

C0. Introduction

C0.1

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

Türkiye Kalkınma ve Yatırım Bankası A.Ş. (TKYB) has been providing strong and systematic contributions to Turkey's economic development with its strategic role in the supply of long term financial resources which is the most basic requirement of sustainable economic development.

TKYB continues its activities with its mission of increasing employment, income and levels of welfare. The Bank allocates funds to finance the fixed and working capital investments of different sectors including energy, energy efficiency, industry, tourism, finance and health.

TKYB works in collaboration with a network of major international funding agencies in the process of supporting potential investments and initiatives in the private sector financially, offering long-term resources that have been obtained within the network of international relationships to a large section of the business world, through direct lending and apex banking (wholesale banking activities).

Another area where TKYB serves its experience is consultancy and technical assistance services. In this regard, the Bank supports institutions and enterprises operating in different fields with its specialists possessing knowledge on sectors as well as experience in national and international field while supporting the efforts of developing their own potential with concrete contributions. TKYB goes beyond being a conventional lender; it is a service provider that shares technical knowledge and experience with its customers unconditionally throughout the investment period.

In this context, the Bank, as a "responsible corporate citizen", contributes to initiatives that protect the environment and address climate change, which are essential elements of sustainable development, by collaborating with the international financial institutions.

The Bank has established an Environmental Management System (EMS) in order to increase its positive influences and reduce the negative environmental impacts of its development and investment banking activities. The System is created based on the TS-EN-ISO 14001 Environmental Management System standard.

TKYB is the only state-owned bank having the Environmental Management Systems (EMS) Certificate which was implemented in 2010. TKYB completed its eighth year of success in the ISO 14001 Environmental Management System. The Bank has been offsetting its greenhouse gas emissions every year, which also included 2018 (Scope 1 via Gold Standard, Scope 2 via i-REC).

With the awareness of climate change being the biggest threat facing humanity, the Bank is in an effort to demonstrate its sensitivity in all of its activities within the scope of Turkey's strategy and target of curbing total greenhouse gas emissions. In 2018, approximately TRY 8,759 billion credit has been allocated to 434 renewable energy and energy efficiency projects with total installed capacity of 1,883 MW. As a result of these credits the Bank provided between 2004 and 2018, an annual emissions reductions of 2,499 million tons CO2 has been achieved. The Bank targets to increase this amount in the next years. The bank has also managed to be a carbon neutral bank in 2018 by offsetting its Scope 1 (Gold Standard) and Scope 2 emissions (i-REC).

The Bank continued its successful financial performance by increasing its asset size by 74.9% to TRY 15,714.8 million compared to the previous year and its equity by 12.8% to TRY 1,417 million. The Under-secretariat of Treasury of the Republic of Turkey holds 99.08% of the paid-in capital of the Development Bank of Turkey. The remaining shares are traded on the Istanbul Stock Exchange (BIST) under the "KLNMA" ticker. Guided by Turkey's 2023 vision, TKYB will continue to contribute and play an active role in the sustainable development process of the country in the future as it does today with its powerful resource structure, competent human resources and corporate governance approach.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2018	December 31 2018	No	<Not Applicable>

C0.3

(C0.3) Select the countries/regions for which you will be supplying data.

Turkey

C0.4

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

TRY

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 consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

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(s)	Please explain
Chief Executive Officer (CEO)	Environmental Management Committee (EMC) assesses and manages climate-related issues related to Climate Change. It is led by the Executive Vice President (EVP), who is the 2nd most senior executive at the Bank and reports directly to the CEO. The CEO is the ultimate responsible in climate-related issues at the Bank who also sits on the Board and assigns the delegates and members of the EMC. The operational method, participants and principals of the EMC are determined by CEO, who was also the Chairman of the Board until December 2018. Working groups and teams within the bank provide monthly reports to each other as they continuously share data and information. This helps put together the quarterly EMC gatherings led by the EVP, who reports the highlights and EMC's decisions to the CEO in the same frequency. EMC's role is important as the CEO, who receives their reports, annually reports to the Board and shapes the decisions to be made at the "Annual Management Review" meetings.

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	Please explain
Scheduled – all meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	One of the main chapters of the Loan evaluation reports at the Bank consists of EIAs conducted for potential projects. Due to the nature of operations at the Bank, loans need to be presented and discussed in every meeting. As the climate-related issues are in indispensable aspect of loan processes, climate-related issues are always a scheduled item at every board meeting. Carbon reductions are always discussed at the meetings and the Board is informed when a project may have a red flag during the credit assessment, after which the project may not get the go-ahead for the loan. Climate-related actions and environmental milestones overall are subject to Board approval, therefore are raised at every meeting, as well as the progress reports on projects and loans. The Environmental Management Committee (EMC) whose members are assigned by the CEO, who sits on the Board, has a crucial role in the management of the Bank because of its annual reports to the Board as it shapes the decisions that are made at the "Annual Management Review" meetings. As mentioned above, these decisions include updates to the bank-wide strategy as environmental aspects is at the forefront of Top Management, which has to include climate change in all its meetings. Updates to the strategy comes with plans of actions to implement them on the short, medium and long-term in accordance with the Bank's strategy. Such updates, plans of action and objectives are monitored by the EMC with the Executive Vice President being the main responsible.

C1.2

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

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Both assessing and managing climate-related risks and opportunities	Annually
Other committee, please specify (Environmental Management Committee)	Assessing climate-related risks and opportunities	More frequently than quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

Environmental Management Committee (EMC) is responsible for assessing climate-related issues related to Climate Change. It is led by the Executive Vice President, who is the second most senior executive at the Bank and reports directly to the CEO. Working groups and teams within the Bank provide monthly reports to each other as they continuously share data and information. This helps put together the routine quarterly EMC gatherings led by the Executive Vice President, who reports the highlights and Committee's actions and decisions to the CEO in the same frequency. The Committee's role in the management of the TKYB is very important as the CEO, who receives their reports, annually reports to the Board and shapes the decisions to be made at the "Annual Management Review" meetings. The CEO assumes the responsibility of assessing and managing climate-related risks and opportunities while the Environmental Management Committee has a continuous responsibility of assessing climate-related risks and opportunities. The Bank looks out for high environmental and social performance in all of the projects it gets involved in, becomes carbon neutral every year, measures, verifies and decreases its carbon footprint and backs renewable energy & energy efficiency projects.

All decisions on environmental and social issues are made in line with necessary administrative rules and principles. Essential resources and related personnel are allocated for the ISO 14064 reporting, through which subsequent decisions are made and actions are carried out. Management and the Committee take active part in the preparation of reports and project design during the carbon neutralization efforts (tree plantation, etc.). CEO takes an active role in sustainability decisions that impact company-wide strategy. The TKYB Environmental Management is planned to evolve into a broader "Sustainability Management System" and the CEO actively follows this process through the Committee reports. On the other hand, the engineering team manages the finalized Environmental and Social Policy (ESP) draft, which is being used while issuing loans, which then reports to The Environmental Management Committee that also calculates carbon reductions related to projects financed. The risk categories of these projects are determined and reported by the Engineering Department with through software of 45 questions that evaluates the environmental and social impacts of projects. Procedures are written and all necessary forms related to Environmental and Social Monitoring were created in relation to these projects. Monitoring was already being performed, but full documentation of this process was finalized during 2018. Subsequently, new formats were created for an Integrated Environmental and Social Management System.

