total amount of waste generated in kg from TSKB records and emission factors from Defra Environmental Reporting Guidelines emission factor database. However, calculated emission for each partial emission source has been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Business travel

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
115.1

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emissions due to using planes for business travel which are used for banking operations have been calculated as the multiplication of total km distance and the number of total passengers from TSKB records and emission factors from the Carbon Planet GHG Emissions Resulting from Aircraft Travel emission factor table. Emissions due to hotel stays during business travels which are used for banking operations have been calculated as the multiplication of the total number of personnel and the number of staying days from TSKB records and emission factors from the Defra Environmental Reporting Guidelines emission factor database. Emissions due to taxis, buses, and personal cars have been calculated as the multiplication of total distance of transportation in km from TSKB records, average fuel consumption per km from online sources, and emission factors from IPCC Guidelines for National Greenhouse Gas Inventories. Emissions due to personal taxis, buses, and personal cars in the business travel category have been considered as insignificant in terms of quantitative perspective, importance in banking operations, etc, and they were excluded from Scope-3 emissions.

Employee commuting

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
80.2

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain
Emissions due to employee service buses as employee commuting have been calculated as the multiplication of total distance of transportation in km from TSKB records, average fuel consumption per km from online sources, and emission factors from IPCC Guidelines for National Greenhouse Gas Inventories. Also, emissions due to employee remote working activities have been calculated as a multiplication of annual remote working days using TSKB Human Resources' records and emission factors from the Ecometrica database for homeworkers.

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
TSKB has no leased assets from other entities. There are leased company cars but fuel consumption has been already evaluated under Scope 1.

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
TSKB is a financial institution and has no product sold, transported, or distributed physically.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
TSKB is a financial institution and has no products sold to third parties and processed physically.

Use of sold products

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
TSKB is a financial institution and has no goods and services sold physically.

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
TSKB is a financial institution and has no product sold physically.

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
TSKB has no owned assets to lease to other entities.

Franchises

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
The business of TSKB is not operated under a license that is sold or distributed to another company's goods or services within a certain location which defines the franchise business model. Since this model does not fit the business model of TSKB, this emission category is not relevant.

Other (upstream)

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
There are no other Scope 3 emission sources relevant to TSKB operations.

Other (downstream)

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
There are no other Scope 3 emission sources relevant to TSKB operations.

C6.5a

(C6.5a) Disclose or restate your Scope 3 emissions data for previous years.

Past year 1

Start date

January 1 2021

End date

December 31 2021

Scope 3: Purchased goods and services (metric tons CO2e)

139.3

Scope 3: Capital goods (metric tons CO2e)

33.7

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

0

Scope 3: Upstream transportation and distribution (metric tons CO2e)

0

Scope 3: Waste generated in operations (metric tons CO2e)

0

Scope 3: Business travel (metric tons CO2e)

46.9

Scope 3: Employee commuting (metric tons CO2e)

130.4

Scope 3: Upstream leased assets (metric tons CO2e)

0

Scope 3: Downstream transportation and distribution (metric tons CO2e)

0

Scope 3: Processing of sold products (metric tons CO2e)

0

Scope 3: Use of sold products (metric tons CO2e)

0

Scope 3: End of life treatment of sold products (metric tons CO2e)

0

Scope 3: Downstream leased assets (metric tons CO2e)

0

Scope 3: Franchises (metric tons CO2e)

0

Scope 3: Investments (metric tons CO2e)

<Not Applicable>

Scope 3: Other (upstream) (metric tons CO2e)

0

Scope 3: Other (downstream) (metric tons CO2e)

0

Comment

In 2021, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2018 Standard. Previous reporting years (2020) calculations have been conducted in accordance with ISO 14064-1:2006 Standard. The change in the reference standard version caused 2 major methodological changes in emission calculations different from the previous reporting year. In the previous years, for Scope 1, the subsidiaries' (they also operate in TSKB buildings) natural gas consumption was separated from TSKB's GHG inventory according to their number of employees and allowed meter square space. In the reporting year, whole natural gas consumption has been added to TSKB inventory by the requirement of the operational control approach mentioned in ISO 14064-1:2018 Standard. As the boiler was controlled by TSKB. This change has increased TSKB's Scope 1 emissions. For Scope 3, thanks to the broadening of emission sources by the requirement of ISO 14064-1:2018 Standard, more emission sources have been added to TSKB inventory such as employee remote work activities, employee meals, capital goods, purchased services, and financed emissions. These changes have increased TSKB's Scope 3 emissions significantly.

Past year 2

Start date
January 1 2020

End date
December 31 2020

Scope 3: Purchased goods and services (metric tons CO2e)
2.1

Scope 3: Capital goods (metric tons CO2e)
0

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)
0

Scope 3: Upstream transportation and distribution (metric tons CO2e)
0

Scope 3: Waste generated in operations (metric tons CO2e)
0

Scope 3: Business travel (metric tons CO2e)
72.6

Scope 3: Employee commuting (metric tons CO2e)
83.9

Scope 3: Upstream leased assets (metric tons CO2e)
0

Scope 3: Downstream transportation and distribution (metric tons CO2e)
0

Scope 3: Processing of sold products (metric tons CO2e)
0

Scope 3: Use of sold products (metric tons CO2e)
0

Scope 3: End of life treatment of sold products (metric tons CO2e)
0

Scope 3: Downstream leased assets (metric tons CO2e)
0

Scope 3: Franchises (metric tons CO2e)
0

Scope 3: Investments (metric tons CO2e)
<Not Applicable>

Scope 3: Other (upstream) (metric tons CO2e)
0

Scope 3: Other (downstream) (metric tons CO2e)
0

Comment
In 2020, TSKB conducted the GHG emission calculations in accordance with the rules and principles of ISO 14064-1:2006 Standard.

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.0000019

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
411

Metric denominator
Other, please specify (Net profit)

Metric denominator: Unit total
217936420

Scope 2 figure used
Market-based

% change from previous year
65

Direction of change
Decreased

Reason(s) for change
Other, please specify (Change in net profit)

Please explain
Gross combined Scope 1 and Scope 2 emissions (the numerator) increased in the reporting year. The main reason is the change in the increase of net profit, even though the total emissions of Scope 1 and Scope 2 has decreased in 2022. Change from the previous year has been calculated as 65.11% reduction (previous year: 0.0000054; reporting year: 0.0000019)

C7. Emissions breakdowns

C7.7

(C7.7) Is your organization able to break down your emissions data for any of the subsidiaries included in your CDP response?
No

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change in emissions	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	100% contractual instrument (I-REC certificate) is used to purchase electricity used in the TSKB buildings. Since the emission factor is zero, there is no change in emissions due to changes in renewable energy.
Other emissions reduction activities	201.2	Decreased	109.3	Emissions due to fugitive gases have been calculated as 201.2 tonnes of CO2e for the previous year. Thanks to emission reduction activities, it was calculated as 109.3 tonnes of CO2e for the reporting year. The change in emissions has been calculated as 91.9 tonnes of CO2e which is equivalent to a 45.7% decrease.
Divestment	0	No change	0	Not relevant
Acquisitions	0	No change	0	Not relevant
Mergers	0	No change	0	Not relevant
Change in output	0	No change	0	Not relevant
Change in methodology	0	No change	0	Not relevant
Change in boundary	0	No change	0	Not relevant
Change in physical operating conditions	247	Increased	301	TSKB employees continued to work in a hybrid model in 2022. In 2021 even though employees have worked remotely due to Covid19 pandemic, some employees or technical staff were in the office physically. Heating needs were at the same level even total number of workers was less in the TSKB buildings in 2021. Therefore, natural gas emission seems to be increased compared to the previous year due to the natural gas consumption depending on winter conditions. The calculated emission was 182.2 tonnes CO2e for the previous year and 221.3 tonnes CO2e for the reporting year. The change in emissions has been calculated as 39.1 tonnes of CO2e which is equivalent to a 21.5% increase. Moreover, due to the end of the pandemic, cars have been used more in reporting year compared to the previous year. That's why emissions sourced from mobile combustion activities increased even though almost half of the diesel-fueled cars were replaced with hybrid ones. The calculated emission was 64.8 tonnes of CO2e for the previous year and 79.7 tonnes of CO2e for the reporting year. The change in emissions has been calculated as 14.9 tonnes of CO2e which is equivalent to a 23% increase.
Unidentified	0	No change	0	Not relevant
Other	0	No change	0	Not relevant

C7.9b

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

Market-based

C8. Energy

C8.1

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

More than 0% but less than or equal to 5%

C8.2

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

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization’s energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	985.16	985.16
Consumption of purchased or acquired electricity	<Not Applicable>	999.04	0	999.04
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	999.04	985.16	1984.2

C8.2g

(C8.2g) Provide a breakdown by country/area of your non-fuel energy consumption in the reporting year.

Country/area
Turkey

Consumption of purchased electricity (MWh)
999.04

Consumption of self-generated electricity (MWh)
0

Is this electricity consumption excluded from your RE100 commitment?
<Not Applicable>

Consumption of purchased heat, steam, and cooling (MWh)
0

Consumption of self-generated heat, steam, and cooling (MWh)
0

Total non-fuel energy consumption (MWh) [Auto-calculated]
999.04

C9. Additional metrics

C9.1

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

Description
Energy usage

Metric value
0.14

Metric numerator
kWh

Metric denominator (intensity metric only)
m² * capita

% change from previous year
5

Direction of change
Increased

Please explain
This metric is relevant to electricity consumption. TSKB employees continued to work in a hybrid model in 2022. In 2021, due to Covid-19 Pandemic, TSKB employees worked from home for the whole year and some partial office working options have been tried but limited participation has been observed. That’s why electricity consumption has increased in TSKB buildings compared to the previous year (from 0.1371 kwh/ m² * capita to 0.1439 kwh/ m² * capita).

Description
Energy usage

Metric value
0.01

Metric numerator
kWh

Metric denominator (intensity metric only)
m² * capita

% change from previous year

1.2

Direction of change
Increased

Please explain
This metric is relevant to natural gas consumption for heating. TSKB employees continued to work in a hybrid model in 2022. In 2021 even though employees have worked remotely due to Covid19 pandemic, some employees or technical staff were in the office physically. Heating needs were at the same level even total number of workers was less in the TSKB buildings in 2021. Therefore, natural gas emission seems to be increased compared to the previous year due to the natural gas consumption depending on winter conditions. (from 0.0100 kwh/m² * capita to 0.0101 kwh/m² * capita)

Description
Other, please specify (Paper Consumption)

Metric value
2475

Metric numerator
kg

Metric denominator (intensity metric only)
N/A

% change from previous year
14.4

Direction of change
Increased

Please explain
This metric is relevant to paper consumption for office operations. Due to Covid 19 pandemic and the fully remote working model in 2021, consumption in 2022 has increased due to the hybrid working model and more participation of staff in the building. (2164 kg in 2021)

Description
Other, please specify (Water Consumption)

Metric value
5031

Metric numerator
m3

Metric denominator (intensity metric only)
N/A

% change from previous year
47.8

Direction of change
Increased

Please explain
This metric is relevant to water consumption for office operations. Due to Covid 19 pandemic and the fully remote working model in 2021, consumption in 2022 has increased due to the hybrid working model and more participation of staff in the building. (3403 m3 in 2021)

Description
Other, please specify (Recycled waste)

Metric value
4688

Metric numerator
kg

Metric denominator (intensity metric only)
NA

% change from previous year
38.4

Direction of change
Increased

Please explain
This metric is relevant to recycled paper and plastic waste. Due to pandemic measures and to ensure workers' health, packed lunch boxes have been used in the dining hall in 2021. Although in 2022 the usage of packed lunch boxes was phased out, due to the hybrid working model and more participation of staff in the building in 2022, the amount of waste generated has increased. It should be noted that all types of waste are separated at the source and managed in accordance with national legislation as well as international best practices in TSKB buildings. (3388 kg in 2021)

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

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

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
Verification_Report_TSKB_2023_Rev01.pdf

Page/ section reference
Page 3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1b

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

Scope 2 approach
Scope 2 market-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
Verification_Report_TSKB_2023_Rev01.pdf
TSKB_01-12.2022_I-REC_Document.pdf

Page/ section reference
Page 11

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
Verification_Report_TSKB_2023_Rev01.pdf

Page/ section reference
Page 11

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1c

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

Scope 3 category
Scope 3: Purchased goods and services
Scope 3: Capital goods
Scope 3: Business travel
Scope 3: Employee commuting
Scope 3: Investments

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
Verification_Report_TSKB_2023_Rev01.pdf

Page/section reference
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Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C7. Emissions breakdown	Energy consumption	Reasonable Assurance within the scope of ISO 14064-3	Renewable energy usage of TSKB has been verified by BSI (British Standards Institution) for the year 2022 under the scope of verification and assurance of GHG emissions. Page reference is 3 in the verification report prepared by BSI. Verification_Report_TSKB_2023_Rev01.pdf
C9. Additional metrics	Other, please specify (Electricity consumption)	Limited Assurance within the scope of ISAE 3000	Electricity consumption was verified and assured by PwC within the scope of verification of performance metrics reported in the 2022 Integrated Report, Page 88. tskb-2022-integrated-annual-report.pdf
C9. Additional metrics	Other, please specify (Natural gas consumption)	Limited Assurance within the scope of ISAE 3000	Natural gas consumption was verified and assured by PwC within the scope of verification of performance metrics reported in the 2022 Integrated Report, Page 88. tskb-2022-integrated-annual-report.pdf
C9. Additional metrics	Other, please specify (Paper consumption)	Limited Assurance within the scope of ISAE 3000	Paper consumption was verified and assured by PwC within the scope of verification of performance metrics reported in the 2022 Integrated Report, Page 88. tskb-2022-integrated-annual-report.pdf
C9. Additional metrics	Other, please specify (Water consumption)	Limited Assurance within the scope of ISAE 3000	Water consumption was verified and assured by PwC within the scope of verification of performance metrics reported in the 2022 Integrated Report, Page 88. tskb-2022-integrated-annual-report.pdf
C9. Additional metrics	Other, please specify (Recycled waste)	Limited Assurance within the scope of ISAE 3000	The waste generation amount was verified and assured by PwC within the scope of verification of performance metric reported in the 2022 Integrated Report, Page 88. tskb-2022-integrated-annual-report.pdf
C11. Carbon pricing	Other, please specify (Verified emission reductions)	Gold Standard for Global Goals	927 tonnes of CO2e emissions were offset by Borusan EnBW Energy's 60 MW Bandırma Wind Power Plant Project. TSKB_927 Ton_Credit Retirement.pdf

C11. Carbon pricing

C11.2

(C11.2) Has your organization canceled any project-based carbon credits within the reporting year?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits canceled by your organization in the reporting year.

Project type
Wind

Type of mitigation activity
Emissions reduction

Project description
Bandırma Enerji ve Elektrik Üretim Ticaret A.Ş. built 60 MW wind farm in Balıkesir Province of Turkey. Bandırma Wind Energy Power Plant started to operate in September 2009. With the capacity increases in July 2010, and in December 2014, the total capacity reached 91.1 MW. The project is located in Balıkesir province. Borusan EnBW Energy is the owner of the project

Credits canceled by your organization from this project in the reporting year (metric tons CO2e)
927

Purpose of cancellation
Voluntary offsetting

Are you able to report the vintage of the credits at cancellation?
Yes

Vintage of credits at cancellation
2019

Were these credits issued to or purchased by your organization?
Purchased

Credits issued by which carbon-crediting program
Gold Standard

Method(s) the program uses to assess additionality for this project
Consideration of legal requirements
Investment analysis
Barrier analysis

Approach(es) by which the selected program requires this project to address reversal risk
Monitoring and compensation

Potential sources of leakage the selected program requires this project to have assessed
Not assessed

Provide details of other issues the selected program requires projects to address
Leakage emissions for a project of this carbon credit are 0, as it is not considered according to ACM0002 (version 20.0).

Comment
Purchased credits website:
https://registry.goldstandard.org/projects/details/1170
Bandırma Wind Power Plant:
https://www.borusanenbw.com.tr/enerji-santrallerimiz/ruzgar-enerjisi/bandirma-res
Project Gold Standard Methodology:
https://platform.sustain-cert.com/public-project/1271

C11.3

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

C11.3a

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

Type of internal carbon price
Shadow price

How the price is determined
Alignment with the price of allowances under an Emissions Trading Scheme
Alignment with the price of a carbon tax
Benchmarking against peers

Objective(s) for implementing this internal carbon price
Change internal behavior
Drive energy efficiency
Drive low-carbon investment
Identify and seize low-carbon opportunities
Navigate GHG regulations
Stakeholder expectations
Stress test investments

Scope(s) covered
Scope 3 (upstream)

Pricing approach used – spatial variance
Uniform

Pricing approach used – temporal variance
Evolutionary

Indicate how you expect the price to change over time
The carbon border adjustment mechanism (CBAM) is expected to bring additional financial burden to the companies which export the products covered by the mechanism from Türkiye to the EU region due to the increase in the cost of Turkish export products and reduce their competitiveness. The cost of CBAM certificates will be based on the price of carbon in the EU ETS. The amount of free allowances allocated around EU region is planned to decrease along with stepping in the CBAM as of 2026. In this regard, EU ETS prices are expected to increase accordingly. In addition, when it is considered that almost all studies and assumptions from various parties anticipate a continuing increase in EU ETS prices, it can be said that the Bank foresees the prices to rise up due to expanding regulations and implementing the requirements for the green transition.

Actual price(s) used – minimum (currency as specified in C0.4 per metric ton CO2e)
75

Actual price(s) used – maximum (currency as specified in C0.4 per metric ton CO2e)
150

Business decision-making processes this internal carbon price is applied to
Operations
Risk management
Opportunity management

Mandatory enforcement of this internal carbon price within these business decision-making processes
Yes, for some decision-making processes, please specify (In order to manage the risks: carbon intensive sector investments (Including iron-steel and cement industries etc.). To identify the opportunities: Renewable energy and energy efficiency investments)

Explain how this internal carbon price has contributed to the implementation of your organization's climate commitments and/or climate transition plan
The EU Green Deal published by the EU Commission in 2019 sets out the vision of the Union becoming carbon-neutral by 2050. This document has also proposed a carbon border adjustment mechanism (CBAM) as an option to avoid carbon leakage and protect the competitiveness of EU industries. After the political agreement between the Council and the European Parliament, CBAM was passed by the European Parliament and published in the Official Journal of the EU in May 2023. CBAM which applies six highly carbon-intensive sectors that are exposed to international trade including; aluminum, cement, iron and steel, electricity, hydrogen, and fertilizers will enter into force on October 1, 2023.
For the quantification of climate risks, TSKB conducted a case study to determine the potential financial impacts of CBAM on the cement industry. The cement portfolio study was carried out over two different CBAM pricing scenarios which were 75 and 150 EUR. In the study, the current financial and emission data of the companies were used as inputs. It has been seen that the companies level of exposure to CBAM is directly related to their EBITDA size and their export rates to the EU. As a result of the analysis, in the scenario where the price was 75 EUR, it was observed that the EBITDA margin decreased by about 3-4 points. Also, in the scenario where the price was 150 EUR, EBITDA margin decreased by around 6-8 points. However, considering the low weight of the cement sector in the portfolio and the low export rate to the EU (around 10%), the impact of CBAM on this sector will be limited.
TSKB plans to keep studying the potential costs and revenues of climate-related risks and opportunities on the affected companies' EBITDA margins to consider the loan decision process. The Bank reviews the global carbon market prices, trends in carbon allowance conditions sectors by sector, and science-based reports performed by international agencies. Moreover, TSKB loan assessment teams interview the clients to understand their company emission management approaches and potential climate-related investments. The Bank is able to represent an annual carbon amount that needs to be taxed and assume a reasonable price in the financial analysis of affected companies. Besides, TSKB intends to renew financial analysis on an annual basis to track the trends on a company basis and improve engagement with the clients through financing and providing advisory services to their green transition plans.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?
Yes, our suppliers
Yes, our customers/clients
Yes, other partners in the value chain

C12.1a

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

Type of engagement
Engagement & incentivization (changing supplier behavior)

Details of engagement
Other, please specify (Engagements with suppliers to motivate them towards setting targets and obtaining ISO certificates)

% of suppliers by number
100

% total procurement spend (direct and indirect)
4

% of supplier-related Scope 3 emissions as reported in C6.5
51.6

Rationale for the coverage of your engagement
TSKB's sustainability policy stipulates engagement with suppliers in order to mitigate occupational health and safety risks as well as social and environmental impacts emanating from the procurements. Moreover, the sustainable procurement management policy of the Bank sets certain criteria for its suppliers and ensures they comply with the Bank's sustainability standards. Pursuant to our policies, compliance with legal regulations without any exception is a prerequisite. Also, while selecting a supplier, environmental&social matters and whether the working environment is in alignment with ILO Declarations and the Universal Declaration of Human Rights are all taken into consideration.

Supporting its suppliers with its knowledge and expertise in establishing ISO 14001 Environmental Management System, 14064 Greenhouse Gas Emissions, and 45001 Occupational Health & Safety Management Systems, TSKB differentiates between several suppliers to work with companies holding such certificates. It encourages its suppliers to manage their greenhouse gas emissions and wastes arising from their activities, as well as conducting their resource utilization in line with national and international standards, and producing environmental-friendly and recyclable products.

As a bank that has one headquarters office in Istanbul and a branch in Ankara, our total procurement costs are quite negligible within the Bank's whole YE-22 figure. The aforementioned expenses are mainly from catering, security, social activities, education&training, and cleaning services which account for 4% of the 2022 OPEX figure. Moreover, the total emission amount related to these procurements was calculated as 224.6 tonnes in 2022.

Impact of engagement, including measures of success
TSKB engages with its suppliers to create awareness and improve their environmental and social performance. It applies its perspective even in the selection of its new suppliers. The Bank takes the environmental and social performances/practices of the suppliers into consideration, evaluating and scoring the potential suppliers. Moreover, the catering company has been certified with ISO 14001 certificate to comply with the prerequisite of TSKB to work with. TSKB periodically checks the certificate on an annual basis.

TSKB measures and follows up on its emissions which emanate from purchased services for its operations. Catering, security, social activities, education&training, and cleaning companies have significant amounts of Scope-3 GHG emissions. It is calculated individually and reported by TSKB Engineering Team on an annual basis. Moreover, TSKB also offsets these GHG emissions.

Comment
Engagement with our suppliers starts in the preselection stage and continues with close relationships and monitoring during procurement. The suppliers are assisted with sustainability training, holding new certificates, and setting targets to improve their environmental and social awareness as well as performance in this field.

C-FS12.1b

(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.

Type of clients
Customers/clients of Banks

Type of engagement
Information collection (understanding client behavior)

Details of engagement
Collect climate change and carbon information at least annually from long-term clients

% client-related Scope 3 emissions as reported in C-FS14.1a
90

Portfolio coverage (total or outstanding)
75

Rationale for the coverage of your engagement
Engagement targeted at clients with increased climate-related risks

Impact of engagement, including measures of success
TSKB measures and publishes its financed emissions for the last 2 years on an annual basis in its Integrated Annual Report. In July 2023, it obtained its science-based targets approval from SBTi. To reiterate, TSKB's verified Scope3 emissions data includes the "financed emissions". Financed clients, which are operating in carbon-intensive sectors (non-renewable power generation, cement, aluminum, and iron-steel sectors) and have provided their verified MRV reports of their plants to TSKB, have been considered while calculating the "financed emissions" of TSKB. Although the selected industries cover nearly 8.4% of the TSKB loan book, they constitute a significant part of TSKB's total financed emissions covering all carbon-intensive sectors. Moreover, TSKB calculated real estate sector emissions of its portfolio during science-based targets setting and approval processes. To note, the breakdown of the global and/or Türkiye's emissions as per sectors based on the publicly available TurkStat and IEA. 2 different methodologies were followed in developing science-based targets, which are the Sectoral Decarbonization Approach (SDA) and Temperature Rating methods. Not only the calculation of financed emissions but also sectoral carbon intensity figures became crucial when using the SDA method. TSKB calculated emissions stemming from energy and real estate sectors as described above in order to identify the carbon intensity of these parts of the portfolio. Thanks to SBTi tools, TSKB defined energy and real estate sectors' science-based targets accordingly. During mentioned calculations, TSKB had several meetings and phone calls where Bank's vision and expectations

from its clients are expressed directly to the companies' GHG management teams. This relationship enables TSKB to understand all dimensions of the climate change management approach of its clients including sectoral legal obligations, country limits, and investments needed. The experience we gained in building relationships on trust is the key issue for collecting data and providing willingness for a better corporation. TSKB believes that each connection regarding supplying carbon data triggers its clients to enlarge their green decarbonization strategies and encourages them to develop net-zero transition pathways. TSKB’s subsidiary ESCARUS, Sustainability Consultancy, is also introduced in all meetings with clients to show that TSKB is able to assist its clients by providing advisory services as well.

Type of clients
Customers/clients of Banks

Type of engagement
Engagement & incentivization (changing client behavior)

Details of engagement
Engage with clients on measuring exposure to climate-related risk
Engage with clients and potential clients, particularly those with the most GHG-intensive and GHG-emitting activities, on their decarbonization strategies and net-zero transition pathways
Encourage better climate-related disclosure practices
Encourage clients to set a science-based emissions reduction target

% client-related Scope 3 emissions as reported in C-FS14.1a
51

Portfolio coverage (total or outstanding)
61

Rationale for the coverage of your engagement
Engagement targeted at clients with increased climate-related risks

Impact of engagement, including measures of success
As indicated above row, TSKB applied two different SBTi methods to set science-based targets, TR method was used to set targets for long-term corporate loans, except for energy and real estate sector companies due to the SDA method was used to set targets for those. During the target-setting process for mentioned corporate loans asset class, TSKB reviewed the Clients’ all publicly available carbon data, including annual GHG emissions, available reduction targets, targets’ base year, targets’ ambitions, etc. The data set has been compared with IPCC climate scenarios by using SBTi Finance Tool to define a temperature score for the relevant portfolio. As a result, TSKB committed to decrease its scope 1 + 2 portfolio temperature score to 2.74°C and its scope 1 + 2 + 3 portfolio temperature score to 2.82°C by 2027. The target covers 100% of fossil fuel companies and 67% of the other long-term sector companies excluding electricity generation and real estate sector companies. Hereby, TSKB committed to engaging with clients on measuring and disclosing GHG emissions, setting GHG emissions aligned with good practices, and disclosing the performance on an annual basis since this is the only way to decrease the temperature. The selected method enforces TSKB to adopt a well-planned approach for creating a consistent and climate-oriented engagement with Clients. This started in loan negotiations by highlighting TSKB's expectations and vision on the issue but TSKB believes that this is going to be a long-lasting process with numerous interactions with Clients. Finally, please note that TSKB’s science-based targets cover 70% of the Bank’s total loan and investment loan portfolio

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Type of clients
Customers/clients of Banks

Type of engagement
Collaboration & innovation

Details of engagement
Other, please specify (Included climate change considerations in client management mechanism)

% client-related Scope 3 emissions as reported in C-FS14.1a
90

Portfolio coverage (total or outstanding)
75

Rationale for the coverage of your engagement
Engagement targeted at clients with increased climate-related risks

Impact of engagement, including measures of success
As part of its climate risk evaluation process on loans, TSKB makes an assessment by considering the adaptation capacity of clients’ projects or assets for 9 climate hazards during the utilization of its CRET (for physical risks) and identifies their general risk level under different scenarios and time periods. TSKB has started to implement the CRET for all projects and clients in early 2022.

Based on the CRET results, TSKB requests additional management plans. For example, for a company operating in the packaging sector, TSKB has requested the preparation of a Water Management Plan as a CP before disbursement since the water stress level was identified as high for the region in each scenario and time period where the client’s facility is located. Besides, the client heavily relied on groundwater sources. It should be noted that 22.2% is selected as the portfolio coverage since it is the percentage provided in the TSKB Climate Risk Report dated May 2021 for TSKB's exposures in sectors with high physical risks.

With our interaction either during onboarding or with an outstanding financed client, we try to raise awareness to invest in renewable energy and efficiency in order to minimize vulnerabilities to energy resilience. Other impacts of climate risks such as water scarcity, extreme weather conditions, or transition risks like new EU regulations are discussed deeply to draw the client's attention as well. Also, during our engagement with clients, we also recommend advisory and investment banking products that would support their transition to a low-carbon economy.

Type of clients
Customers/clients of Banks

Type of engagement
Information collection (understanding client behavior)

Details of engagement
Collect climate change and carbon information at least annually from long-term clients

% client-related Scope 3 emissions as reported in C-FS14.1a
90

Portfolio coverage (total or outstanding)
75

Rationale for the coverage of your engagement
Engagement targeted at clients with increased climate-related risks

Impact of engagement, including measures of success
Both transition risks and physical risks, adaptation capacity scores given for the clients or their assets/projects are mainly based on the TSKB's review of the clients' strategies & targets together with their low carbon transition plan, process, and technology utilized by the assets/projects, location of the assets/projects, water usage per unit product, GHG emissions per unit product, etc. Therefore, during the implementation of the CRET for assessing the transition risks, TSKB requests detailed information from the clients on their GHG disclosures, targets, and transition plans in place.

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

INFORMATION SHARING VIA A RANGE OF PLATFORMS AND EVENTS SUCH AS COP SUMMITS

TSKB attends the COP event held each year and acts as an active speaker in order to share its knowledge and experience with its stakeholders. In 2022, TSKB participated in COP27 as a speaker or panelist and talked concerning the areas below:

- Progress And Convergence in Practice On Climate-Related Risk Management

- Gender Equality and Climate Change: PDBs and the Green Climate Fund

- Biodiversity and Gender

- Showcasing AIIB's Approach to Financing Climate Action

- Low Carbon Pathways for Türkiye's Hard to Abate Sectors

- Circular Economy Practices on the Journey to Net Zero Carbon

- Climate-Related Risks and the Role of Financial Sector in Türkiye

IDFC'S FIRST CLIMATE-THEMED WORKSHOP EVENT
On 9-13 May 2022, we hosted the representatives of the world's leading development banks in Istanbul for the meeting themed "Climate Strategy and Physical Risk Assessment" in cooperation with IDFC. Attended by representatives from prestigious development banks such as AFD, BOAD, BNDES, DBSA, ICD, PTSMI, TDB, and AFC, the event tackled all aspects of climate strategies and risk management in workshops run under the guidance of a consultant firm.

EMPLOYEE TRAINING

The online training platform of TSKB which focuses on the capacity development of its employees includes a wide array of voluntary ESG training programs ranging from basics of ESG and sustainability to "zero-waste and recycling", "fashion and sustainability", etc. The training programs are improved continuously by the HR department. And the employees who achieve to complete the highest number of training at a certain time are ranked and announced at the Bank to receive instant gift cards.

ESG GOVERNANCE STRUCTURE SUPPORTING EMPLOYEE PARTICIPATION IN ESG SCOPE

The ESG governance structure aims that ESG responsibilities are spread among the Bank employees from top to bottom as much as possible so that these issues are embraced by everyone in the Bank. At the YE-22, the ratio of employees having roles in ESG issues was 18%. ESG topics including climate risks are conducted via working groups that report to Sustainability Management Committee which is overseen by Sustainability Committee.