C1.3

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

Yes

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).

Who is entitled to benefit from these incentives?

Chief Executive Officer (CEO)

Types of incentives

Monetary reward

Activity incentivized

Efficiency project

Comment

The CEO is entitled to a monetary reward for the management of climate-related issues as a part of a company-wide program that involves many people that contribute to climate-related issues at the Bank. Every individual is considered separately on different scales with different KPIs, as is the CEO, and monetary reward is made available via performance scorecards. The reward is valid for the short, medium and long-term efficiency actions and targets that will be assigned to corresponding positions on their performance evaluations.

Who is entitled to benefit from these incentives?

All employees

Types of incentives

Recognition (non-monetary)

Activity incentivized

Efficiency project

Comment

The staff is encouraged and rewarded on their specifically assigned efficiency projects by offering them domestic and international trainings and workshops. Also, involvement in other various personal and career development activities are facilitated.

Who is entitled to benefit from these incentives?

Other, please specify

Types of incentives

Monetary reward

Activity incentivized

Efficiency project

Comment

Monetary reward is made available via performance scorecards to select people from all departments that contribute to the Bank's operations related to environment and climate change. They include environmental responsible from various departments and data providers; there is no classification regarding the status/level of employment qualified for this reward as people who are eligible can be as high as the CEO or junior level. The reward is valid for the short and long term efficiency projects & targets that will be assigned to corresponding positions on their performance evaluations. Success on targets in the performance scorecards will impact bonuses.

C2. Risks and opportunities

C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	From (years)	To (years)	Comment
Short-term	0	1	The Bank considers the short term to be up to a year. The Bank uses this timeframe while determining goals within the Bank.
Medium-term	1	3	The Bank considers the medium term to be between 1-3 years. The Bank uses this timeframe while determining goals within the Bank.
Long-term	3	10	The Bank considers the long term to be between 3-10 years. The Bank uses this timeframe while determining goals within the Bank.

C2.2

(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

C2.2a

(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	The Bank evaluates and monitors environmental and social risk categorization of projects, as well as their financial aspects as climate change carries great importance to the Bank's mission. Monitoring is conducted based on the risk categorization that result in a classification of A, B+, B- and C (From highest risk to lowest). Transactions proceed according to their risk categorization & ongoing status. Bank's credit portfolio consists of projects with an average maturity of 10 years. Due to the nature of operations at the Bank, risk management and evaluation is carried out on a project basis and every project is evaluated for its entire period in terms of climate-related risks. The Bank only finances projects that promote and support sustainable development, and applies The Environmental & Social Risk Assessment for every project that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc), as the Bank reports to these source providers.

C2.2b

(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

Company level risks are considered within the Bank's EMS procedures. TKYB tries to improve resilience of the company against climate change by monitoring and reducing negative environmental impacts and by improving resource efficiency. The Bank does thorough Environmental and Social Risk Assessment and doesn't finance projects that may have a negative impact on the environment or communities. The Bank is aware that it puts its name on every project that it finances and that it would be at the forefront of negative criticism and bad reputation if it finances a controversial project.

Asset Level: TKYB recognizes that it faces many different types of risks that may have a potentially negative effect on its business. TKYB's specialized risk management department's approach includes risk identification, measurement and assessment, and its objective is to minimize negative effects of risks can have on the financial result and capital of the Bank.

The risks to which TKYB is particularly exposed in its operations are: liquidity risk, credit risk, market risks, exposure risks, investment risks, risks relating to the geography of the entity to which the bank is exposed, operational risk, legal risk, reputational risk and strategic risk. Within this framework, climate change is considered to be a risk that can change or effect the severity of each of these risk groups. But, especially exposure risks, geographic area risks, and operational risks are considered to be the risks that may react more to the influence of climate change. Therefore, in these risk categories, especially the risk management unit sets up conservative limits to reduce the geographical or technological clustering of projects that will be financed by the Bank. Accordingly, in relation to the operational structure and nature of the Bank, a substantive financial impact on the business is tracked from the Bank's NPL (non-performing loan) ratio, which is currently 0.08%. If this were to go higher than 10% due to risks mentioned throughout C2, it would be classified as a substantial risk and would bring the Bank's activities to a stopping point.

The abovementioned environmental and social risk assessment carried out by the risk department evaluates the potential size and scope of identified risks. Bank's credit portfolio consists of projects with an average maturity of 10 years. Due to the nature of operations at the Bank, risk management and evaluation is carried out on a project basis and every project is evaluated for its entire period in terms of climate-related risks.

Climate change related risks are in general accounted for during the project evaluation phase when the project evaluation teams test the project properties against mid and long term climate parameters such as long term precipitation data and flood possibility estimates by the State Hydraulic Works. As such the Bank tries avoiding the clustering of the loans provided to hydro projects from one particular region, as a precautionary measure against the drought or flooding like climate related risks.

The Bank has an Environmental and Social Risk Evaluation Tool (ERET), which is carried out for both the customer and project. The Technical Specialist working under the Credit Assessment Department carries out the process, which is cross-checked by the Environmental and Social Risk Specialist. Accordingly, risks are categorized as A, B+, B- and C. Management of risks is planned later on according to this classification. In some projects, even if there seems to be no need to have an EIA (Category B; lower risk), the Bank may request one in line with international standards depending on its categorization and case-by-case approach. Hence, a Category B project may end up having to fulfil documentation needed for a high risk Category A project. The Bank's personnel also watches out for the international laws and regulations as the Bank not only considers the national legislation but also the high standards the IFIs follow.

EMS procedures go hand in hand with the Bank's finalized Environmental and Social Policy (ESP) draft along with the risk assessment. The newly finalized ESP draft and the Exclusion List have been prepared in line with international standards. Exclusion List details information regarding the projects The Bank will not knowingly finance, such as forced labor, illegal trade, and unlawful activities in wildlife.

For instance, there was a project in review regarding a hydropower plant (HPP) that was proposed on a river that already had a few dams on it. Upon detailed review of the basin status report, the project was not financed as having that many HPPs on a river would adversely impact the basin and its surroundings. In addition, there was a financing process for a manufacturing industry client in the Central Anatolian Region. Their outlined mitigation efforts for environmental impacts were not deemed enough by the Bank, which didn't end up financing the project.