MATERIALITY ANALYSIS SURVEY CONDUCTED TO MAIN STAKEHOLDERS

Materiality analysis is conducted every two years in order to collect valuable feedback from the stakeholders and revisit Bank's strategic priorities. In 2022, an online survey which also included open-ended questions was sent to internal and external stakeholders of the Bank. A workshop was also organized with participation from the strategic departments and members of the sustainability management committee to support the inputs of this analysis. Consequently, Management of Climate Risks and Opportunities was amongst the top-ranking material topics in the eyes of stakeholders which is also in alignment with the Bank's strategy.

TSKB BLOG AND CLIMATE REVIEW ISSUES

TSKB has a blog called TSKB Blog where it shares short articles with all stakeholders under the category of sustainability in order to increase awareness of environmental issues (https://www.tskb.com.tr/blog/gundemdekiler). TSKB has also a comprehensive environmental portal which is cevreciyiz.com, launched in 2007. Cevreciyiz.com provides various content on different topics such as the most up-to-date news about the environment, business ideas on sustainability, environmentally friendly designs, alternative energy sources, nature-friendly consumption trends, examples of green architecture, climate change, etc. TSKB also spreads this impact by creating www.cevreciyiz.com to large segments of society through its social media channels. Besides, the TSKB Economic Research team prepares and publishes Climate Review issues on a quarterly basis to inform stakeholders of up-to-date climate change agenda. These releases also cover topics such as biodiversity, forest, and water.

CARBON NEUTRAL EVENTS

TSKB often organizes motivational events for its employees such as dinners, cocktails prolonged, open-air cinema, various workshops, etc. Emissions resulting from these events are offset by purchasing carbon credit that is verified by Gold Standard.

C12.3

(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the climate

Yes, we engage directly with policy makers

Yes, our membership of/engagement with trade associations could influence policy, law, or regulation that may impact the climate

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?

Yes

Attach commitment or position statement(s)

Climate Change Mitigation and Adaptation Policy

Describe the process(es) your organization has in place to ensure that your external engagement activities are consistent with your climate commitments and/or climate transition plan

The position of the Bank with respect to relevant policy, law, or regulation is discussed and evaluated internally in an efficient way thanks to the strong cross-functional ESG governance structure of TSKB, and the final output is overseen by the Sustainability Management Committee before information sharing. During these discussions and approval processes, it is ensured that the output is adequate and in line with the strategic approach of the Bank.

We also see transparent reporting as one of the essentials of our engagement with our stakeholders. Given its solid governance system and long culture of ESG reporting, TSKB operates in line with its policies and commitments and discloses the outcomes to its stakeholders in alignment with internationally accepted standards. In the integrated annual report, the value creation model is depicted capitalize, and outcomes and impacts, as well as realizations versus targets, are disclosed. Next climate risk report which is underway is in alignment with TCFD recommendations and explains efforts related to climate change.

Also, participating in several NGOs, associations, and working groups for information and experience-sharing purposes, we also resort to engaging with other parties. Understanding the stance and current status of the other players via these channels is also very helpful for our development, too. For instance, TSKB became a member of the United Nations Environment Program Finance Initiative (UNEP FI) in 2009 and publicly announced its commitment to the UN Global Compact. In September 2019, TSKB became a Founding Signatory of the Principles for Responsible Banking (PRB). Moreover, since 2020 TSKB has been a TCFD Supporter, first having participated in UNEP-FI TCFD Phase 2 and then Phase 3 Banking Pilot Program. Recently, TSKB has participated in the latest phase of UNEP-FI TCFD studies.

Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate

<Not Applicable>

Explain why your organization does not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate

<Not Applicable>

C12.3a

(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?

Specify the policy, law, or regulation on which your organization is engaging with policy makers
Participation in Climate Council which was held in February 2022, Contribution to Climate Law and the Emission Trading System

Category of policy, law, or regulation that may impact the climate
Climate change mitigation

Focus area of policy, law, or regulation that may impact the climate
Climate-related targets
Climate transition plans
Emissions – CO2
Low-carbon, non-renewable energy generation
Renewable energy generation
Other, please specify (Circular economy, sustainable finance, carbon tax, adaptation and/or resilience to climate change)

Policy, law, or regulation geographic coverage
National

Country/area/region the policy, law, or regulation applies to
Turkey

Your organization's position on the policy, law, or regulation
Support with minor exceptions

Description of engagement with policy makers
We have actively participated in events and meetings on various platforms such as "Climate Council" in which emission reduction, green finance, carbon tax, adaptation to climate change as well as social topics were covered. At the Climate Council held in February 2022, representatives of our Bank contributed to the country's targets in this area with the views they expressed. As an output of all these activities, it is aimed to prepare a strong policy document to support the necessary transformation in the industries. In line with the 2053 net-zero emission target, Türkiye's Long-Term Climate Change Strategy (LCCS) and Action Plan preparatory work continued intensively in 2022 with the participation of stakeholders from all relevant industries.

Besides, in 2022, the details of the draft of the Climate Law and the Emission Trading System (ETS) became clearer. The Climate Law is expected to enter into force in 2023 and the ETS in 2024. Being an important stakeholder in the green transformation of the industry with its all business lines and subsidiaries, TSKB supports the legislation and strategy development activities performed and contributes to them. As part of this, in 2023 Escarus (TSKB Sustainability Consultancy) took part in two substantial projects of the T.R. Ministry of Industry and Technology and the T.R. Ministry of Energy and Natural Resources.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation
Being an important stakeholder and a forerunner in the green transformation of the industry with its all business lines and subsidiaries, TSKB supports the legislation and strategy development activities performed and contributes to them given the accumulated experience and know-how in this field. As part of this, in 2023 Escarus (TSKB Sustainability Consultancy) took part in two substantial projects of the T.R. Ministry of Industry and Technology and the T.R. Ministry of Energy and Natural Resources.

Have you evaluated whether your organization's engagement on this policy, law, or regulation is aligned with the goals of the Paris Agreement?
Yes, we have evaluated, and it is aligned

Please explain whether this policy, law or regulation is central to the achievement of your climate transition plan and, if so, how?
In the last couple of years, there has been a sheer change regarding the focus of regulatory bodies on ESG and climate change-related topics. The "Green Deal Action Plan" was announced by the Ministry of Commerce and the responsibility and coordination of the action were given to the BRSA in 2021. In this context, the "Sustainable Banking Strategic Plan" was accepted to determine the roadmap for supporting the financing of activities to reduce greenhouse gas emissions within the scope of the Paris Agreement and the European Union Green Deal, managing financial risks stemming from climate change and developing sustainable banking activities. For the studies foreseen in the document, TBA Sustainable Finance Working Group has been designated as the "Responsible/Coordinating Institution" which regularly convenes and actively supports BRSA. Again in 2021, the Turkish Parliament ratified Paris Climate Agreement. Following this development, Türkiye disclosed its NDC in COP27 last year. Moreover, Climate Law is expected to come into effect soon. And there are developments on the sustainability reporting front, as well. The stance of legal authorities, and the incentives and regulations they introduce are critical for our transition plan. Standardization, access to accurate data, raising awareness of clients, transparency, etc. are all of paramount importance which can be ensured by regulations.

C12.3b

(C12.3b) Provide details of the trade associations your organization is a member of, or engages with, which are likely to take a position on any policy, law or regulation that may impact the climate.

Trade association
Other, please specify (The Banks Association of Turkiye (TBA))

Is your organization's position on climate change policy consistent with theirs?
Consistent

Has your organization attempted to influence their position in the reporting year?
Yes, we publicly promoted their current position

Describe how your organization's position is consistent with or differs from the trade association's position, and any actions taken to influence their position
Our Bank holds the position of Chair of the TBA Sustainability Working Group which convenes regularly and with the participation of BRSA officials. TSKB contributed to the experience-sharing meetings concerning ESG issues including climate risk-related topics and studies with respect to the preparation of a guideline on heatmap methodologies and calculation of green asset ratio.

Funding figure your organization provided to this trade association in the reporting year (currency as selected in C0.4)
40000

Describe the aim of your organization's funding
According to the Green Financing Action Plan of Turkiye, BRSA has been held responsible for the coordination of determining a roadmap with respect to the development of sustainable banking with the target of developing an ecosystem that will enable the development of green finance in our country. In this context, in cooperation with the industry players, the Banks Association of Turkiye (TBA) has been designated as the "Cooperation Organization" and studies are conducted by the TBA Sustainable Finance Working Group. Our Bank holds the position of Chair of the TBA Sustainability Working Group which convenes regularly and with the participation of BRSA officials.

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?
Yes, we have evaluated, and it is aligned

C12.4

(C12.4) Have you published information about your organization’s response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
Other, please specify (Integrated Annual Report 2022 including UNEP-FI Responsible Banking Principles Progress Report)

Status
Complete

Attach the document
tskb-2022-integrated-annual-report.pdf

Page/Section reference
TSKB 2022 Integrated Annual Report - Natural Capital (Page 86-99)
UNEP-FI Responsible Banking Principles Progress Report 2022 (Page 166-172)

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics
Other, please specify (Finance of green projects, Engagement with clients, suppliers & others in the value chain)

Comment
With UNEP FI Principles for Responsible Banking report which is published on an annual basis, TSKB maps the Principles to its core activities and discloses its progress and realizations versus targets as of year-ends. By using the Impact Assessment Tool, TSKB identifies the areas in which it has its most significant positive and negative impact and sets SMART targets that address the identified impact areas. TSKB declared short, medium, and long-term targets on a capital basis in line with <IR> Framework in its Integrated Annual Report.

Publication
In voluntary communications

Status
Underway – previous year attached

Attach the document
TSKB_TCFD-2021_ENG.pdf
tskb-2022-integrated-annual-report.pdf

Page/Section reference
TSKB Climate Risk Report 2021 – whole report
TSKB 2022 Integrated Annual Report – Natural Capital

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
The first TCFD-aligned Climate Risk Report was published by TSKB in the banking industry. In 2022, the progress in terms of targets was disclosed in the Integrated Annual Report 2022. The next Climate Risk Report which will be published separately and include the recent developments and improvements regarding efforts of the Bank with respect to climate risks is underway.

C12.5

(C12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.

	Environmental collaborative framework, initiative and/or commitment	Describe your organization's role within each framework, initiative and/or commitment
Row 1	Net Zero Banking Alliance Partnership for Carbon Accounting Financials (PCAF) Science-Based Targets Initiative for Financial Institutions (SBTi-FI) Task Force on Climate-related Financial Disclosures (TCFD) UN Global Compact UNEP FI UNEP FI Principles for Responsible Banking UNEP FI TCFD Pilot	Net Zero Banking Alliance: We have become one of the signatories of the net zero banking alliance in October 2022. We are planning to disclose our roadmap and targets in 2024. Science-Based Targets Initiative for Financial Institutions (SBTi-FI): We have submitted our targets for SBTi approval in 2022, and our verification process is completed as of July 2023. Task Force on Climate-related Financial Disclosures (TCFD): In 2021, TSKB also became a TCFD Supporter and released its first climate risk report in alignment with TCFD recommendations. TCFD-related efforts are carried out by Climate Risks Working Group which conducts stress tests on the loan portfolios against a range of climate, energy, and development scenarios. TSKB is very well aware of the fact that slow and rapid onset extreme events with significant adverse impacts on economies already taking place all over the world. The Bank acknowledges that mitigating short-term risks associated with unavoidable climate change require sophisticated tools and skills other than scenario-based assessments which are used for assessing longer-term time horizons Partnership for Carbon Accounting Financials (PCAF): We use the methodology of PCAF to calculate our financed emissions. UN Global Compact: As a Bank with a mission that incorporates support for sustainable development and inclusiveness, TSKB has been a signatory of the UN Global Compact since 2010. Accordingly, the Bank disclosed its commitment to be aligned with UN Global Sustainable Development Principles. On an annual basis, TSKB discloses its response via the Communication on Progress Report to the UNGC. Besides, with its SDG-mapping model which was launched in 2020, it follows up the SDG impact of its loan portfolio on a quarterly basis. Last but not least, TSKB also has a $8 bn SDG-linked finance target until 2030. UNEP FI: TSKB became a member of the United Nations Environment Program Finance Initiative (UNEP FI) in 2009 and publicly announced its commitment to the UN Global Compact. UNEP FI Principles for Responsible Banking: In September 2019, TSKB became a Founding Signatory of the Principles for Responsible Banking (PRB) and TSKB published its first PRB reporting in March 2021, within the 2020 Integrated Annual Report. With this report which is published on an annual basis, TSKB maps the Principles of its core activities and discloses its progress and realizations versus targets as of year-end. By using the Impact Assessment Tool, TSKB identifies the areas in which it has its most significant positive and negative impact and sets SMART targets that address the identified impact areas. UNEP FI TCFD Banking Pilot Programme: In 2020 TSKB participated in Phase II of the UNEP FI TCFD Phase 2 Banking Pilot Program and became the only participant bank from Türkiye. Through this collaboration, TSKB aims to better understand the potential impacts of climate change on its corporate lending portfolio and how the Bank's strategies can be developed further to address potential climate-related risks and opportunities. As of 2021, the Bank also participated in the Phase 3 Program, which is a follow-up of the Phase 2 studies. TSKB also participating in UNEP FI's 2023 Climate Risk and TCFD Programme in order to further develop capacity on climate response regarding identifying, managing, and reporting on climate risks. With this program, TSKB will also enhance its studies on climate readiness with an integrated approach of containing risk management, climate finance, and net-zero alignment.

C14. Portfolio Impact

C-FS14.0

(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.

Lending to all carbon-related assets

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
364076230

New loans advanced in reporting year (unit currency – as specified in C0.4)
174556816

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
8.4

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Details of calculation
Financed emissions have the highest impact on total emissions of TSKB caused by business activities as a bank organization. PCAF's methodology (for the corporate loans) has been applied for the calculation of the financed emissions. Both Scope1&2 emissions of the companies have been considered during calculations. Scope1 emissions have been accessed from the MRV (Monitoring, Reporting, and Verification) reports of the subject facilities for the latest year. Scope2 emissions have been estimated by using national sectoral benchmarks. Within the scope of the PCAF methodology, an attribution factor that determines the TSKB's share of the companies' emissions is also used. The numerator of the attribution factor is the outstanding cash (risk) amount of the company as of the end reporting year, which is also defined as the Value of the carbon-related assets in TSKB's portfolio, and the denominator is the most updated total equity and debt amount (which corresponds to total passive amount of the company). Financed projects operating in carbon-intensive sectors which have provided MRV reports to TSKB like non-renewable power plants, cement, iron-steel, and aluminum factories have been considered while calculating the financed emission. These selected industries cover nearly 8.4% of the loan book yet cause a significant part of emissions that are emitted by TSKB clients. More importantly, this ratio represents >50% of the carbon-intensive sectors when it is considered that 16,5% of TSKB's loan portfolio is composed of carbon-intense sectors such as non-renewable energy, steel, aluminum, automotive, chemistry-petrochemistry (incl. fuel) cement, and package. TSKB intends to calculate realized GHG emissions of the portfolio to measure the direct impact of its lending activities. However, two different methodologies were followed in developing science-based targets, which are the sectoral decarbonization approach (SDA) and temperature rating (TR) methods, to extend the impact area of the emission management approach of TSKB. TR method enables calculation of the temperature score of the reporting year through SBTi Finance Tool, which considers Client's publicly available GHG data, including annual GHG emissions, available reduction targets, targets performance, etc. SDA and TR methods together allowed TSKB to set (and manage) targets covering 53% of the total lending and investment portfolio. Realized GHG data and TR method outputs have been reported in Section 14.

Lending to coal

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
101438986

New loans advanced in reporting year (unit currency – as specified in C0.4)
775123

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
2.35

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Details of calculation
Coal-sourced electricity generation power plants are considered. The numerator of the attribution factor is the outstanding cash (risk) amount of the company as of the end reporting year, which is also defined as the Value of the carbon-related assets in TSKB's portfolio lent to coal.

Lending to oil and gas

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
12866670

New loans advanced in reporting year (unit currency – as specified in C0.4)
0

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
0.3

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Details of calculation
Natural gas-sourced combined cycle electricity generation power plants are considered. The numerator of the attribution factor is the outstanding cash (risk) amount of the company as of the end reporting year, which is also defined as the Value of the carbon-related assets in TSKB's portfolio lent to gas.
TSKB has no exposure to oil and gas exploration or refining activities as of the end of 2022.

C-FS14.1

(C-FS14.1) Does your organization measure its portfolio impact on the climate?

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Please explain why you do not measure the impact of your portfolio on the climate
Banking (Bank)	Yes	Portfolio emissions Other carbon footprinting and/or exposure metrics (as defined by TCFD) Other, please specify (Carbon intensity: t CO2e/MWh, t CO2e/sqm (used in SBTi Tools that include 1.5°C and well-below 2°C aligned scenarios) Temperature Scores: "corporate loans other sectors" , "corporate bonds" asset classes (calculated through SBTi Finance Tool))	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS14.1a

(C-FS14.1a) Provide details of your organization's portfolio emissions in the reporting year.

Banking (Bank)

Portfolio emissions (metric unit tons CO2e) in the reporting year

2632903

Portfolio coverage

70

Percentage calculated using data obtained from clients/investees

100

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

Please explain the details and assumptions used in your calculation

TSKB's verified Scope 3 –(category 15) emissions data includes the "financed emissions" (category 5 as per ISO 14064-1:2018). Financed clients, which are operating in carbon-intensive sectors (non-renewable power generation, cement, iron-steel, and aluminum sectors) and have provided their verified MRV reports of their plants to TSKB, have been considered while calculating the "financed emissions" of TSKB. Both Scope 1 (Process and fossil fuel burning-related emissions obtained from the clients' MRV Reports) and Scope 2 (electricity consumption-related) emissions of the clients' power plants or industrial plants have been taken into account during our measurement. Outstanding risks and total equity and debt data have also been used to calculate the TSKB's attribution factor for each client as per the PCAF's methodology for corporate loans.

Although the selected industries cover nearly 8.4% of the TSKB loan book, they constitute a significant part (~70%) of TSKB's total financed emissions when the breakdown of the global and/or Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA data.

C-FS14.1b

(C-FS14.1b) Provide details of the other carbon footprinting and/or exposure metrics used to track the impact of your portfolio on the climate.

Portfolio
Banking (Bank)

Portfolio metric
Avoided emissions financed (tCO2e)

Metric value in the reporting year
13215108

Portfolio coverage
100

Percentage calculated using data obtained from clients/investees
0

Calculation methodology
For the RE projects financed by TSKB to date, the amount of annual GHG emissions avoided is calculated by using the amount of annual generated electricity by the RE project and Türkiye'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). The amount of annual generated electricity was determined based on information obtained from the transparency platform of Energy Exchange Istanbul (EXIST) and the information requested from the project companies if required. Turkish grid emission factor used by the Bank was 0.681 ton CO2eq/MWh for solar & wind projects, and 0.540 for other RE projects in 2022 (except landfill gas to energy power plants). Besides, the assumptions for calculating the avoided emissions for each RE technology's capacity factor were based on using the Türkiye sector average of the last three years for the different renewable energy sources.

Portfolio
Banking (Bank)

Portfolio metric
Other, please specify (The share of power plants generating electricity from non-renewable sources within the Bank's entire loan portfolio)

Metric value in the reporting year
2.65

Portfolio coverage
100

Percentage calculated using data obtained from clients/investees
0

Calculation methodology
As given in the TSKB's Climate Risk Report, TSKB has a metric to follow its exposure to non-renewable power generation (coal and natural-gas-fired power plants) within its entire portfolio (share of non-renewable energy in the portfolio). TSKB intends to limit the share of power plants generating electricity from non-renewable sources within the Bank's entire loan portfolio to 5%, which was calculated as 2.65% as of the end of 2022.

Portfolio
Banking (Bank)

Portfolio metric
Other, please specify (Total Installed Capacity of Renewable Energy Projects Financed (MW))

Metric value in the reporting year
8312

Portfolio coverage
100

Percentage calculated using data obtained from clients/investees
0

Calculation methodology
There are also Key Performance Indicators developed and followed by TSKB to measure its positive impact and report its progress within the scope of climate change mitigation and adaptation including, Total Installed Capacity of Renewable Energy Projects Financed (in MW). TSKB-funded renewable energy installed capacity has reached 8312 MW in 2022 with the funding of 388 projects. Additionally, due to the increase in energy prices and the CBAM which has been launched recently, rooftop SPP and land SPP investments for their internal consumption have recently come to the fore in companies in the manufacturing sector. In this context, we have provided financing for 14 Rooftop SPPs with a total installed capacity of 40 MW and 2 land-type SPP investments with a total installed capacity of 94 MW.

Portfolio
Banking (Bank)

Portfolio metric
Other, please specify (The ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio)

Metric value in the reporting year
60

Portfolio coverage
100

Percentage calculated using data obtained from clients/investees
0

Calculation methodology
TSKB aims for the ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of 60%, which was reported as 60% by the end of 2022 in the TSKB 2022 Integrated Report.

C-FS14.1c

(C-FS14.1c) Disclose or restate your portfolio emissions for previous years.

Past year 1 for Banking (Bank)

Start date

January 1 2021

End date

December 31 2021

Portfolio emissions (metric unit tons CO2e) in the reporting year

2748096

Portfolio coverage

70

Percentage calculated using data obtained from clients/investees

100

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

Please explain the details and assumptions used in your calculation

TSKB's verified Scope 3 –(category 15) emissions data includes the "financed emissions" (category 5 as per ISO 14064-1:2018). Financed clients, which are operating in carbon-intensive sectors (non-renewable power generation, cement, and iron-steel sectors) and have provided their verified MRV reports of their plants to TSKB, have been considered while calculating the "financed emissions" of TSKB. Both Scope 1 (Process and fossil fuel burning-related emissions obtained from the clients' MRV Reports) and Scope 2 (electricity consumption-related) emissions of the clients' power plants or industrial plants have been taken into account during our measurement. Outstanding risks and total equity and debt data have also been used to calculate the TSKB's attribution factor for each client as per the PCAF's methodology for corporate loans. Although the selected industries cover nearly 7.5% of the TSKB loan book, they constitute a significant part (between 60% - 70%) of TSKB's total financed emissions when the breakdown of the global and/or Türkiye's GHG emissions as per sectors based on the publicly available TurkStat and IEA data.

Past year 2 for Banking (Bank)

Start date

January 1 2020

End date

December 31 2020

Portfolio emissions (metric unit tons CO2e) in the reporting year

0

Portfolio coverage

0

Percentage calculated using data obtained from clients/investees

0

Emissions calculation methodology

Other, please specify (The SBTi guideline and the PCAF methodology have been researched in order to calculate the emissions in 2020.)

Please explain the details and assumptions used in your calculation

No calculation on portfolio emissions has been made for the 2020 reporting year. During 2020, the SBTi guideline and the PCAF methodology have been researched and studied in order to calculate the emissions in 2021.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's portfolio impact?

	Portfolio breakdown	Please explain why you do not provide a breakdown of your portfolio impact
Row 1	Yes, by asset class Yes, by industry	<Not Applicable>

C-FS14.2a

(C-FS14.2a) Break down your organization's portfolio impact by asset class.

Asset class	Portfolio metric	Portfolio emissions or alternative metric
Banking Other, please specify (Corporate loans: Electricity Generation)	Other, please specify (Weighted average carbon intensity metric of SBTi [according to SDA method] (tCO2e/MWh))	0.84
Banking Other, please specify (Corporate loans: Real estate)	Other, please specify (Weighted average carbon intensity metric of SBTi [according to SDA method] (tCO2e/m2))	0.21
Banking Other, please specify (Project Finance: Electricity Generation)	Other, please specify (Weighted average carbon intensity metric of SBTi [according to SDA method] (tCO2e/MWh))	0.23
Banking Other, please specify (Corporate loans: Other Long-term)	Other, please specify (Temperature score method of SBTi [for Scope-1 and Scope-2] (°C))	3.2
Banking Other, please specify (Corporate loans: Other Long-term)	Other, please specify (Temperature score method of SBTi [for Scope-1, Scope-2 and Scope-3] (°C))	3.2

C-FS14.2b

(C-FS14.2b) Break down your organization's portfolio impact by industry.

Portfolio	Industry	Portolio metric	Portfolio emissions or alternative metric
Banking (Bank)	Other, please specify (Non renewable electricity generation)	Absolute portfolio emissions (tCO2e)	1570381
Banking (Bank)	Other, please specify (Cement)	Absolute portfolio emissions (tCO2e)	784310
Banking (Bank)	Other, please specify (Iron and steel)	Absolute portfolio emissions (tCO2e)	277624
Banking (Bank)	Other, please specify (Aluminium)	Absolute portfolio emissions (tCO2e)	586
Banking (Bank)	Other, please specify (Renewable electricity generation)	Avoided emissions financed (tCO2e)	13215108

C-FS14.3

(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?

	Actions taken to align our portfolio with a 1.5°C world	Briefly explain the actions you have taken to align your portfolio with a 1.5-degree world	Please explain why you have not taken any action to align your portfolio with a 1.5°C world
Banking (Bank)	Yes	TSKB supports national sustainable development through its commitment to the SDGs by introducing SDG-aligned financing and setting portfolio weighting targets that prioritize the environment and climate for more than a decade. In its journey, TSKB previously committed to disclose its emission reduction targets, once guidelines for the finance sector are published by the SBTi. Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. In light of these, TSKB engaged with SBTi through its commitment and followed finance sector guidelines. After a long negotiation process proceeded in 2022, TSKB's emission reduction targets covering emissions arising from its loan and investment portfolio, which accounts for 53% of its total assets, have been approved by SBTi. TSKB sets a target to reduce these emissions from the baseline year of 2021. These targets cover 70% of the Bank's total loan and investment loan portfolio. SBTi tools have been followed up to keep strategies and action plans aligned with limiting global warming to 1.5°C above the pre-industrial levels goal where possible. In case SBTi has not published 1.5oC tools yet, well-below 2oC tools are the most ambitious tools published ever used in the target setting process of TSKB. Moreover, we integrate climate risks into our loan processes and measure risks at the loan allocation stage with our climate risk assessment model. Through internally developed sectoral heat maps, we continuously monitor the physical and transition risks of our loan portfolio arising from climate change. Furthermore, by mobilizing all our business lines and adopting a systematic approach, we extend support to all our business partners, particularly our customers in sectors impacted by the CBAM, to effectively reduce their carbon emissions. As a signatory of the NZBA, we have pledged to align our loan and investment portfolio with net-zero emission targets by 2050. As an important step towards this commitment, our near-term science-based targets were approved by SBTi on July 2023.	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS14.3a

(C-FS14.3a) Does your organization assess if your clients/investees' business strategies are aligned with a 1.5°C world?

	Assessment of alignment of clients/investees' strategies with a 1.5°C world	Please explain why you are not assessing if your clients/investees' business strategies are aligned with a 1.5°C world
Banking (Bank)	Yes, for all	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

	Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity	Scope of board-level oversight
Row 1	Yes, both board-level oversight and executive management-level responsibility	The environmental risks including biodiversity and social risks of projects are evaluated via the Bank's ERET model, irrespective of sector or loan size. The climate risks are also factored in during the loan evaluation according to the Bank's CRET. On top of these findings, the projects' and loans' link with UN SDGs was also reported to the Board. TSKB evaluates the investments as per the IFC Performance Standards in addition to the national requirements. Therefore, the Bank's ERET tool also includes investments' potential impacts on biodiversity. If any risk item is found at the first stage of this evaluation then, further due-diligence studies, as well as the development and implementation of mitigation plans, are requested from the investors. For the projects action plans are introduced, and close monitoring and sight visits are conducted during the lifetime of the loan. TSKB also measures and monitors its impacts from its own operations via SMS. The Bank disclosed the relevant ESG policies on its website including the sustainable procurement management policy. Also, it is currently preparing a responsible marketing and communication policy. All ESG issues including biodiversity are addressed through the active participation of the Board of Directors (BoD) and the Executive Committee (EC). The BoD guides the Bank's operations by ensuring that the Bank is being managed in accordance with its strategic focuses and predetermined targets. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision, and goals, particularly climate-related risks and opportunities, are addressed by the Sustainability Committee (SC) with the active participation of the BoD and the EC. Established in 2014, the TSKB SC consists of 4 Board Members as well as the CEO and 2 Executive Vice Presidents (EVPs) as of the end of 2022. Members of the SC are appointed by the decision of the Board of Directors. CEO is an active participant in the sustainability committee meetings. By 2021, a sustainability coordination director post is also created to ensure all ESG efforts are in line with the Bank's core strategies and targets in a more effective and synchronized manner. TSKB also actively participates in the Biodiversity working group of IDFC to highlight the importance of biodiversity and raise awareness.	Risks and opportunities to our bank lending activities The impact of our own operations on biodiversity The impact of our bank lending activities on biodiversity

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity	Biodiversity-related public commitments	Initiatives endorsed
Row 1	Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity	Commitment to respect legally designated protected areas Commitment to avoidance of negative impacts on threatened and protected species Commitment to no conversion of High Conservation Value areas Commitment to no trade of CITES listed species	CBD – Global Biodiversity Framework SDG CITES Other, please specify (IDFC Common Position Paper on Biodiversity)

C15.3

(C15.3) Does your organization assess the impacts and dependencies of its value chain on biodiversity?

Impacts on biodiversity

Indicate whether your organization undertakes this type of assessment
Yes

Value chain stage(s) covered
Portfolio activity

Portfolio activity
Bank lending portfolio (Bank)

Tools and methods to assess impacts and/or dependencies on biodiversity
Other, please specify (Internal tools (ERET))

Please explain how the tools and methods are implemented and provide an indication of the associated outcome(s)
We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET.

ERET is the abbreviation of the Environmental and Social Risk Assessment Model which is applied not only to investment loans but also to working capital loans. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. Lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website. At the start of the loan process, the relevant project plans are monitored by our engineers or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects it finances.

The ERET Model is also in line with the criteria in the Equatorial Principles, which are based on standards of the IFC and the World Bank and implemented by banks operating in developed economies.

Since 2020, TSKB is a member of the IDFC Biodiversity Working Group, which intends to introduce the conceptual foundations for understanding the role of biodiversity among financial institutions. The main output of the Working Group's 2022 studies was developing a "Biodiversity Toolbox" that provides a stepwise approach to integrating biodiversity concerns into the strategies and operations of development finance institutions. Each step has been illustrated with a selection of available methods, tools, and examples up to now. TSKB's aim is to develop an internal capacity and then build the strategy accordingly.

Dependencies on biodiversity

Indicate whether your organization undertakes this type of assessment
Yes

Value chain stage(s) covered
Portfolio activity

Portfolio activity
Bank lending portfolio (Bank)

Tools and methods to assess impacts and/or dependencies on biodiversity
Other, please specify (Internal model (ERET))

Please explain how the tools and methods are implemented and provide an indication of the associated outcome(s)
We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET.

ERET is the abbreviation of the Environmental and Social Risk Assessment Model which is applied not only to investment loans but also to working capital loans. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. Lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website. At the start of the loan process, the relevant project plans are monitored by our engineers or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects it finances.

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Since 2020, TSKB is a member of the IDFC Biodiversity Working Group, which intends to introduce the conceptual foundations for understanding the role of biodiversity among financial institutions. The main output of the Working Group's 2022 studies was developing a "Biodiversity Toolbox" that provides a stepwise approach to integrating biodiversity concerns into the strategies and operations of development finance institutions. Each step has been illustrated with a selection of available methods, tools, and examples up to now. TSKB's aim is to develop an internal capacity and then build the strategy accordingly.