C2.2c

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Current laws and regulation that help renewable energy and energy efficiency in Turkey help drive projects and credits for the Bank, however changes in these regulations or potential rollbacks would negatively impact the Bank. - The Turkish Government has long been backing renewable energy investments via regulations where it gives a guaranteed purchase price per kWh electricity generated from a specific investment for the first ten years of operation. This is valid for plants that go into operation before 2021. This has been a major incentive for investments, however what happens from 2021 on is bleak at the moment. If this regulation that boosts investments goes away at that point, investments and demand for the Bank's resources may decrease. A change in government or a change in mind of the current government could potentially decrease investments as well. - There is a legal framework of Monitoring GHG Emissions for companies from energy-intensive sectors to monitor, report and verify their CO2 emissions. This regulation is currently a move towards being more transparent and sustainable, thus increasing projects seeking green financing, however would work against the Bank's benefit if it were to be cancelled as low-carbon investments would be viewed not as significant in that case by some investors.
Emerging regulation	Relevant, always included	Emerging regulations have the potential to create significant changes in the landscape the Bank operates, so the bank is always on the lookout for possible future implementations. In relation to the MRV CO2 regulation that is being piloted, a Turkey's own EU-like Emissions Trading System (ETS) may come into play. There is also a possibility of a hybrid ETS/Carbon Tax system as well. According to a Report published by the Climate Change and Air Management division of the Ministry of Environment and Urbanization under the Partnership for Market Readiness (PMR) Program, a carbon tax of \$10/CO2e was deemed likely for Turkey. An implementation of such a tax would change the way many companies operate and pose a big risk of expenses. The Bank would control this by integrating the tax into its evaluation process of the customer and project.
Technology	Relevant, always included	Development in renewable energy technology may increase investment with cheaper equipment, however a development pace with less than anticipated would make the opposite impact, such as the Bank and its potential customers not being able to meet their growth projections into the future. This may halt investments and drive up costs to implement projects. The Bank always watches out for the Best Available Technology. There are risks where a potential project is up for financing and the technology it intends to use doesn't give the best performance for that cost. In a case when this happened on a proposed solar power plant, The Bank did its analyses and recommended a better performing technology alternative.
Legal	Relevant, always included	There were no climate-related litigation claims in the reporting year for the Bank. However this is a very important issue as the Bank also has many projects it finances and it pays importance to not have any climate-related litigation claims associated to its projects. Therefore, the Bank is always on top of legal risks and manages its own operations and supporting its customers/investors accordingly.
Market	Relevant, always included	During the economic and financial evaluation, ROI of the project is analyzed as well as whether that project type has reached saturation in the market. For instance, there was a period when the World Bank slowed down its credits for hydropower projects as there was community pushbacks and an oversaturation in the markets. Potential decisions like this from IFIs directly impact our source of finance, therefore are closely monitored and factored into our long-term strategy and planning processes through risk management.
Reputation	Relevant, always included	The finalized Environmental and Social Policy draft and risk assessments are carried out for projects that will impact reputation. Bank employees can already do this intuitively, however they also document the process according to procedure. Risk assessment is carried out for both the Project itself and its impacts and separately for the customer. The Bank does thorough Environmental and Social Risk Assessment and does not finance projects that may have a negative impact on its geographical location or the community that lives there. The Bank is aware of the fact that it puts its name on every project that it finances and that it would be at the forefront of negative criticism and receive bad reputation if finances a project that opposes the Bank's goal from the day it was founded: Help Turkey become a more developed and sustainable country. For instance, there was a customer that applied for the Bank's funding, which involved a facility for industrial manufacturing in the Central Anatolian Region. The Bank assessed the overall package and believed that the customer would not be able to manage the risks and environmental impacts well enough, as well as the community pushback that would arise from the investment. Therefore, the Bank didn't finance the project.
Acute physical	Relevant, always included	Changing climate leads to abnormal weather patterns and extreme precipitation events, like, flooding, hurricanes and drought. This massively impacts the Bank itself and the projects it finances. It is very important as big financial impacts to financed projects may cause a revenue loss for the Bank with customers not being able to fulfill their credit obligations. Several cases like flooding in hydropower plants, icing on the wind turbine blades, ruptured transmission lines because of heavy snow have been experienced in various projects the Bank finances. More details on acute physical risks can be seen in the Bank's reply to question C 2.3a.
Chronic physical	Relevant, always included	The agriculture, tourism and renewable energy sectors that the Bank provided loans can be impacted due to severe weather conditions, which may impact the investors in a serious financial way that would risk their repayments to the Bank. For instance, Turkey may experience water scarcity in long term. Financed projects that heavily rely on water may be impacted. A considerable portion of the Bank's portfolio consists of hydroelectric power plants (HPP). Changes in precipitation may affect credit portfolio and some clients may have difficulties in repayments. For instance, Turkey went through a severe drought in 2016 and electricity generation at the HPPs decreased. The Bank tries to mitigate this through financial tools to facilitate payments and gets the situation under control. As the Bank prioritizes contributing to the Country, its main goal is to help financed projects survive in the best way possible.
Upstream	Relevant, always included	Upstream risks for the Bank involves securing external financial resources from financial institutions (multinational development banks). IFIs are very sensitive towards environmental risks and community opposition and potential court cases in the jointly financed projects. For instance, World Bank slowed down its credits for hydropower projects in a period when it believed the hydro projects reached saturation, where the community pressure was also heightened. The World Bank also prioritizes transparency in all operations including land acquisitions, responses to public concerns, stakeholder relations, environmental mitigation plans and procurements for project facilities. Supply risks could also be classified as potential upstream risks. Potential supply risks like increase in the price of electricity and natural gas for the Bank itself, considering the Bank spends 0-5% of its operational expenses on Energy (C8.1), and equipment prices (Solar panels, wind turbines etc) for the projects are also significant from the Bank's perspective.
Downstream	Relevant, always included	TKYB's downstream can be considered the projects it finances. Thus, the vulnerability towards climate change of projects and the companies themselves that execute them are highly important and seriously considered by the Bank, since it may cause problems in repayments. As mentioned in C2.2a and C2.2b, every project has its own detailed risk assessment. Downstream risks in financed projects may include mismanagement at the customer side and climate-related risks that impact the project. For instance, the Bank tries to manage the risk of mismanagement on the customer's side by signing a thorough contract that puts the Bank on the safe side and protects it from potential mismanagement issues. In such a mismanagement case, financing may be put on hold until the customer meets all of Bank's criteria.

C2.2d

(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

The Bank management recognizes the climate change as one of the biggest challenges the sector has to face and therefore during the general risk assessment process climate change related issues are taken into consideration with the following priority order in company level and asset level:

- A) To follow a policy where low carbon technologies and investments will be supported.
- B) To monitor, measure and reduce the GHG emissions related to its operations and thus to become an example in the sector.
- C) To improve the Bank's reputation by becoming carbon neutral, environmentally friendly and sustainable, in all its operations.

Regarding the risk analysis and prioritization related to Bank's assets, the risk prioritization is performed mainly within the framework of EMS ISO14001, ISO 14064-1 and the followings are identified:

- Environmental aspects of its activities are assessed and the measures that will mitigate the environmental aspects are prioritized based on criteria defined by the Bank. These criteria can be listed as the impact, occurrence frequency, compliance with legislation, and presence of precautionary actions. Accordingly annual environmental targets and action plans are structured.
- As stated in the Bank's annual report for the year 2018, TKYB sees the contribution to environmental sustainability as one of its main priorities.