C15.4

(C15.4) Does your organization have activities located in or near to biodiversity- sensitive areas in the reporting year?
No

C15.5

(C15.5) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?	Type of action taken to progress biodiversity- related commitments
Row 1	Yes, we are taking actions to progress our biodiversity-related commitments	Land/water protection Land/water management Species management Education & awareness Other, please specify (In colloboration with Ecording, ecoDrone continue to deliver airborne seed ball shoots in hard-to-reach areas that need to be afforested in 2022.)

C15.6

(C15.6) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	Yes, we use indicators	Other, please specify (Internationally recognized standards (e.g. World Bank ESS, IFC PSs, EBRD PRs, EPs) are applicable depending on the source of funding and nature of the project.)

C15.7

(C15.7) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
In voluntary sustainability report or other voluntary communications	Content of biodiversity-related policies or commitments Governance Impacts on biodiversity Influence on public policy and lobbying	All ESG topics including biodiversity are taken into consideration in our ESG disclosures such as integrated annual report and TCFD-aligned climate risk report. TSKB_TCFD-2021_ENG.pdf tskb-2022-integrated-annual-report.pdf
Other, please specify (Impact and Allocation Report, Climate Review Reports)	Impacts on biodiversity Other, please specify (Bank publishes informative research reports on this issue)	The impact of allocated sustainability-linked bonds are disclosed in the impact and allocation reports. At the same time, TSKB releases informative climate review bullet-ins for its stakeholders pursuant to its engagement strategy. Climate Review-2022-2.pdf TSKB_impact-report-2022.pdf Climate Review-2022-2.pdf

C16. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

TSKB 2022 Integrated Annual Report - https://www.tskb.com.tr/tskbentegrerapor2022/en.html

TSKB Climate Risk Report - https://www.tskb.com.tr/uploads/file/c89603dc730c21781a2270736ed07a84-1678113082719.pdf

TSKB YE-22 Investor Presentation - https://www.tskb.com.tr/uploads/file/tskb-fourth-quarter-investor-relations-presentation-2022.pdf

TSKB Investor Relations - https://www.tskb.com.tr/en/investor-relations

TSKB Sustainable Banking - https://www.tskb.com.tr/en/services/sustainable-banking

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Board of Directors Member, CEO, and Sustainability Committee Member	Chief Executive Officer (CEO)

FW-FS Forests and Water Security (FS only)

FW-FS1.1

(FW-FS1.1) Is there board-level oversight of forests- and/or water-related issues within your organization?

	Board-level oversight of this issue area	Explain why your organization does not have board-level oversight of this issue area and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water	Yes	<Not Applicable>

FW-FS1.1a

(FW-FS1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for forests- and/or water-related issues.

Issue area(s)	Position of individual(s) or committee(s)	Responsibilities for forests- and/or water-related issues
Forests Water	Board-level committee	The environmental risks including environmental and social risks of projects are evaluated via the Bank's Environmental and Social Risk Evaluation Tool (ERET) model, irrespective of sector or loan size. TSKB evaluates the investments as per the IFC Performance Standards in addition to the national requirements. Therefore, the Bank's ERET Model also includes investments' potential impacts on biodiversity. If any risk item is found at the first stage of this evaluation then, further due-diligence studies, as well as the development and implementation of mitigation plans, are requested from the investors. Also, Climate Risk Evaluation Tool (CRET) was developed in-house and put into operation in 2022. With this model, we integrated climate risks into the credit assessment, allocation, and monitoring processes. All ESG issues are addressed through the active participation of the Board of Directors (BoD) and the Executive Committee (EC). The BoD guides the Bank's operations by ensuring that the Bank is being managed in accordance with its strategic focuses and predetermined targets. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision, and goals, particularly climate-related risks and opportunities, are addressed by the Sustainability Committee (SC) with the active participation of the BoD and the EC. Established in 2014, the TSKB SC consists of 4 Board Members as well as the CEO and 2 Executive Vice Presidents (EVPs) as of the end of 2022. Members of the SC are appointed by the decision of the Board of Directors. CEO is actively participating in the meetings, and EVPs in charge of related responsibilities act as a facilitator between the SC and Sustainability Management Committee (SMC). The internal coordination of the sustainability organization is ensured by the Sustainability Coordination Officer (SCO). Within the Bank's Sustainability Management System (SMS), SC is supported by the SMC and working groups in which representatives from various departments of TSKB are active members. Reporting to the BoD, the Audit Committee is responsible for ensuring the efficiency and adequacy of the Bank's risk management, internal control, and internal audit operations under the relevant legislation. In line with the Bank's risk appetite, environmental risks including climate change and biodiversity that arise or may arise from lending operations are included in the Bank's risk management processes.
Forests Water	Director on board	4 of the 11 members of the Board of Directors (BoDs) are members of the Sustainability Committee (SC) which the Bank's all sustainability efforts are managed. Also, one of the board members who is also a member of the sustainability committee was Türkiye's Chief Negotiator for Climate Change between 2010 and 2013. SC ensures that ESG activities are in line with the Bank's strategy, vision, and goals in sustainability and closely monitors the activities of the sustainability management committee and working groups.
Forests Water	Chief Executive Officer (CEO)	Board member and Sustainability Committee (SC) member CEO is also a member of the Sustainability Management Committee (SMC) which was established in parallel with the Bank's vision, strategy, goals, and business plans about sustainability issues, especially climate change. SMC convenes every 2 months during the year in order to ensure the dissemination of our sustainability activities throughout our Bank and their integration into our differentiating business processes. With the active participation of the CEO both in SC and SMC, all targets and strategies are managed from a macro perspective and communicated to all levels.

FW-FS1.1b

(FW-FS1.1b) Provide further details on the board's oversight of forests- and/or water-related issues.

Issue area(s)
Forests

Frequency with which the issue area(s) is a scheduled agenda item
Scheduled - some meetings

Governance mechanisms into which this issue area(s) is integrated
Reviewing and guiding strategy
Reviewing and guiding the risk management process
Overseeing the setting of corporate targets
Monitoring progress towards corporate targets
Overseeing and guiding the development of a transition plan

Scope of board-level oversight
Risks and opportunities to our banking activities
The impact of our banking activities on forests and/or water security

Please explain
All ESG issues are addressed through the active participation of the Board of Directors (BoD) and the Executive Committee (EC). The BoD guides the Bank's operations by ensuring that the Bank is being managed in accordance with its strategic focuses and predetermined targets. The BoD consists of 11 members including the Bank's CEO and 3 independent members. Complementary policies, the Sustainability Policy and the Climate Change Mitigation and Adaptation Policy, which encompass the responsible banking approach, were approved by the BoD and entered into force. TSKB's organizational structure for sustainability involves the BoD and the EC and comprises all employees. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision, and goals, particularly climate-related risks and opportunities, are addressed by the Sustainability Committee (SC) with the active participation of the BoD and the EC. Established in 2014, the TSKB SC consists of 4 Board Members as well as the CEO and 2 Executive Vice Presidents (EVPs) as of the end of 2022. With the participation of the CEO as a committee member, this structure enables effective management at the highest level of all ESG issues, including climate risks, which are among the strategic focuses of the Bank. To note, members of the SC are appointed by the decision of the Board of Directors. CEO is actively participating in SC meetings, and the EVP in charge of related ESG issues is the head of SMC. In 2021, a Sustainability Coordination Officer position has also been created in the organizational structure to plan and manage core strategies and targets, as well as the Committee's work and objectives, in a more inclusive, effective, and synchronized manner. Within the Bank's Sustainability Management Organisation, SC is supported by the Sustainability Management Committee and working groups in which representatives from various departments of TSKB are active members. Reporting to the BoD, the Audit Committee is responsible for ensuring the efficiency and adequacy of the Bank's risk management, internal control, and internal audit operations under the relevant legislation. In line with the Bank's risk appetite, environmental risks including climate change and biodiversity that arise or may arise from lending operations are included in the Bank's risk management processes. Environmental, social, and climate risks are all integrated into the Bank's loan evaluation process, therefore, Board's decisions. In addition, TSKB also publishes various thematic reports. In 2022, we published Climate Review Report every quarter. Different topics were studied in these reports: air pollution, heat waves, forest and soil, and water.

Issue area(s)
Water

Frequency with which the issue area(s) is a scheduled agenda item
Scheduled - some meetings

Governance mechanisms into which this issue area(s) is integrated
Reviewing and guiding strategy
Reviewing and guiding the risk management process
Overseeing the setting of corporate targets
Monitoring progress towards corporate targets
Overseeing and guiding the development of a transition plan

Scope of board-level oversight
Risks and opportunities to our banking activities
The impact of our banking activities on forests and/or water security

Please explain
All ESG issues are addressed through the active participation of the Board of Directors (BoD) and the Executive Committee (EC). The BoD guides the Bank's operations by ensuring that the Bank is being managed in accordance with its strategic focuses and predetermined targets. Complementary policies, the Sustainability Policy and the Climate Change Mitigation and Adaptation Policy, which encompass the responsible banking approach, were approved by the BoD and entered into force. TSKB's organizational structure for sustainability involves the BoD and the EC and comprises all employees. Business plans and activities to be developed within the scope of TSKB's sustainability strategy, vision, and goals, particularly climate-related risks and opportunities, are addressed by the Sustainability Committee (SC) with the active participation of the BoD and the EC. Established in 2014, the TSKB SC consists of 4 Board Members as well as the CEO and 2 Executive Vice Presidents (EVPs) as of the end of 2022. With the participation of the CEO as a committee member, this structure enables effective management at the highest level of all ESG issues, including climate risks, which are among the strategic focuses of the Bank. To note, members of the SC are appointed by the decision of the BoD. CEO is actively participating in SC meetings, and EVPs in charge of related ESG issues act as a facilitator between SC and SMC. In 2021, a Sustainability Coordination Officer position has also been created in the organizational structure to plan and manage core strategies and targets, as well as the Committee's work and objectives, in a more inclusive, effective, and synchronized manner. Within the Bank's Sustainability Management System, SC is supported by the SMC and working groups in which representatives from various departments of TSKB are active members. Reporting to the BoD, the Audit Committee is responsible for ensuring the efficiency and adequacy of the Bank's risk management, internal control, and internal audit operations under the relevant legislation. In line with the Bank's risk appetite, environmental risks including climate change and biodiversity that arise or may arise from lending operations are included in the Bank's risk management processes. Climate risks including water and forests are all integrated into the Bank's loan evaluation process, results are indicated in respective reports. Therefore, Board's decisions. In addition, TSKB also publishes various thematic reports. In 2019, we published a report named "Water is the Next Diamond". In this report, TSKB drew attention to the areas of use of water in Türkiye and the world, and the measures to be taken regarding possible water scarcity. In the report titled, it is pointed out that water is becoming scarce due to the increasing demand and that developing and managing water resources to ensure water security is at the center of growth, sustainable development, and the fight against poverty.

FW-FS1.1c

(FW-FS1.1c) Does your organization have at least one board member with competence on forests- and/or water-related issues?

Forests

Board member(s) have competence on this issue area

Yes

Criteria used to assess competence of board member(s) on this issue area

One of our board members (Mr. Mithat Rende) who is also a member of the sustainability committee worked as Türkiye's Chief Negotiator for Climate Change between 2010 and 2013. Capacity development is an important agenda item in TSKB which also cooperates with consultants if necessary. The process covers all individuals from bank employees to board members. This is also supported by the informative presentations and reports of the Sustainability Management Committee and working group outputs to be submitted to the Sustainability Committee. Also, we participated very actively in COP 27, as we did in previous Conferences of the Parties. We shared our experience, approaches, and practices in climate change and finance with relevant parties at various events and platforms (such as MDB, IDFC, and the Republic of Türkiye Pavilions).

Primary reason for no board-level competence on this issue area

<Not Applicable>

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

<Not Applicable>

Water

Board member(s) have competence on this issue area

Yes

Criteria used to assess competence of board member(s) on this issue area

One of our board members (Mr. Mithat Rende) who is also a member of the sustainability committee worked as Türkiye's Chief Negotiator for Climate Change between 2010 and 2013. Capacity development is an important agenda item in TSKB which also cooperates with consultants if necessary. The process covers all individuals from bank employees to board members. This is also supported by the informative presentations and reports of the Sustainability Management Committee and working group outputs to be submitted to the Sustainability Committee. Also, we participated very actively in COP 27, as we did in previous Conferences of the Parties. We shared our experience, approaches, and practices in climate change and finance with relevant parties at various events and platforms (such as MDB, IDFC, and the Republic of Türkiye Pavilions).

Primary reason for no board-level competence on this issue area

<Not Applicable>

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

<Not Applicable>

FW-FS1.2

(FW-FS1.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests- and/or water-related issues.

Position or committee
Chief Executive Officer (CEO)

Issue area(s)
Forests
Water

Forests- and/or water-related responsibilities of this position
Assessing forests- and/or water-related risks and opportunities
Managing forests- and/or water-related risks and opportunities

Coverage of responsibilities
Risks and opportunities related to our banking portfolio

Reporting line
Reports to the Board directly

Frequency of reporting to the board on forests- and/or water-related issues via this reporting line
Quarterly

Please explain
As a Board Member, CEO is also a member of the SC. The active participation of the CEO as a committee member enables effective management at the highest level of all ESG issues, including climate risks, which are among the strategic focuses of the Bank. Our CEO is a board member in several non-profit organizations and associations which are active in Sustainability such as the Integrated Reporting Association of Turkiye (ERTA), the Corporate Governance Association of Turkiye (TKYD), the UN Global Compact TR and Impact Investing Advisory Board.

Position or committee
Sustainability committee

Issue area(s)
Forests
Water

Forests- and/or water-related responsibilities of this position
Assessing forests- and/or water-related risks and opportunities
Managing forests- and/or water-related risks and opportunities

Coverage of responsibilities
Risks and opportunities related to our banking portfolio

Reporting line
Reports to the Board directly

Frequency of reporting to the board on forests- and/or water-related issues via this reporting line
Quarterly

Please explain
All sustainability efforts across the Bank are managed by the Sustainability Committee, which was established in 2014 and consists of 4 Board Members, the CEO, and 2 Executive Vice Presidents as of the end of 2022. The Committee convened 3 times in 2022 to ensure the coordination of business plans and activities created within the scope of our strategy, vision, and goals in sustainability, closely monitoring the activities of the sustainability management committee and working groups.

Position or committee
Credit committee

Issue area(s)
Forests
Water

Forests- and/or water-related responsibilities of this position
Assessing forests- and/or water-related risks and opportunities
Managing forests- and/or water-related risks and opportunities

Coverage of responsibilities
Risks and opportunities related to our banking portfolio

Reporting line
CEO reporting line

Frequency of reporting to the board on forests- and/or water-related issues via this reporting line
More frequently than quarterly

Please explain
The environmental and social risks of projects are evaluated via our Environmental and Social Risk Evaluation Tool (ERET) model, irrespective of sector or loan size. The appraisal report which is the output of this process is submitted to either the Credit Evaluation Committee or BoD depending on the loan size. We are also effectively using the Climate Risks Evaluation Tool (CRET) model that we have prepared in order to integrate climate risks into the decision-making mechanism in our committee process. The mentioned model has been developed as a rating tool to measure the level of physical and transition risks in the financed projects. With this model, we aim to detect climate-related risks at the pre-allocation stage and mitigate the negative financial effects of these risks. The development of this model is also considered an important step for the process of integrating climate change-related risks into our loan evaluation, allocation, and monitoring processes by the end of 2023, which is one of the goals described in the TCFD-aligned Climate Risk Report report of our Bank.

FW-FS2.1

(FW-FS2.1) Do you assess your portfolio's exposure to forests- and/or water-related risks and opportunities?

	We assess our portfolio's exposure to this issue area	Explain why your portfolio's exposure is not assessed for this issue area and any plans to address this in the future
Banking – Forests exposure	Yes	<Not Applicable>
Banking – Water exposure	Yes	<Not Applicable>
Investing (Asset manager) – Forests exposure	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Water exposure	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Forests exposure	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Water exposure	<Not Applicable>	<Not Applicable>
Insurance underwriting – Forests exposure	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water exposure	<Not Applicable>	<Not Applicable>

FW-FS2.1a

(FW-FS2.1a) Describe how you assess your portfolio's exposure to forests- and/or water-related risks and opportunities.

Banking – Forests exposure

Type of risk management process
Integrated into multi-disciplinary company-wide risk management process

Proportion of portfolio covered by risk management process
99

Type of assessment
Qualitative only

Time horizon(s) covered
Short-term
Medium-term

Tools and methods used
Internal tools/methods
WRI Aqueduct
UNEP FI Portfolio Impact Analysis Tool for Banks

% of clients/investees (by number) exposed to substantive risk
0

% of clients/investees (by portfolio exposure) exposed to substantive risk
0

Provide the rationale for implementing this process to assess your portfolio’s exposure to forests- and/or water-related risks and opportunities
We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via the Environmental and Social Risk Evaluation Tool (ERET) and Climate Risks Evaluation Tool (CRET).

ERET is the abbreviation of the Environmental and Social Risk Assessment Model which is applied not only to investment loans but also to working capital loans. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. Lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website. At the start of the loan process, the relevant project plans are monitored by our engineers or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects it finances. The ERET Model is also in line with the criteria in the Equatorial Principles, which are based on standards of the IFC and the World Bank and implemented by banks operating in developed economies.

Another important tool that was developed internally is Climate Risk Evaluation Tool (CRET) which integrates climate risks into the loan evaluation process. To assess the water stress, the data of the WRI Aqueduct is used.

In addition, as one of the signatories of UNEP-FI Responsible Banking, we started to report our progress each year via our Annual Integrated Report in 2020. We use UNEP FI Portfolio Impact Analysis Tool for Banks to determine the positive and negative impacts of the financed sectors. Having set the relevant targets to mitigate negative impacts while enhancing the positive ones, we also disclose our performance via KPIs.

Banking – Water exposure

Type of risk management process
Integrated into multi-disciplinary company-wide risk management process

Proportion of portfolio covered by risk management process
99

Type of assessment
Qualitative only

Time horizon(s) covered
Short-term
Medium-term

Tools and methods used
Internal tools/methods
WRI Aqueduct
UNEP FI Portfolio Impact Analysis Tool for Banks

% of clients/investees (by number) exposed to substantive risk
0

% of clients/investees (by portfolio exposure) exposed to substantive risk
0

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities
We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET.

ERET is the abbreviation of the Environmental and Social Risk Assessment Model which is applied not only to investment loans but also to working capital loans. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. Lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website. At the start of the loan process, the relevant project plans are monitored by our engineers or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects it finances. The ERET Model is also in line with the criteria in the Equatorial Principles, which are based on standards of the IFC and the World Bank and implemented by banks operating in developed economies.

Another important tool that was developed internally is Climate Risk Evaluation Tool (CRET) which integrates climate risks into the loan evaluation process. To assess the water stress, the data of the WRI Aqueduct is used.

In addition, as one of the signatories of UNEP-FI Responsible Banking, we started to report our progress each year via our Annual Integrated Report in 2020. We use UNEP FI Portfolio Impact Analysis Tool for Banks to determine the positive and negative impacts of the financed sectors. Having set the relevant targets to mitigate negative impacts while enhancing the positive ones, we also disclose our performance via KPIs.

FW-FS2.2

(FW-FS2.2) Does your organization consider forests- and/or water-related information about clients/investees as part of its due diligence and/or risk assessment process?

	We consider forests- and/or water-related information	Explain why information related to this issue area is not considered and any plans to address this in the future
Banking – Forests-related information	Yes	<Not Applicable>
Banking – Water-related information	Yes	<Not Applicable>
Investing (Asset manager) – Forests-related information	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Water-related information	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Forests-related information	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Water-related information	<Not Applicable>	<Not Applicable>
Insurance underwriting – Forests-related information	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water-related information	<Not Applicable>	<Not Applicable>

FW-FS2.2a

(FW-FS2.2a) Indicate the forests- and/or water-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision making.

	Type of information considered	Process through which information is obtained	Industry sector(s) covered by due diligence and/or risk assessment process	State how these forests- and/or water-related information influences your decision making
Banking – Forests-related information	Commitment to eliminate deforestation/conversion of other natural ecosystems	Directly from the client/investee Data provider Public data sources	Energy Other, please specify (Heavy industries such as iron & steel as well as cement)	We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET. To use these tools, we obtain data and relevant documentation from the client. We require compliance with the International E&S standards. We do the assessment and allocate loans depending on these results. Afterward, we monitor our projects closely. Consequently, 60 percent of our loans are environment and climate-focused SDG-linked loans. In cases where endemic deforestation is a risk, we develop action plans for investors to mitigate the impact and ensure the reproduction of the endemic species.
Banking – Water-related information	Scope and content of water policy Water withdrawal and/or consumption volumes Water withdrawn from water stressed areas Water discharge treatment data Breaches to local water regulations	Directly from the client/investee Data provider Public data sources	Energy Other, please specify (Heavy industries such as iron & steel as well as cement)	We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET. To use these tools, we obtain data and relevant documentation from the client. We require compliance with the International E&S standards. We do the assessment and allocate loans depending on these results. Afterward, we monitor our projects closely. Consequently, 60% of our loans are environment and climate-focused SDG-linked loans. In cases where endemic deforestation is a risk, we develop action plans for investors to mitigate the impact and ensure the reproduction of the endemic species.
Investing (Asset manager) – Forests-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Water-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Forests-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Water-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Forests-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS2.3

(FW-FS2.3) Have you identified any inherent forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Risks identified for this issue area	Primary reason why your organization has not identified any substantive risks for this issue area	Explain why your organization has not identified any substantive risks for this issue area
Forests	Yes	<Not Applicable>	<Not Applicable>
Water	Yes	<Not Applicable>	<Not Applicable>

FW-FS2.3a

(FW-FS2.3a) Provide details of forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business.

Identifier
Risk1

Portfolio where risk driver occurs
Banking (Bank) portfolio

Issue area risk relates to

Forests

Risk type & Primary risk driver

Market	Inability to attract co-financiers and/or investors into deals due to forests- and/or water-related issues

Primary potential financial impact
Decreased access to capital

Risk type mapped to traditional financial services industry risk classification
Market risk

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

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure - minimum (currency)
<Not Applicable>

Potential financial impact figure - maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In case this risk is realized; as a result of scarce demand from investors, customers, development finance institutions, etc. along with the reputation loss, the estimated financial impact for the Bank could be elevated funding costs. TSKB is a non-deposit bank that mainly relies on external financial funding in the form of loans from development finance institutions and issued bonds.

Cost of response to risk
120000

Description of response and explanation of cost calculation
We monitor the global and national regulations, and standards and collect information from our clients. Lack of information is not only a reputational risk on our fund providers' side but also a market risk due to not being able to meet client needs.

Therefore, we are closely following the sectoral updates and developing thematic study papers on agriculture and climate change adaptation. In addition, our economic research team prepares and publishes quarterly Climate Reviews which update our stakeholders on climate issues.

Comment
Regarding this risk, the major cost driver is employee cost. In order to develop capacity and stay updated, we closely monitor global developments as well as good practices. In addition, we have been active on several platforms giving and receiving feedback and sharing experiences. The other important cost item includes the collection of sustainability and climate change-related data, public disclosure of this information, and third-party verification and assurance of the key performance indicators. All internal KPIs regarding environmental and social issues, including GHG emissions are verified in accordance with the ISO 14001 and ISO 14064 certifications annually. Costs also include external stakeholder and employee engagement domestic and global memberships and signatories, e.g. TUSIAD, UNEP FI, Global Compact, IDFC, and others. These costs equate to approximately $120K annually.

Identifier
Risk2

Portfolio where risk driver occurs
Banking (Bank) portfolio

Issue area risk relates to
Water

Risk type & Primary risk driver

Market	Inability to attract co-financiers and/or investors into deals due to forests- and/or water-related issues

Primary potential financial impact
Decreased access to capital

Risk type mapped to traditional financial services industry risk classification
Market risk

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

Time horizon

Medium-term

Likelihood
More likely than not

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure - minimum (currency)
<Not Applicable>

Potential financial impact figure - maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In case this risk is realized; as a result of scarce demand from investors, customers, development finance institutions, etc. along with the reputation loss, the estimated financial impact for the Bank could be elevated funding costs. TSKB is a non-deposit bank that mainly relies on external financial funding in the form of loans from development finance institutions and issued bonds.

Cost of response to risk
120000

Description of response and explanation of cost calculation
We monitor the global and national regulations, and standards and collect information from our clients. Lack of information is not only a reputational risk on our fund providers' side but also a market risk due to not being able to meet client needs.

Therefore, we are closely following the sectoral updates and developing thematic study papers on agriculture and climate change adaptation. In addition, our economic research team prepares and publishes quarterly Climate Reviews which update our stakeholders on climate issues.

Comment
Regarding this risk, the major cost driver is employee cost. In order to develop capacity and stay updated, we closely monitor global developments as well as good practices. In addition, we have been active on several platforms giving and receiving feedback and sharing experiences. The other important cost item includes the collection of sustainability and climate change-related data, public disclosure of this information, and third-party verification and assurance of the key performance indicators. All internal KPIs regarding environmental and social issues, including GHG emissions are verified in accordance with the ISO 14001 and ISO 14064 certifications annually. Costs also include external stakeholder and employee engagement domestic and global memberships and signatories, e.g. TUSIAD, UNEP FI, Global Compact, IDFC, and others. These costs equate to approximately $120K annually.

FW-FS2.4

(FW-FS2.4) Have you identified any inherent forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Opportunities identified for this issue area	Primary reason why your organization has not identified any substantive opportunities for this issue area	Explain why your organization has not identified any substantive opportunities for this issue area
Forests	Yes	<Not Applicable>	<Not Applicable>
Water	Yes	<Not Applicable>	<Not Applicable>

FW-FS2.4a

(FW-FS2.4a) Provide details of forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Portfolio where opportunity occurs
Banking (Bank) portfolio

Issue area opportunity relates to
Forests

Opportunity type & Primary opportunity driver

Products and services	Development and/or expansion of financing products and solutions supporting sustainable forest risk commodity supply chains

Primary potential financial impact
Other, please specify (Access to new thematic funds)

Company- specific description
We develop thematic study papers on agriculture and climate change adaptation. These areas are crucial for our upcoming loan agreement themes. For instance, water efficiency is likely to be on the agenda of the agriculture and manufacturing sectors in the medium term.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure - minimum (currency)
<Not Applicable>

Potential financial impact figure - maximum (currency)
<Not Applicable>

Explanation of financial impact figure
With its valuable experiences, through its subsidiary Escarus, TSKB provides SMS and EMS, green bond issuance, climate risks reporting (CDP, sustainability and integrated report, carbon emission report) consultancy services to other companies in finance and other reel sectors. With the reorganization of its advisory services in 2019, TSKB also offers environmental, sustainability, carbon management, risk management, and resilience and climate change management advisory services. These services contribute to integrating climate-related issues into the agendas of the related companies with an organized structure. TSKB expects these sustainability advisory services to support its commission income in the next couple of years. In 2022, TSKB and its subsidiaries provided 36 advisory services directly and indirectly linked with low carbon transition. As of the YE-22, total revenues from those projects have been $1M. The Bank also expects TSKB's advisory services to contribute to TSKB's revenues in the upcoming years.

Cost to realize opportunity
1000000

Strategy to realize opportunity and explanation of cost calculation
TSKB has given 36 consultancy services through/together with its subsidiaries. The total operating expenses of these projects pertaining to the year 2022 are approximately $550K.

Comment
With the growing demand TSKB expects to access new markets with value-added advisory services. Thus, TSKB and its subsidiaries plan to provide advisory services directly and indirectly linked with low carbon transition. TSKB has given 36 consultancy services through/together with its subsidiaries in 2022 and aims to increase this number in the near future.

Identifier
Opp2

Portfolio where opportunity occurs
Banking (Bank) portfolio

Issue area opportunity relates to
Water

Opportunity type & Primary opportunity driver

Products and services	Development and/or expansion of financing products and solutions supporting water security

Primary potential financial impact
Increased access to capital

Company- specific description
We develop thematic study papers on agriculture and climate change adaptation. These areas are crucial for our upcoming loan agreement themes. For instance, water efficiency is likely to be on the agenda of the agriculture and manufacturing sectors in the medium term.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure - minimum (currency)
<Not Applicable>

Potential financial impact figure - maximum (currency)
<Not Applicable>

Explanation of financial impact figure
With its valuable experiences, through its subsidiary Escarus, TSKB provides SMS and EMS, green bond issuance, climate risks reporting (CDP, sustainability and integrated report, carbon emission report) consultancy services to other companies in finance and other reel sectors. With the reorganization of its advisory services in 2019, TSKB also offers environmental, sustainability, carbon management, risk management, and resilience and climate change management advisory services. These services contribute to integrating climate-related issues into the agendas of the related companies with an organized structure. TSKB expects these sustainability advisory services to support its commission income in the next couple of years. In 2022, TSKB and its subsidiaries provided 36 advisory services directly and indirectly linked with low carbon transition. As of the YE-22, total revenues from those projects have been $1M. The Bank also expects TSKB's advisory services to contribute to TSKB's

revenues in the upcoming years.

Cost to realize opportunity
550000

Strategy to realize opportunity and explanation of cost calculation
TSKB has given 36 consultancy services through/together with its subsidiaries. The total operating expenses of these projects pertaining to the year 2022 are approximately $550K.

Comment
With the growing demand TSKB expects to access new markets with value-added advisory services. Thus, TSKB and its subsidiaries plan to provide advisory services directly and indirectly linked with low carbon transition. TSKB has given 36 consultancy services through/together with its subsidiaries in 2022 and aims to increase this number in the near future.

FW-FS3.1

(FW-FS3.1) Do you take forests- and/or water-related risks and opportunities into consideration in your organization's strategy and/or financial planning?

Forests

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning
Yes, we take these risks and opportunities into consideration in the organization's strategy and financial planning

Description of influence on organization's strategy including own commitments
Double Materiality
We are in constant communication and reciprocal engagement with our stakeholders. Every 2 years, we update our stakeholder and materiality analysis which is the one of important feedback mechanisms with both internal and external stakeholders. In 2022, we renewed the analysis with respect to the double materiality concept, to reflect also our impact on people and the planet. According to the analysis, the top 5 material issues are "Ethics, Compliance with the Laws, and Anti-Corruption", "Cyber Security and Data Privacy", "Sustainable Financial Performance", "Management of Climate Risks and Opportunities" and "Competent Human Capital". The outcomes of the analysis nourish and enlighten the long-term strategy of the Bank.

Environmental Impact Management
We carry out all of our operations as per ISO 14001 and 14064-1 Standards. In 2021, we completed our training for compliance with the revised ISO 14064-1 standard published in 2018 and updated our greenhouse gas inventory in accordance with the requirements of the new standard. In this context, we thus calculated the impact of carbon-intensive industries in our portfolio, in other words, our financed emissions, in an end-to-end transparent manner for the first time in 2021. As of YE-22, the projects included in the calculation for financed emissions account for 8.4% of our total portfolio.

Climate Risks Evaluation Tool (CRET)
In addition to the Environmental and Social Risk Evaluation Tool, we developed CRET to include climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model.

ESG Risk Management
We are dedicated to improving our internal ESG standards and procedures. In November 2022, we completed the update of our Bank's ESG Risk rating from Sustainalytics. Our ESG Risk Rating was determined as 7.9 which represents 5.6 points of improvement and uplift in the risk category "negligible risk." As of the date of publication, our Bank, which was ranked first among Turkish Banks, was ranked 12th among international development banks, 15th in the banking industry, and 60th among about 15K institutions evaluated by Sustainalytics.