In line with all things mentioned above, the finalized ESP draft and the Exclusion List has been established in accordance with international standards. The Bank has a detailed Environmental and Social (E&S) Risk Evaluation in its Credit Processes. First, the project is checked against the Exclusion List that details information regarding the projects/activities The Bank will not knowingly finance, such as forced labor, illegal trade, and unlawful activities in wildlife. The Bank has an Environmental and Social Risk Evaluation Tool (ERET) which is a desktop application. Environmental and Social Risk Categorization is conducted via ERET for both the customer and investment / project. The Technical Specialist working under the Credit Assessment Department carries out the process, which is cross-checked by the Environmental and Social Risk Specialist. Accordingly, risks are categorized as A, B+, B- and C. Management of risks is planned later on according to this classification. When the environmental and social risk category of the credit is determined as A (Highest risk), an independent Environmental and Social Consultant may be contracted to conduct an environmental and social due diligence. The Environmental and Social Risk Specialist, together with the Technical Specialist, completes the Environmental and Social Action and Monitoring Plan document and prepares an Environmental and Social Action Plan and Monitoring Program. For projects with a categorization of B+, Environmental and Social Risk Specialist, together with the Technical Expert, completes the Environmental and Social Action and Monitoring Plan document and prepares the Environmental and Social Action Plan and Monitoring Program. If the environmental and social risk category of the loan has been set as B-, compliance controls are carried out. In addition to compliance controls an Environmental and Social Action Plan will be prepared by filling the Environmental and Social Action and Monitoring Plan. If the environmental and social risk category of the loan is designated as C, the environmental and social risks of the project are considered as a minimum and the action plan is not prepared.

For instance, there was a project in review regarding a hydropower plant (HPP) that was proposed on a river that already had a few dams on it. Upon detailed review of the basin status report, the project was not financed as having that many HPPs on a river would adversely impact the basin and its surroundings. HPPs and Geothermal Power Plants are considered risky in this regard where detailed Environmental and Social assessments are carried out with strict continuous monitoring. In addition, there was a crediting process for a manufacturing industry client in the Central Anatolian Region. Their outlined mitigation efforts for environmental impacts were not deemed enough by the Bank, which didn't end up financing the project. As another company-specific example, a proposed geothermal power plant was close to a cultural heritage area, therefore a Cultural Heritage Management Plan was prepared before the Project was financed.

Renewable energy and energy efficiency are essential for a low carbon economy, thus is of very high importance to TKYB. Energy is also an integral part of UN SDGs. Financing green energy projects constitutes more than half of the Bank's credit portfolio, which is crucial to implementing SDG 7 by 2030. This is considered a big opportunity for the Bank going forward as there will be more need and demand towards green energy projects, directly impacting the Bank's growth and financials.

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?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

Company- specific description

Emerging regulations have the potential to create significant changes in the landscape the Bank operates, so the bank is always on the lookout for possible future implementations. In relation to the MRV CO2 regulation that is being piloted, a Turkey's own EU-like Emissions Trading System (ETS) may come into play. There is also a possibility of a hybrid ETS/Carbon Tax system as well. According to a Report published by the Climate Change and Air Management Division of the Ministry of Environment and Urbanization under the Partnership for Market Readiness (PMR) Program, a carbon tax of \$10/tCO2e was deemed likely for Turkey. An implementation of such a tax would change the way many companies operate and pose a big risk of expenses. The Bank examines the risk side of a probable ETS or Carbon tax seriously. Investors may not be able to compensate for the situation at first because there is an increase in their own costs. In this case, their repayments may be adversely impacted.

Time horizon

Long-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)

8985300

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Additional operational costs may cause burden on customers loan repayments, which might result an increase in NPL ratio of the Bank. On the other hand about 50% of the loan portfolio of TKYB is composed of renewable energy investments which will not be adversely affected by a carbon tax or any other carbon management cost. Therefore although a financial impact could be expected, this would not be too high. As of end 2018, 13 % of the portfolio comes from industrial sector which is energy intensive hence would be exposed to higher carbon costs. 0.5% of this loan stock is assumed as cost of this impact which makes about 1,695,000 USD, which corresponds to TRY 8,985,300.

Management method

TKYB has environmental and social evaluation team. In loan evaluation process, one of the substantial aspects of the evaluation is environmental and social risk assessment. After assessing the risks of the projects they are categorized and action plans are prepared according to their risk categories. Management plans are prepared and assured that the plans are performed and monitored in the construction and operation phases of the projects. There is no credit relationship with companies that are not sensitive to climate change issues and do not mitigate their risks. In addition to E&S risk management planning the Bank takes guarantees for the money it lends under normal banking procedures against the risk of not repaid loans. Cost of risk assessment and management are evaluation costs composed of employment costs of a specialized person, travel costs and other administrative costs that are taken on an annual basis, which add up to TRY 869,418.

Cost of management

869418

Comment

As Turkey continues to elevate its climate change management into international standards, feasibility studies for stricter emerging regulations could be announced going forward.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Mandates on and regulation of existing products and services

Type of financial impact

Increased costs and/or reduced demand for products and services resulting from fines and judgments

Company- specific description

The Turkish Government has long been backing renewable energy investments via regulations where it gives a guaranteed purchase price per kWh electricity generated from a specific investment for the first ten years of operation. This is valid for plants that go into operation before 2021. This has been a major incentive for investments, however what happens from 2021 on is bleak at the moment. If this regulation that boosts investments goes away at that point, investments and demand for the Bank's resources may decrease. A change in government or a change in mind of the current government could potentially decrease investments as well. Once this incentive is over, the uncertainty in the pricing structure may scare away investors. If already-financed projects don't get fully functional before the end of 2020, it cannot benefit from this pricing incentive structure and the revenue projections are endangered with uncertainty; puts investor and Bank repayments at risk. For the investor who are potentially considering applying for financing, post-2020 pricing is uncertain and may put them in standby/wait-and-see mode.

Time horizon

Medium-term

Likelihood

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)

65782900

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

If tariff mechanism is not extended after 2020 for renewable energy projects, a risk will arise in projects under construction in case they are not commissioned until 31 Dec. 2020. Income projections could not be realized in these projects. This will be a risk for the Bank as non-performing of the newly disbursed loans. Moreover, tariff mechanism not extended by the government will decrease the willingness to invest in renewable energy, which in turn could decrease the loan applications to the Bank, would cause a narrowing effect of the loan portfolio. As of 2018 all the renewable energy projects are in the feed in tariff mechanism. Under construction projects are progressing in time, therefore a very low risk exists 2018 clean energy project portfolio is about 50 % in 2018. The impact magnitude has been assumed as % 1 of this portfolio as of 2018 that

corresponds to USD 12,400,000 that is equivalent to TRY 65,782,900.

Management method

Financed projects are closely monitored in the construction period. Loans are disbursed in parallel to the progress achieved at sites to assure the loans are utilized for timely progressing investment activities. Loan guarantees are the mitigation tools against non-realization of the forecasts in project evaluation process. As a development bank TKYB plans strategies and searches for new projects developed in the fields supported with government policies. Projects against climate change is always the major field of attraction for the Bank. Supplementary to the renewable energy, energy efficiency, resource efficiency, pollution control, waste management projects are always potential fields for financing. Cost of risk assessment and management are evaluation costs composed of employment costs of a specialized person, travel costs and other administrative costs that are taken on an annual basis, which add up to TRY 869,418.

Cost of management

869418

Comment

This regulation has been a key driver in developing RE projects in Turkey in recent history. Decision to keep or discontinue it will impact many stakeholders.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

Company- specific description

Turkey has signed the Paris Agreement, yet still remains as one of the 12 countries that have not ratified it. After the climate talks in Paris, Turkey has declared its Intended National Determined Contribution (INDC) with a greenhouse gas reduction. Even though Turkey has not ratified the Paris Agreement, it could pass the Parliament and be ratified any given month and The Bank intends to be ready for the day that it does. Additionally, the country has long been trying to gain accession to the European Union. Therefore, the country is on the path to introduce regulation in SOx/NOx control as well, which are two of the most significant gases with high GWP coefficients that contribute to climate change. Investors with potential investments in areas that have resulting SOx and NOx emissions may withdraw or postpone their investments as a regulation on them would increase their risk and liability. There may also be extra costs in the Bank's already-financed investments and their repayments may be at risk.

Time horizon

Medium-term

Likelihood

More likely than 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)

17970600

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Industrial sector is already under the process of reducing its pollution impacts in scope of taking e-permissions which comprises threshold conditions for SOx/NOx emissions, discharges, solid wastes. Already existing conditions enforces the sector, especially the integrated plants to develop pollution reducing projects, mostly requiring best available technologies. The Bank's existing portfolio mostly comprises the projects implemented under this scope. However further conditions put into force with stricter requirements are always risk for industrial sector and hence the financing banks. 13% of the loan portfolio of TKYB constitutes the industrial sector and considerable part of it has been allocated for financing cleaner technologies. 1% of energy intensive portfolio has been accepted as the potential for financial impact, which corresponds to USD 3,390,000 that is equivalent to TRY 17,970,600.

Management method

The bank takes loans from international financing institutions and allocates these loans to private sector investors for financing their projects developed in sectors in line with government development policies (The Bank has a policy and excluded sector list which is the initial screening tool for applied loans). The Bank initially screens the projects for the sectors to be in compliance with national regulations and the standards and policies of the related international loan sources. Then, projects are evaluated in technical, environmental & social, economic and financial aspects. Existing and emerging regulation changes are taken into consideration in the evaluation process. Projects with high climate change impacts and carrying high risks for shut downs or punishments costs are not granted financing by the Bank. In addition to project-based financing, loan guarantees are taken against the risk for loans that investors cannot repay. Project evaluation, marketing, planning and operational costs are the risk managing costs that the Bank accounts for TRY 434,709.

Cost of management

434709

Comment

The Bank is taking steps towards mitigating the potential risk that may arise from a probable NOx/SOx regulation.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Rising mean temperatures

Type of financial impact

Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants)

Company- specific description

A global rise in temperature adversely impacts the Bank as it does the rest of the world. In order to tackle this, we set our 2018 targets in the focus of moving to a different building. We moved out of the two old buildings in Ankara and moved into a way more modern and newer building in Istanbul with more efficient heating and cooling systems that are a considerable amount of operational expenses for the Bank.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

381000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The bank does not want to play a part in contributing to climate change. Besides the attempts of financing climate enhancing projects, the Bank is in effort to reduce its footprints of its internal activities. Working in inefficient offices with high energy, water consumptions and carelessly consuming of all materials will not cause only high operating costs but also impact on climate change which the Bank would not want to take a part. Moving to another office building was planned in 2018. The buildings in Ankara were quite old and inconvenient for developing and implementing efficiency projects. Our total operational expenses for electricity and natural gas in 2018 was TRY 762,000. After moving from two big old buildings to only 4 floors in one building that is more efficient, the Bank expects to have an opportunity to save half of its total spend from 2018 that corresponds to TRY 381,000.

Management method

TKYB has initiated environmental management system for its direct operations on 2010 and secured 14001 EMS standard certificate. Since then, the Bank have been continuously putting targets to reduce electricity, gas, water, paper consumptions. These targets were reached in past years. Further reduction in energy and gas consumption was limited due to the buildings. The moving is currently implemented and we are in a newer building with more efficient heating and cooling systems. New projects will be developed for less energy, gas and water consumption and better waste management system. Cost of management is calculated as the TRY 3 million it took for us to move from Ankara to Istanbul to a new building and TRY 9,116.89 and TRY 4,454.66 for the i-REC and Gold Standard certifications, respectively. All of these in sum are taken as the cost of management.

Cost of management

3013572

Comment

Switching the Bank's old buildings to rent out four floors in a modern and efficient building will have environmental and financial benefits.

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Customer

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

Type of financial impact

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

Company- specific description

Climate change and chronic physical changes adversely impact us. As a result of this, we have problems at the hydropower plants because of drought, wind power plants because of icing and solar power plants because of snow and dust. When drought is significant, there are production losses in hydro and dust problem in solar panels. In particular, 2016 was a year with significant drought and hydro power plants went through a loss of more than anticipated. In dry seasons, panels go through maintenance against dust. In excessively cold winters, panels in areas with high snowfall, maintenance for clearing out the snow is carried out. As a result of these, there are losses in energy generation.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

328915000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

About 50% of the Bank's portfolio consists of renewables, which makes the Bank susceptible to weather risks. Energy generation from renewables like hydroelectric, wind and solar highly depend on weather conditions. Hydro power depend on precipitation & smooth precipitation patterns in routine seasonal variations provides the power plant generating as it is forecasted. However, extreme rains & floods cause projects to release all the water downstream without generating. Dry season with less precipitation also affects the hydro projects adversely. Similarly in wind power, heavy winds and storms cause plants to stop and not generate as efficiently. Very dry weather conditions are not suitable for solar PV as well, in terms of problematic dust for generation and maintenance. Hydro, wind & solar loan portfolio is under non-performing loans risk and 5% of this portfolio is predicted by the Bank to possibly be impacted by chronic physical risk, which corresponds to TRY 328,915,000.

Management method

Financing renewable energy, energy efficiency, resource and water efficiency and pollution abatement projects are means for fighting with climate change. Bank's main crediting activities are financing these sectors and this is a mitigation in global scale. In customer based risks the Bank manages its risks by taking guarantee to the loans. Also Bank puts insurance conditions to the financed projects and these insurances protect the installed plants against damages due to natural disasters. Risk managing costs are partial operational cost of Bank, and the above-mentioned insurance amount is calculated through adding the various ratios of tailored insurance amounts for every project, which corresponds to TRY 460,792 for the Bank.

Cost of management

460790

Comment

Physical risks are vital to the world's transition to renewable energy. Like many countries, Turkey faces challenges but the Bank proactively manages risks with its customers

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Reputation: Increased stakeholder concern or negative stakeholder feedback

Type of financial impact

Reduction in capital availability

Company- specific description

Environmental and social problems that our projects may encounter would directly impact our reputation as the Bank. As a result, the Bank may face cuts from its resource providers. Therefore, the Bank needs to do an exceptional job managing the projects it finances to have good relations and good reputation in the eyes of IFIs such as IBRD, WB, IFC.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

137143000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Increased stakeholder concern may have negative impacts on the projects. In construction period, the project faces the risk of not completing the project. In operation phase shut down risks due to court cases could be faced. Raised concerns not properly responded may result in oppositions of communities or NGOs, or any other stakeholders. Financing institutions are always subjected to reputational risks as a result of stakeholder concerns. Entire loan portfolio is regarded as susceptible to this type of risk and 1% is assumed as the potential cost. TKYB's major source of crediting activities are the loans achieved from international financial institutions such as WB, IBRD, EIB, IDB, JBIC. These institutions are sensitive to public concerns. Repeated grievances, oppositions, court appeals could avoid these institutions from providing loan to the Bank which would have an adverse impact on the Bank's activities.