Financial planning elements that have been influenced
Revenues
Indirect costs
Access to capital
Assets
Liabilities
Provisions or general reserves

Description of influence on financial planning
Business Continuity and Climate Adaptation and Mitigation Action Plans
TSKB regularly studies the necessary action plans, under the Emergency and Contingency Plan, against both acute and chronic natural disaster events such as excessive rainfall, floods, drought, and earthquake. With the aim of ensuring business continuity and minimizing operational risks, we started the expansion process of our Ankara Office. Gradual relocation of relevant department members is planned to begin in the second half of 2023. The budgeted cost of the project installation will be ~$0.9M. Efforts to strengthen the Bank's business continuity and resilience are coordinated by the Business Continuity Management Committee and the Building Operation and Administrative Affairs Unit. In 2022, a $39K expenditure was made in accordance with climate mitigation including the replacement of the existing fire extinguishing system gas with a more friendly one. Although the efforts have increased the Bank's costs, these steps taken to protect it from major disaster risks, in the long term, are important.

New Theme Development: Circular Economy
Application of circular economy practices is still emergent with a global economy circularity index of only 7%. In 2022, in collaboration with AFD, we developed the circular economy loan theme to improve circular economy practices aiming at preserving all available resources by optimizing their use and that of the resulting products. In December 2022, TSKB and AFD signed a loan agreement in the amount of EUR 80 million. According to this loan agreement, at least 10 companies will be accompanied during the change of their practices, and pilot investments will be financed. The circular economy is key to the transition to a low-carbon economy. Companies' carbon footprint will be reduced thanks to the implementation of innovative mitigation projects with a minimum target of avoiding 5,000 tonnes of CO_2 per year. The importance of the circular economy in the scope of climate finance will be strengthened, as well as the driving role of the financial sector to facilitate the development of the circular economy.

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning
<Not Applicable>

Water

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

Yes, we take these risks and opportunities into consideration in the organization's strategy and financial planning

Description of influence on organization's strategy including own commitments

Double Materiality

We are in constant communication and reciprocal engagement with our stakeholders. Every 2 years, we update our stakeholder and materiality analysis which is the one of important feedback mechanisms with both internal and external stakeholders. In 2022, we renewed the analysis with respect to the double materiality concept, to reflect also our impact on people and the planet. According to the analysis, the top 5 material issues are "Ethics, Compliance with the Laws, and Anti-Corruption", "Cyber Security and Data Privacy", "Sustainable Financial Performance", "Management of Climate Risks and Opportunities" and "Competent Human Capital". The outcomes of the analysis nourish and enlighten the long-term strategy of the Bank.

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Financial planning elements that have been influenced

Revenues
Indirect costs
Access to capital
Assets
Liabilities
Provisions or general reserves

Description of influence on financial planning

Business Continuity and Climate Adaptation and Mitigation Action Plans

TSKB regularly studies the necessary action plans, under the Emergency and Contingency Plan, against both acute and chronic natural disaster events such as excessive rainfall, floods, drought, and earthquake. With the aim of ensuring business continuity and minimizing operational risks, we started the expansion process of our Ankara Office. Gradual relocation of relevant department members is planned to begin in the second half of 2023. The budgeted cost of the project installation will be ~$0.9 million. Efforts to strengthen the Bank's business continuity and resilience are coordinated by the Business Continuity Management Committee and the Building Operation and Administrative Affairs Unit. In 2022, a $39K expenditure was made in accordance with climate mitigation including the replacement of existing fire extinguishing system gas with a more friendly one. Although the efforts have increased the Bank's costs, these steps taken to protect it from major disaster risks, in the long term, are important.

New Theme Development: Circular Economy

Application of circular economy practices is still emergent with a global economy circularity index of only 7%. In 2022, in collaboration with AFD, we developed the circular economy loan theme to improve circular economy practices aiming at preserving all available resources by optimizing their use and that of the resulting products. In December 2022, TSKB and AFD signed a loan agreement in the amount of EUR 80 million. According to this loan agreement, at least 10 companies will be accompanied during the change of their practices, and pilot investments will be financed. The circular economy is key to the transition to a low-carbon economy. Companies' carbon footprint will be reduced thanks to the implementation of innovative mitigation projects with a minimum target of avoiding 5,000 tonnes of CO_2 per year. The importance of the circular economy in the scope of climate finance will be strengthened, as well as the driving role of the financial sector to facilitate the development of the circular economy.

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning

<Not Applicable>

FW-FS3.2

(FW-FS3.2) Has your organization conducted any scenario analysis to identify forests- and/or water-related outcomes?

Forests

Scenario analysis conducted to identify outcomes for this issue area
Yes, we have conducted scenario analysis and we have identified outcomes for this issue area

Type of scenario analysis used
Climate-related
Water-related
Socioeconomic

Parameters, assumptions, analytical choices
Climate Risks Evaluation Tool (CRET)
In addition to the Environmental and Social Risk Evaluation Tool, we developed CRET to include climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model.

In addition, as one of the signatories of UNEP-FI Responsible Banking, we started to report our progress each year via our Annual Integrated Report in 2020. We use UNEP FI Portfolio Impact Analysis Tool for Banks to determine the positive and negative impacts of the financed sectors. Having set the relevant targets to mitigate negative impacts while enhancing the positive ones, we also disclose our performance via KPIs.

Description of outcomes for this issue area
With the internal tools we develop such as ERET and CRET, we became capable of evaluating and quantifying the risks on a loan basis. Almost the total book, excluding loans disbursed to the finance sector, is evaluated.

Explain how the outcomes identified using scenario analysis have influenced your strategy
Embedded in our strategy, we have been operating and offering services to our clients in an environmentally and socially responsible manner. We do not finance any projects that do not fulfill our environmental and social criteria.

This strategy is also reflected in our targets. We have the target to maintain the ratio of climate and environment-focused SDG-linked loans in the loan book at 60%. These loans account for 60% of the total portfolio as of the YE-22.

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future
<Not Applicable>

Water

Scenario analysis conducted to identify outcomes for this issue area
Yes, we have conducted scenario analysis and we have identified outcomes for this issue area

Type of scenario analysis used
Climate-related
Water-related
Socioeconomic

Parameters, assumptions, analytical choices
Climate Risks Evaluation Tool (CRET)
In addition to the Environmental and Social Risk Evaluation Tool, we developed CRET to include climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model.

Scientific data generated by running different global climate models with RCP4.5 and RCP8.5 climate scenarios were used in the scenario analysis performed for hydroelectric power plants within the scope of physical risks. For the upcoming period, case analysis studies will be further developed.

Additionally, we have developed a comprehensive study after the recent mucilage incident that occurred in 2021 at the Dardanelle Sea in Türkiye.

We also conduct research and evaluation on the groundwater usage of our loan clients.

Description of outcomes for this issue area
With the internal tools we develop such as ERET and CRET, we became capable of evaluating and quantifying the risks on a loan basis. Almost the total book, excluding loans disbursed to the finance sector, is evaluated.

Explain how the outcomes identified using scenario analysis have influenced your strategy
Embedded in our strategy, we have been operating and offering services to our clients in an environmentally and socially responsible manner. We do not finance any projects that do not fulfill our environmental and social criteria.

This strategy is also reflected in our targets. We have the target to maintain the ratio of climate and environment-focused SDG-linked loans in the loan book at 60%. These loans account for 60% of the total portfolio as of YE-22.

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future
<Not Applicable>

FW-FS3.3

(FW-FS3.3) Has your organization set targets for deforestation free and/or water secure lending, investing and/or insuring?

	Targets set	Explain why your organization has not set targets for deforestation free and/or water secure lending, investing and/or insuring and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water Security	Yes	<Not Applicable>

FW-FS3.3a

(FW-FS3.3a) Provide details of your targets for deforestation free and/or water secure lending, investing and/or insuring.

Portfolio
Banking (Bank)

Issue area(s) the target covers
Forests

Targets set
Other, please specify (Sustainable finance target)

Sectors covered by the target
All sectors

Target metric
Total value (unit currency – as specified in C0.4)

Target value (as %)
<Not Applicable>

Target value
8000000000

Target year
2030

% of target achieved
30

Provide details of the target
From our SDG-linked financing target of $8 bn between 2021-2030, $2.2 bn has been extended by 2022YE. Thus, approximately 30% of the relevant target was achieved in 2 years. Besides, in line with another sustainable finance target of the Bank, climate and environment-focused SDG-linked loans marked 60% as of 2022YE.

Portfolio
Banking (Bank)

Issue area(s) the target covers
Water Security

Targets set
Other, please specify (Sustainable finance target)

Sectors covered by the target
All sectors

Target metric
Total value (unit currency – as specified in C0.4)

Target value (as %)
<Not Applicable>

Target value
8000000

Target year
2030

% of target achieved
30

Provide details of the target
From our SDG-linked financing target of $8 bn between 2021-2030, $2.2 bn has been extended by 2022YE. Thus, approximately 30% of the relevant target was achieved in 2 years. Besides, in line with another sustainable finance target of the Bank, climate and environment-focused SDG-linked loans marked 60% as of 2022YE.

FW-FS3.4

(FW-FS3.4) Do any of your existing products and services enable clients to mitigate deforestation and/or water insecurity?

	Existing products and services that enable clients to mitigate deforestation and/or water insecurity	Explain why your organization does not offer products and services which enable clients to mitigate deforestation and/or water insecurity and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water	Yes	<Not Applicable>

FW-FS3.4a

(FW-FS3.4a) Provide details of your existing products and services that enable clients to mitigate deforestation and/or water insecurity.

Product type
Corporate loans

Taxonomy or methodology used to classify product(s)
Green Bond Principles (ICMA)

Product enables clients to mitigate
Deforestation
Water insecurity

Description of product(s)
Funding through development finance institutions, which is disbursed in a "use of proceeds" approach, accounts for 65% of the funding structure of TSKB. 80% of these resources are guaranteed by the Ministry of the Treasury and Finance of the Republic of Türkiye. The Bank works in close cooperation with development finance institutions such as IBRD, EIB, CEB, KfW, AFD, IFC, EBRD, JBIC, OeEB, IsDB, AIIB, and CDB. Each agreement has different requirements and covenants related to the respective theme and taxonomy of the DFIs.

Funds obtained through bonds are used to finance green and social projects in line with the Sustainable Finance Framework updated in December 2020. Our framework is compliant with Green Bond Principles (ICMA) and LMA Green Loan Principles.

The accumulated know-how in ESG issues is transferred into a subsidiary called Escarus which offers sustainability consultancy services to our clients. Elected as a member of the "ICMA Green Bond Principles (GBP)" Advisory Board and Working Groups in 2019, ESCARUS was re-elected to the Board in 2021 and 2022 as well. It is the only Turkish company that aims to provide a broader perspective on green, social, and sustainable bond markets.

Last but not least, TSKB collaborates with ecording under the seed ball shoots project which is an emerging afforestation technique adopted worldwide. Noting that, seed balls are most commonly used for ecological restoration, TSKB plans a total of 150 thousand airborne seed ball shoots in a year on behalf of the companies to which the Bank extends loans. Aiming to shoot 100 seeds for each $1M loan in compliance with the Sustainable Development Goals (SDGs), TSKB will also increase its support for social entrepreneurs through its cooperation with ecording.

Since 2020, we have been working with an FMCG company in order to create/improve water awareness in Türkiye via quantifying water stress. Water Index has been updated quarterly and shared with the company under our consultancy services scope.

Type of activity financed, invested in or insured
Water treatment infrastructure
Wastewater treatment infrastructure
Other, please specify (Pollution prevention Climate adaptation)

Portfolio value (unit currency – as specified in C0.4)
2600000

% of total portfolio value
60

Product type
Project finance

Taxonomy or methodology used to classify product(s)
Green Bond Principles (ICMA)

Product enables clients to mitigate
Deforestation
Water insecurity

Description of product(s)
Funding through development finance institutions, which is disbursed in a "use of proceeds" approach, accounts for 65% of the funding structure of TSKB. 80% of these resources are guaranteed by the Ministry of the Treasury and Finance of the Republic of Türkiye. The Bank works in close cooperation with development finance institutions such as IBRD, EIB, CEB, KfW, AFD, IFC, EBRD, JBIC, OeEB, IsDB, AIIB, and CDB. Each agreement has different requirements and covenants related to the respective theme and taxonomy of the DFIs.

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Since 2020, we have been working with an FMCG company in order to create/improve water awareness in Türkiye via quantifying water stress. Water Index has been updated quarterly and shared with the company under our consultancy services scope.

Type of activity financed, invested in or insured
Water supply and sewer networks infrastructure
Water treatment infrastructure
Other, please specify (Pollution prevention Climate adaptation)

Portfolio value (unit currency – as specified in C0.4)
2600000

% of total portfolio value
60

FW-FS3.5

(FW-FS3.5) Does the policy framework for the portfolio activities of your organization include forests- and/or water-related requirements that clients/investees need to meet?

	Policy framework includes this issue area	Explain why your organization does not include this issue area in the policy framework and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water	Yes	<Not Applicable>

FW-FS3.5a

(FW-FS3.5a) Provide details of the policies which include forests- and/or water-related requirements that clients/investees need to meet.

Portfolio
Banking (Bank)

Issue area(s) the policy covers
Forests

Type of policy
Credit/lending policy

Portfolio coverage of policy
99

Policy availability
Publicly available

Attach documents relevant to your policy
https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy

Requirements for clients/investees
Avoid negative impacts on threatened and protected species and habitats
Commit to no conversion of High Conservation Value areas
Commit to no activities in Ramsar sites.
Adopt the UN International Labour Organization principles
Have transparent and accessible mechanisms to resolve grievances and remediate any adverse impacts on indigenous people and local communities
Comply with all applicable local, national and international laws and regulations

Value chain stages of client/investee covered by criteria
Direct operations only

Timeframe for compliance with policy criteria
Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy
Other, please specify (All sectors in the loan portfolio)

Forest risk commodities covered by the policy
All agricultural commodities

Commodities with critical impact on water security covered by the policy
<Not Applicable>

Forest risk commodity supply chain stage covered by the policy
Production
Processing
Trading
Manufacturing
Retailing

Exceptions to policy based on
Other, please specify (Finance sector)

Explain how criteria coverage and/or exceptions have been determined
Embedded in our strategy, we have been operating and offering services to our clients in an environmentally and socially responsible manner. We do not finance any projects that do not fulfill our environmental and social criteria.

All loans including investment and working capital loans are evaluated via our internal tools named ERET and CRET.

Portfolio
Banking (Bank)

Issue area(s) the policy covers
Water

Type of policy
Credit/lending policy

Portfolio coverage of policy
99

Policy availability
Publicly available

Attach documents relevant to your policy
https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy

Requirements for clients/investees
Comply with all applicable local, national and international laws and water regulations
Meeting minimum, sector-specific discharge treatment processes
Commit to safely managed Water, Sanitation and Hygiene (WASH) in the workplace
Monitor water withdrawals, discharges and water quality parameters

Value chain stages of client/investee covered by criteria
Direct operations only

Timeframe for compliance with policy criteria
Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy
Other, please specify (All sectors in the portfolio)

Forest risk commodities covered by the policy
<Not Applicable>

Commodities with critical impact on water security covered by the policy
Fish and seafood from aquaculture

Forest risk commodity supply chain stage covered by the policy
<Not Applicable>

Exceptions to policy based on
Other, please specify (Finance sector)

Explain how criteria coverage and/or exceptions have been determined
Embedded in our strategy, we have been operating and offering services to our clients in an environmentally and socially responsible manner. We do not finance any projects that do not fulfill our environmental and social criteria.

All loans including investment and working capital loans are evaluated via our internal tools named ERET and CRET.

FW-FS3.6

(FW-FS3.6) Does your organization include covenants in financing agreements to reflect and enforce your forests- and/or water-related policies?