Management method

To mitigate such risks the Bank requests stakeholder meetings, stakeholder engagement plans, seeks for female participation in the stakeholder consultations. All the environment and social risk assessment and mitigation plans are made public in the project surrounding and on web sites. The stakeholders are well informed on projects and any concerns are responded in the proper way. Grievance redress mechanisms are in place. Project developers and their sub-contractors are informed and advised to construct good relations with the communities, develop social responsibility projects, not to cause gender discrimination, be sensitive to vulnerable people. These mitigation measures done properly reduces the reputational risks. Environmental expert costs, managing costs of evaluating and monitoring department, travel costs and other

administrative costs are the management costs of this kind of risk, which add up to TRY 869,418.

Cost of management

869418

Comment

Maintaining its good reputation is crucial for the Bank and it takes necessary steps to manage probable risks associated with projects it finances.

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Reputation: Other

Type of financial impact

Reduced revenue from decreased demand for goods/services

Company- specific description

In addition to the projects it finances, the Bank needs to manage its own environmental and social risks and activities to protect its reputation and credibility. As a result, the Bank may face a decrease in demand from credit-seekers. Therefore, the Bank needs to do an exceptional job managing these risks to prevent reduction in demand for its services.

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)

13714300

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Sustainable banking is important for all the stakeholders including customers. Proper management of all the environmental and social issues both in internal and external activities will promote sustainability of the Bank. Customers are also willing to work with sustainable and responsible financing institutions in order to implement smooth and secure business plans. Bad management of climate related issues in our own banking activities would keep the customers away and cause the Bank to lose some its customer portfolio. Whole portfolio would be impacted, the cost calculated as 0.1% of the portfolio in our risk assessment that corresponds to TRY 13,714,300.

Management method

Good management activities, continuity of ISO 14001 EMS system, carbon disclosure project, neutralization of carbon footprint, preparing to sustainability management system are all means to mitigate the reputational risks of the Bank at customer side. Good communication and relations with stakeholders provides the Bank to be in confident business circumstance with smoothly increasing customer portfolio. The Bank's documentation costs (i-REC, Gold Standard), the time and effort of the Technology Department that contributes greatly to this process and training costs in total add up to TRY 193,204 for the Bank.

Cost of management

193204

Comment

Maintaining its good reputation is crucial for the Bank not only rooting from the projects it finances but also the Bank's own operations, and it takes necessary steps to manage potential risks.

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?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

Type of financial impact

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

Company-specific description

Emerging regulations have the potential to create significant changes in the landscape the Bank operates, so the bank is always on the lookout for possible future implementations. In relation to the MRV CO2 regulation that is being piloted, a Turkey's own EU-like Emissions Trading System (ETS) may come into play. There is also a possibility of a hybrid ETS/Carbon Tax system as well. According to a Report published by the Climate Change and Air Management division of the Ministry of Environment and Urbanization under the Partnership for Market Readiness (PMR) Program, a carbon tax of \$10/tCO2e was deemed likely for Turkey. A possible ETS, Carbon tax or a hybrid system would increase the demand for the Bank's low-carbon products, i.e. green financing for renewables and energy efficiency. In addition, the Turkish Government has long been backing renewable energy investments via regulations where it gives a guaranteed purchase price per kWh electricity generated from a specific investment for the first ten years of operation. This is valid for plants that go into operation before 2021. This has been a major incentive for investments, however what happens from 2021 on is bleak at the moment. Therefore, there may be a wave of investors increasing demand for green financing from the Bank before this incentive ends. As a pioneer in the public sector (First "Climate Friendly" Bank declared by the Turkish Standards Institute), the Bank has an established ISO 14001 Environmental Management System and it also offsets its Scope 1 and 2 emissions every year to become a carbon neutral bank through Gold Standard and i-REC certifications, respectively. The Bank also has a specific tool to measure risk in all its potential projects (ERET) and its Environmental Committee oversees its environmental activities to report to C-level every quarter. The Bank aims to establish a Sustainability Committee in 2019 as well. Through all of these applications, the Bank manages its environmental activities comprehensively, holistically and more efficiently, reducing its operating costs.

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

137144000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

TKYB is already carrying a loan portfolio composing of renewable energy loans in a substantial ratio. Being in renewable energy sector since many years, the Bank has financed the projects with convenient loans and developed good stakeholder relations. Additional load to energy intensive sectors would divert the investors to renewable and clean energy investments. This is an opportunity for the Bank with its well reputation and convenient funding facilities. Energy efficiency and pollution abatement projects in industrial sector will be developed in order reduce emissions to lower limits and consume less energy, which will be an additional opportunity for the Bank as having been financing such projects successfully before. As a result of this opportunity, Bank's loan portfolio can be poised to increase by 1%, which would have an impact of TRY 137,144,000.

Strategy to realize opportunity

Newly developed projects of existing customers in renewable energy sector could be potential pipeline projects, since heavier loads to other sectors will keep the renewable energy investors within the sector with additional projects. Existing energy sector investors would also invest in recently developed technologies in clean energy sector to generate more efficiently utilizing the source or to generate from alternative renewable resources. These investment projects may also be the potential pipelines of the Bank. Industrial sector customers are future potential customers of efficiency, pollution abatement and waste management project customers. Loan marketing department will develop strategies to approach these potential investors. Existing Channels will be means for approaching to new customers. Moreover, the Bank strictly follows the government policies and searches for financing sources for newly promoted fields of investments in the context of climate change. The costs for attaining this opportunity is the employment costs of assigned personnel and partial administrative costs that add up to TRY 362,258.

Cost to realize opportunity

362250

Comment

Due to the operational nature of the Bank, laws and regulations may have both risks and opportunities. In this case, we analyze the opportunity side of regulations towards a sustainable future.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Other

Type of financial impact

Reduced operating costs (e.g., through efficiency gains and cost reductions)

Company-specific description

As a pioneer in the public sector (First "Climate Friendly" Bank declared by the Turkish Standards Institute), the Bank has an established ISO 14001 Environmental Management System and it also offsets its Scope 1 and 2 emissions every year to become a carbon neutral bank through Gold Standard and i-REC certifications, respectively. The Bank also has a specific tool to measure risk in all its potential projects (ERET) and its Environmental Committee oversees its environmental activities to

report to C-level every quarter. The Bank aims to establish a Sustainability Committee in 2019 as well. Through all of these applications, the Bank manages its environmental activities comprehensively, holistically and more efficiently, reducing its operating costs.

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)

3284000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

TKYB is the first publicly owned bank initiating an EMS for its operations. By applying ISO 14001 and ISO 14064 standards in its operations the Bank is able to reduce its environmental impacts and clean its carbon footprint resuming from its direct and indirect emissions. The Bank has related i-REC and Gold Std. certificates. This is a comparable advantage of the Bank with respect to other Banks, which in turn is an opportunity for future operations both in upstream and downstream relations. In addition by means of EMS applied, to attain the targets put in consumption values (energy, water, material) the Bank has to adopt cleaner and more efficient systems and installations and has to train its personnel. Lower operational costs, efficient uses of sources and trained personnel will provide the Bank competitive and sustainable for future banking activities. This opportunity will be in magnitude about 1% of the operational costs of the Bank, which is equivalent to TRY 3,284,000.