	Covenants included in financing agreements to reflect and enforce policies for this issue area	Explain how the covenants included in financing agreements relate to your policies for this issue area	Explain why your organization does not include covenants for this issue area in financing agreements and any plans to address this in the future
Forests	Yes	In addition to social themes, TSKB provides climate-focused financial support to its customers under different themes such as energy and resource efficiency, renewable energy, EU Green Deal, circular economy, midcap financing, environmental pollution abatement in industry, innovation, clean transportation, research development, etc. Funding Structure Funding through DFIs, which is disbursed in a “use of proceeds” approach, accounts for 65% of the funding structure of TSKB, being one of the well-known Turkish banks in the international financial markets. The Bank works in close cooperation with DFIs. Each agreement has different requirements and covenants related to the respective theme. In line with the requirements of the agreement, the information and documents we request from our customers are followed up by our engineering team, and if necessary, independent third-party opinions are taken. In addition to DFI funding, we secure sustainability-linked syndicated loans every year, since 2020. Three different sustainability KPIs we set with our sustainability coordinators determine the margin of the loan. With the achievement of these targets, we succeed in 2.5 basis points of margin reduction. Loan Portfolio In 2020, TSKB implemented the SDG Loan Model developed with its subsidiary, Escarus. In this context, with the SDG Evaluation Tool, the performance of companies in the social, economic, and environmental areas is evaluated and action plans are determined. In the final stage of the process, companies are offered improved financing costs depending on their assessed impacts. Climate Risk Evaluation Tool (CRET) in addition to our ERET Model With the CRET, the pilot applications of which started in 2021 and were put into operation in 2022, we have included climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. We aim to detect climate-related risks at an early stage and reduce the negative financial effects of these risks. The development of this model is also considered an important step in the process of integrating climate change-related risks into our loan evaluation, allocation, and monitoring processes. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model.	<Not Applicable>
Water	Yes	In addition to social themes, TSKB provides climate-focused financial support to its customers under different themes such as energy and resource efficiency, renewable energy, EU Green Deal, circular economy, midcap financing, environmental pollution abatement in industry, innovation, clean transportation, research development, etc. Funding Structure Funding through DFIs, which is disbursed in a “use of proceeds” approach, accounts for 65% of the funding structure of TSKB, being one of the well-known Turkish banks in the international financial markets. The Bank works in close cooperation with DFIs. Each agreement has different requirements and covenants related to the respective theme. In line with the requirements of the agreement, the information and documents we request from our customers are followed up by our engineering team, and if necessary, independent third-party opinions are taken. In addition to DFI funding, we secure sustainability-linked syndicated loans every year, since 2020. Three different sustainability KPIs we set with our sustainability coordinators determine the margin of the loan. With the achievement of these targets, we succeed in 2.5 basis points of margin reduction. Loan Portfolio In 2020, TSKB implemented the SDG Loan Model developed with its subsidiary, Escarus. In this context, with the SDG Evaluation Tool, the performance of companies in the social, economic, and environmental areas is evaluated and action plans are determined. In the final stage of the process, companies are offered improved financing costs depending on their assessed impacts. Climate Risk Evaluation Tool (CRET) in addition to our ERET Model With the CRET, the pilot applications of which started in 2021 and were put into operation in 2022, we have included climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. We aim to detect climate-related risks at an early stage and reduce the negative financial effects of these risks. The development of this model is also considered an important step in the process of integrating climate change-related risks into our loan evaluation, allocation, and monitoring processes. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model.	<Not Applicable>

FW-FS4.1

(FW-FS4.1) Do you engage with your clients/investees on forests- and/or water-related issues?

	We engage with clients/investees on this issue area	Explain why you do not engage with your clients/investees on the issue area and any plans to address this in the future
Clients – Forests	Yes	<Not Applicable>
Clients – Water	Yes	<Not Applicable>
Investees – Forests	<Not Applicable>	<Not Applicable>
Investees – Water	<Not Applicable>	<Not Applicable>

FW-FS4.1a

(FW-FS4.1a) Give details of your forests- and/or water-related engagement strategy with your clients.

Type of clients
Clients of Banks

Issue area this engagement relates to
Forests

Type of engagement
Education/information sharing

Details of engagement
Engage with clients on measuring exposure to forests-related risk
Other, please specify (Trainings to raise awareness)

Portfolio coverage of engagement
100

Rationale for the coverage of your engagement
Engagement targeted at clients with increased forest-related risks

Impact of engagement, including measures of success
We engage with our clients and policy-makers. Our engagement with clients not only includes the loan evaluation process but also awareness-raising training in which we do presentations and inform our clients. In 2022, we attended a panel on the "Clean Water" topic as a speaker at İzmir Institute of Technology to share information with our stakeholders as an extension of our engagement strategy. During the event, we have been responsible for the training side. Accordingly, we have shared our know-how with other attendants. Awareness creation leads to better ESG performance, and less funding costs, and also has a minimizing effect on improving resource efficiency.

Type of clients
Clients of Banks

Issue area this engagement relates to
Water

Type of engagement
Education/information sharing

Details of engagement
Engage with clients on measuring exposure to water-related risk
Other, please specify (Trainings to raise awareness)

Portfolio coverage of engagement
100

Rationale for the coverage of your engagement
Engagement targeted at clients with increased water-related risks

Impact of engagement, including measures of success
We engage with our clients and policy-makers.

Our engagement with clients not only includes the loan evaluation process but also awareness-raising training in which we do presentations and inform our clients.

In 2022, we attended a panel on the "Clean Water" topic as a speaker at İzmir Institute of Technology to share information with our stakeholders as an extension of our engagement strategy.

During the event, we have been responsible for the training side. Accordingly, we have shared our know-how with other attendants. Awareness creation leads to better ESG performance, and less funding costs, and also has a minimizing effect on improving resource efficiency.

FW-FS4.3

(FW-FS4.3) Does your organization provide financing and/or insurance to smallholders in the agricultural commodity supply chain?

	Provide financing and/or insurance to smallholders in the agricultural commodity supply chain	Agricultural commodity	Primary reason for not providing finance and/or insurance to smallholders	Explain why your organization does not provide finance/insurance to smallholders and any plans to change this in the future
Row 1	No, and we do not plan to in the next two years	<Not Applicable>	Other, please specify (We do not offer microfinance.)	Our mission is to support sustainable and inclusive development of the Turkish private sector. We have a long-term business model financing medium and long-term investment projects. We do not offer microfinance. Our risk profile is mostly composed of blue-chip companies.

FW-FS4.4

(FW-FS4.4) Does your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may impact forests and/or water security?

	External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Explain why you do not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area
Forests	Yes, we engage directly with policy makers	<Not Applicable>	<Not Applicable>
Water	Yes, we engage directly with policy makers	<Not Applicable>	<Not Applicable>

FW-FS4.4a

(FW-FS4.4a) On what policy, law, or regulation that may impact forests and/or water security have you been engaging directly with policy makers in the reporting year?

Issue area(s)
Forests

Focus of policy, law or regulation that may impact this issue area
Mandatory reporting

Specify the policy, law or regulation on which your organization is engaging with policymaker
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, IFRS S2 Climate-related Disclosures

Policy, law or regulation coverage
Global

Country/area/region the policy, law or regulation applies to
<Not Applicable>

Your organization's position on the policy, law or regulation
Support with minor exceptions

Description of engagement with policymakers
As TSKB, we have given detailed comments on these draft regulations which are finally published in June 2023.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation
We have given comments on the issues that needed clarification and facilitate comparability between institutions.

Have you evaluated whether your engagement on this policy, law, or regulation is aligned with the Sustainable Development Goals?
Yes, we have evaluated, and it is aligned

Issue area(s)
Water

Focus of policy, law or regulation that may impact this issue area
Mandatory reporting

Specify the policy, law or regulation on which your organization is engaging with policymaker
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, IFRS S2 Climate-related Disclosures

Policy, law or regulation coverage
Global

Country/area/region the policy, law or regulation applies to
<Not Applicable>

Your organization's position on the policy, law or regulation
Support with minor exceptions

Description of engagement with policymakers
As TSKB, we have given detailed comments on these draft regulations which are finally published in June 2023.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation
We have given comments on the issues that needed clarification and facilitate comparability between institutions.

Have you evaluated whether your engagement on this policy, law, or regulation is aligned with the Sustainable Development Goals?
Yes, we have evaluated, and it is aligned

FW-FS5.1

(FW-FS5.1) Does your organization measure its portfolio impact on forests and/or water security?

	We measure our portfolio impact on this issue area	Explain how your organization measures its portfolio impact on this issue area, including any metrics used to quantify impact	Primary reason for not measuring portfolio impact on this issue area	Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future

	We measure our portfolio impact on this issue area	Explain how your organization measures its portfolio impact on this issue area, including any metrics used to quantify impact	Primary reason for not measuring portfolio impact on this issue area	Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future
Banking – Impact on Forests	Yes	We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET. ERET is the abbreviation of the Environmental and Social Risk Assessment Model which is applied not only to investment loans but also to working capital loans. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. Lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website. At the start of the loan process, the relevant project plans are monitored by our engineers or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects it finances. The ERET Model is also in line with the criteria in the Equatorial Principles, which are based on standards of the IFC and the World Bank and implemented by banks operating in developed economies. Another important tool that was developed internally is Climate Risk Evaluation Tool (CRET) which integrates climate risks into the loan evaluation process. To assess the water stress, the data of the WRI Aqueduct is used. In addition, as one of the signatories of UNEP-FI Responsible Banking, we started to report our progress each year via our Annual Integrated Report in 2020. We use UNEP FI Portfolio Impact Analysis Tool for Banks to determine the positive and negative impacts of the financed sectors. Having set the relevant targets to mitigate negative impacts while enhancing the positive ones, we also disclose our performance via KPIs.	<Not Applicable>	<Not Applicable>
Banking – Impact on Water	Yes	We have internal tools to assess the environmental and social risks of projects/loans and integrate these factors into our loan evaluation process via ERET and CRET. ERET is the abbreviation of the Environmental and Social Risk Assessment Model which is applied not only to investment loans but also to working capital loans. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. Lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website. At the start of the loan process, the relevant project plans are monitored by our engineers or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects it finances. The ERET Model is also in line with the criteria in the Equatorial Principles, which are based on standards of the IFC and the World Bank and implemented by banks operating in developed economies. Another important tool that was developed internally is Climate Risk Evaluation Tool (CRET) which integrates climate risks into the loan evaluation process. To assess the water stress, the data of the WRI Aqueduct is used. In addition, as one of the signatories of UNEP-FI Responsible Banking, we started to report our progress each year via our Annual Integrated Report in 2020. We use UNEP FI Portfolio Impact Analysis Tool for Banks to determine the positive and negative impacts of the financed sectors. Having set the relevant targets to mitigate negative impacts while enhancing the positive ones, we also disclose our performance via KPIs. On an annual basis, we conduct case studies on our hydropower plants to analyze the efficiency and impact of drought on our projects.	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS5.2

(FW-FS5.2) Does your organization provide finance or insurance to companies operating in any stages of the following forest risk commodity supply chains, and are you able to report on the amount of finance/insurance provided?

	Finance or insurance provided to companies operating in the supply chain for this commodity	Amount of finance/insurance provided will be reported	Explain why your organization is unable to report on the amount of finance/insurance provided for this commodity
Lending to companies operating in the timber products supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the palm oil products supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the cattle products supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the soy supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the rubber supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the cocoa supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the coffee supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS5.3

(FW-FS5.3) Indicate whether you measure the percentage of clients/investees compliant with your forests- and/or water-related requirements stated in question FW-FS3.5, and provide details.

Portfolio
Banking (Bank)

Issue area(s) the requirements cover
Forests

Forests risk commodity covered by the requirements
All agricultural commodities

Commodities with a critical impact on water security covered by the requirements
Fish and seafood from aquaculture

Measurement of proportion of clients/investees compliant with forests- or water-related requirements
No, but we plan to measure this within the next two years

Metric used for compliance with forests-related requirements
<Not Applicable>

Metric used for compliance with water-related requirements
<Not Applicable>

% clients/investees compliant with forests- or water-related requirements
<Not Applicable>

% portfolio value that is compliant with forest- or water-related requirements
<Not Applicable>

Target year for 100% compliance
<Not Applicable>

Explain why your organization does not measure the % of clients/investees compliant with forests- or water-related requirements, and any plans to address this in the future
Since 2020, TSKB is a member of the IDFC Biodiversity Working Group, which intends to introduce the conceptual foundations for understanding the role of biodiversity among financial institutions. The main output of the Working Group's 2022 studies was developing a "Biodiversity Toolbox" that provides a stepwise approach to integrating biodiversity concerns into the strategies and operations of development finance institutions. Each step has been illustrated with a selection of available methods, tools, and examples up to now. TSKB's aim is to develop an internal capacity and then build the strategy accordingly.

Portfolio
Banking (Bank)

Issue area(s) the requirements cover
Water Security

Forests risk commodity covered by the requirements
All agricultural commodities

Commodities with a critical impact on water security covered by the requirements
Fish and seafood from aquaculture

Measurement of proportion of clients/investees compliant with forests- or water-related requirements
No, but we plan to measure this within the next two years

Metric used for compliance with forests-related requirements
<Not Applicable>

Metric used for compliance with water-related requirements
<Not Applicable>

% clients/investees compliant with forests- or water-related requirements
<Not Applicable>

% portfolio value that is compliant with forest- or water-related requirements
<Not Applicable>

Target year for 100% compliance
<Not Applicable>

Explain why your organization does not measure the % of clients/investees compliant with forests- or water-related requirements, and any plans to address this in the future
Since 2020, TSKB is a member of the IDFC Biodiversity Working Group, which intends to introduce the conceptual foundations for understanding the role of biodiversity among financial institutions. The main output of the Working Group's 2022 studies was developing a "Biodiversity Toolbox" that provides a stepwise approach to integrating biodiversity concerns into the strategies and operations of development finance institutions. Each step has been illustrated with a selection of available methods, tools, and examples up to now. TSKB's aim is to develop an internal capacity and then build the strategy accordingly.

FW-FS6.1

(FW-FS6.1) Have you published information about your organization's response to forests- and/or water-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Focus of the Publication
Forests

Publication
In mainstream reports

Status
Complete

Attach the document
TSKB Integrated Annual Report and Climate Risk Report
TSKB_TCFD-2021_ENG.pdf
tskb-2022-integrated-annual-report.pdf

Page/Section reference
TSKB Climate Risk Report 2021 – whole report; TSKB 2022 Integrated Annual Report – Natural Capital

Content elements
Governance
Strategy
Risks and opportunities
Response to forests- and/or water-related risks and opportunities
Other, please specify (targets and metrics)

Comment
The first TCFD-aligned Climate Risk Report was published by TSKB in the banking industry. In 2022, the progress in terms of targets was disclosed in the Integrated Annual Report 2022. The next Climate Risk Report which will be published separately and include the recent developments and improvements regarding efforts of the Bank with respect to climate risks is underway.

Focus of the Publication
Water Security

Publication
In mainstream reports

Status
Complete

Attach the document
TSKB_TCFD-2021_ENG.pdf
tskb-2022-integrated-annual-report.pdf

Page/Section reference
TSKB Climate Risk Report 2021 – whole report; TSKB 2022 Integrated Annual Report – Natural Capital

Content elements
Governance
Strategy
Risks and opportunities
Response to forests- and/or water-related risks and opportunities
Other, please specify (Targets and metrics)

Comment
The first TCFD-aligned Climate Risk Report was published by TSKB in the banking industry. In 2022, the progress in terms of targets was disclosed in the Integrated Annual Report 2022. The next Climate Risk Report which will be published separately and include the recent developments and improvements regarding efforts of the Bank with respect to climate risks is underway.

Submit your response

In which language are you submitting your response?
English

Please confirm how your response should be handled by CDP

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