Strategy to realize opportunity

The Bank is successfully operating the ISO EMS system. Monitoring the progress in decreasing the consumption of utilities, calculating carbon footprint of indirect emissions it causes as well as its direct emissions and making itself carbon neutral. To be more efficient in every aspect of banking activities the bank planned to move to Istanbul in 2018 and already moved in 2019. The office building is a newer building available or developing new projects in the progress of reducing climate impacts. The cost to realize the opportunity is the Banks partial internal costs and external costs for securing the certificates and standards. Cost of management is calculated as the TRY 3 million it took for us to move from Ankara to Istanbul to a new building and TRY 9,116.89 and TRY 4,454.66 for the i-REC and Gold Standard certifications, respectively. All of these in sum are taken as the cost of management.

Cost to realize opportunity

3013572

Comment

Taking climate change and its impacts seriously and integrating it into the Bank's holistic approach to management has been key for its business, and the Bank will not only maintain but keep increasing its efforts in this area.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Type of financial impact

Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)

Company-specific description

As a pioneer in the public sector (First "Climate Friendly" Bank declared by the Turkish Standards Institute), the Bank has an established ISO 14001 Environmental Management System and it also offsets its Scope 1 and 2 emissions every year to become a carbon neutral bank through Gold Standard and i-REC certifications, respectively. The Bank also has a specific tool to measure risk in all its potential projects (ERET) and its Environmental Committee oversees its environmental activities to report to C-level every quarter. The Bank aims to establish a Sustainability Committee in 2019, as well as earning a spot at the Istanbul Stock Exchange (BIST) Sustainability Index. Through all of these applications, the Bank manages its environmental activities comprehensively, holistically and more efficiently and publishes annual reports. Additionally, the Bank participates in social responsibility projects and plants trees through NGO engagements (TEMA). Accordingly, IFIs have a positive outlook towards the Bank with good reputation and the Bank's access to resources and funds increase as it gains access new markets and institutions.

Time horizon

Medium-term

Likelihood

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)

41144000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

In parallel to its EMS activities has planted trees in guidance of Ministry of Forestry on two different fields. The Bank is preparing to integrate a waste management system, disclose to CDP Water and establish a sustainability management system. In crediting activities, the Bank started to use an E&S risk assessment tool by which categorizes the projects going to be financed according to their risks and takes actions accordingly. ESIA and monitoring studies are carried out for all the projects. All the actions taken so far and planned for near future will carry the Bank to be a sustainable and pioneering institution within public entities. This will provide opportunities to the Bank to participating in new business models, take part in government initiated projects in climate change and provide new financial sources from IFIs. The opportunity gain is based on the marginal opportunity of 0.03% of the current portfolio that corresponds to TRY 41,144,000.

Strategy to realize opportunity

Ongoing and planned actions carried out will provide the Bank attain new business opportunities. Having experienced and specialized personnel, and through smooth banking operations always in compliance with banking rules, national regulations and legislations, in line with national and international standards will provide the Bank attain its goals and targets in future banking activities. Administrative and environmental & social training costs are the costs to attain the opportunity that cost the Bank a total of TRY 367,088.

Cost to realize opportunity

367088

Comment

The Bank's sound environmental management helps boost its reputation and will increase its chances to receive more funding from IFIs in the future.

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Move to more efficient buildings

Type of financial impact

Reduced operating costs (e.g., through efficiency gains and cost reductions)

Company-specific description

The Bank has an Environmental Committee that oversees environmental activities and a GHG inventory in accordance with ISO 14064 through which the Bank manages its GHG emissions and energy consumption. With a comprehensive management approach, the Bank always aims to reduce its GHG emissions, energy use and achieve cost reductions like its completed goal of moving to a new and more efficient building in 2019. In addition, the Bank also participates in the "Zero Waste" application in accordance with the new legislation in Turkey.

Time horizon

Short-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)

90000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

In order to be more energy efficient while decreasing our footprint and expenses at the same time, the Bank has reduced its electricity consumption by 10% and natural gas by 20%. These savings correspond to TRY 90,000 in 2018 and the Bank considers this trend reasonable to keep up, which is stated as the potential financial impact of the opportunity.

Strategy to realize opportunity

The Bank strives to be more efficient through procuring energy-efficient office equipment, awareness-raising activities, and organizing trainings and workshops, which had a total cost of TRY 198,034 for the Bank in 2018.

Cost to realize opportunity

198034

Comment

Moving to a new building has been a key milestone for the Bank (Completed in 2019) as it is going to lower the Bank's operational expenses on energy.

(C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted	Financing renewable energy (RE) and energy efficiency (EE) projects account for more than half of the Bank's portfolio. As mentioned in 2.3a and 2.4a, various risks and opportunities impact the Bank's products, as in the afore-mentioned financing mechanisms for RE and EE. In line with customer and policy-focused Risks 1, 2 and 3, the Bank may face a decrease in demand for its products (which means decrease in revenue) if a new carbon tax or stricter emissions regulations is implemented, or the guaranteed government purchase price for renewables doesn't get renewed. On the other hand, due to the nature of the Bank's operations, these risks also may classify as opportunities as listed in Opportunity 1. Investors with different approaches fall in opposite sides of this spectrum. As this balance impacts the Bank's revenue, the aspect of "products and services" of the Bank's business is impacted in a medium magnitude by the identified risks and opportunities.
Supply chain and/or value chain	Impacted	The Bank's value chain has been impacted as projects don't receive financing without environmental and social assessment for every type of projects. The very nature of how the Bank operates is a positive contribution to sustainability and climate change. As the Bank doesn't have a traditional supply chain, IFIs are the most critical aspect of its upstream. Like the products and services category, the Bank's value chain also face both risks and opportunities. Particularly, as stated in Risk 6 & 7 and Opportunity 3, the Bank has to manage its own and project-based risks on the customer side while maintaining good relations with the IFIs and local communities to keep up its good reputation, which would help it increase resources and access new resources. On the contrary, the Bank may lose a big chunk of its resources if it doesn't carry out the above-mentioned environmental and social good practices. The Bank's value chain is impacted on a medium-high scale from identified risks and opportunities.
Adaptation and mitigation activities	Impacted	On top of the sustainable projects that are financed, the Bank itself strives to be more efficient (Electricity use decreased 10%, natural gas use decreased 20% in 2018 compared to previous year) while offsetting its Scope 1 and 2 emissions through the Gold Standard and i-REC certifications. As mentioned in Risk 4 and Risk 5 in C2.3a, physical risks pose a high-magnitude threat to the Bank as half of the loan portfolio of the Bank is made up of renewables which are susceptible to physical risks that would then have its investor incur high damages. Accordingly, repayments to the Bank could be negatively impacted. However, the Bank carries out environmental and social risk management for its own operations and projects it finances in order to manage these risks well. Additionally, the Bank aims to put quantitative environmental goals upon its relocation to Istanbul.
Investment in R&D	Impacted	As mentioned in Risk 4, in C2.3a, the Bank is aware that temperatures are rising and impacts of climate change are going to be stronger in the future. As a Bank that finances projects (More than half our portfolio consists of renewables), and also provides technical consultancy in projects with its engineering team, it is critical for the Bank to have the best expertise in climate change and have its employees keep up-to-date with the latest science. Therefore, the Bank has increased the amount of general and technical trainings it provides to its engineers.
Operations	Impacted	On top of the sustainable projects that are financed, the Bank itself carries out efficiency projects in its own buildings (Electricity use decreased 10%, natural gas use decreased 20% in 2018 compared to previous year) and offsets its Scope 1 emissions through Gold Standard and Scope 2 emissions through the i-REC certification. As stated in Risks 4 and 5, the Bank's operations are highly-impacted with rising temperatures and various physical risks, yet it actively tries to manage it both through managing its own operations and consulting its investors. As stated in Opportunities 2 and 4, the Bank is a pioneer in its sector with the environmental management practices and outlook it has, as well as moving to Istanbul to cut its inefficiencies.
Other, please specify	We have not identified any risks or opportunities	The Bank doesn't have any other areas that it measured an impact.

C2.6

(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.

	Relevance	Description
Revenues	Impacted	Financing renewable energy (RE) and energy efficiency (EE) projects account for more than half of the Bank's portfolio. As mentioned in 2.3a and 2.4a, various risks and opportunities impact the Bank's products, as in the afore-mentioned financing mechanisms for RE and EE. In line with customer and policy-focused Risks 1, 2 and 3, the Bank may face a decrease in demand for its products (which means decrease in revenue) if a new carbon tax or stricter emissions regulations is implemented, or the guaranteed government purchase price for renewables doesn't get renewed. On the other hand, due to the nature of the Bank's operations, these risks also may classify as opportunities as listed in Opportunity 1. Investors with different approaches fall in opposite sides of this spectrum. As this balance impacts the Bank's revenue, the aspect of "products and services" of the Bank's business is impacted in a medium magnitude by the identified risks and opportunities. In 2018, the Bank grew its revenue by 86% to TRY 734.7 million. In line with TKYB's strategy to support a low carbon economy the year 2018 Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Allocated Loans TRY 8,759 million • Total Amount of Loans Supplied to Corporations TRY 5,177 million • Number of Projects Evaluated 434 • Number of Projects Financed 258, accounting for an additional capacity of 1,883 MW Renewable Energy Power Plants That Became Operational as of December 31st, 2018: • 58 Hydroelectric Power Plants • 6 Wind Farms • 5 Geothermal Power Plants • 3 Landfill Projects • 15 Energy Efficiency Projects • 153 Solar Power Plants. The annual economic impact of these projects totals approximately 4,384 GWh, preventing about 2,499 million tons of CO2 equivalent greenhouse gas emissions per year. Considering the risks and opportunities mentioned in 2.3a and 2.4a, the Bank intends to keep growing. The Bank gets highly impacted by them and does include them in its financial forecast for the coming years.
Operating costs	Impacted	On top of the sustainable projects that are financed, the Bank itself carries out efficiency projects in its own buildings (Electricity use decreased 10%, natural gas use decreased 20% in 2018 compared to previous year) and offsets its Scope 1 emissions through Gold Standard and Scope 2 emissions through the i-REC certification. As stated in Risks 4 and 5, the Bank's operations are highly-impacted with rising temperatures and various physical risks, yet it actively tries to manage it both through managing its own operations and consulting its investors. As stated in Opportunities 2 and 4, the Bank is a pioneer in its sector with the environmental management practices and outlook it has, as well as moving to Istanbul to cut its inefficiencies. Going forward, the Bank aims to put quantitative environmental goals upon its relocation to Istanbul to further decrease its operating costs through becoming more sustainable in the short, medium and long-term. Climate-related risks mentioned in Risks 4 and 5 will almost certainly make operating costs higher, however the Bank invests in energy efficient appliances and raises awareness on this issue that it is impacted in a slow ways.
Capital expenditures / capital allocation	Impacted	The Bank directs capital to the risks associated with climate change.
Acquisitions and divestments	Impacted	More than half of the Bank's loan portfolio consists of renewable energy and energy efficiency projects. Fully aware of the changing climate (Risk 4), the Bank has never funded a direct fossil fuel project since the day it was established. The amount of loans the Bank has provided renewable energy projects add up to 2,842 MW and TRY 8,759 million in 2018. Risks stated in 2.3a that demonstrate climate change worsening pretty fast prove that the Bank definitely wants to keep its status unchanged regarding not financing fossil fuels. The Bank's financial planning into the future is carried out in this regard.
Access to capital	Impacted	Capital sources IFIs such as IBRD, World Bank and EIB provide capitals for management of climate change risks. This capital resource is cut off if no transfer is made to certain projects. Therefore, financial planning is geared towards E&S risks in general, and a significant portion of them focus on climate change risks. In addition, the financier structure of the bank is transferred to projects aimed at reducing the potential risks of domestic development and climate change of the capital received from IFIs. As stated in Risk 6 & 7 and Opportunity 3, the Bank has to manage its own and project-based risks on the customer side while maintaining good relations with the IFIs and local communities to keep up its good reputation, which would help it increase resources and access new resources. On the contrary, the Bank may lose a big chunk of its resources if it doesn't carry out the above-mentioned environmental and social good practices. Therefore, the Bank is highly impacted by risks and opportunities in its planning for access to capital.
Assets	Impacted	Considering the operational structure of the bank, loan portfolio is contributing to the assets of the bank. The Bank already makes a big contribution to climate change with the renewable energy, energy efficiency, biogas, waste management projects it finances. As mentioned in C2.4a, Opportunities 1 and 3 are expected to increase the portfolio, thus the assets of the Bank going forward. Loan portfolio of the Bank reached TRY 13.7 billion at the end of 2018 after showing a year-on-year increase of 39%, 28% and 97% in the last three years. Considering climate change and afore-mentioned opportunities along with the sustainable banking practices the Bank has adopted and will keep implementing, the Bank does not expect this trend of increase to slow down in the coming years. Therefore, assets are highly impacted.
Liabilities	Impacted	The Bank's own liabilities have been increasing and as mentioned in Opportunity 3, the Bank expects the resources it obtains from IFIs to increase going forward with the sustainability practices it pursues, which has been historically the case so far. In addition, the Bank is conducting research on issuing green bonds and funds linked to the sustainability indexes. Considering the climate-related risks the sector faces and opportunities ahead (Chapters 2.3a and 2.4a), TKYB wants to diversify its products and solidify its presence and penetration in this sector by doing so while carrying out sustainable banking practices that will also increase resources from IFIs. Therefore, liabilities directly and highly impacted as well.
Other	We have not identified any risks or opportunities	The Bank doesn't have any other aspect that is factored into its financial planning process.

C3. Business Strategy

C3.1

(C3.1) Are climate-related issues integrated into your business strategy?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

C3.1c

(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.

The Bank's mission which is determined in the Strategic Plan of TKYB for the year 2015-2019 period "in line with sustainable development priorities of the Country, is to meet the financing needs of entrepreneurs, to contribute to the widespread ownership of capital and to structural transformation, to cooperate with domestic and foreign institutions and provide consultancy support. Its strategies and targets are designed to be in line with the climate change and transition to a low carbon economy policies of Turkey and submitted Intended National Determined Contribution (INDC), with a greenhouse gas reduction target (including land use, land use change and forestry) (LULUCF) of up to 21% below business as usual (BAU) in 2030.

TKYB considers sustainable development as an integrated part of its climate change mitigation and adaptation strategy. This approach dates back to year 2006, and led to the development of the environmental policy of the Bank since 2010. Accordingly the bank's Environmental Management Committee decided to set up a "sustainability work group" which will be determining the priorities of the bank for the purpose of preparing the Bank's sustainability report in the long run. (EMC Decision number 4, 2017, item 3) The Bank is committed to reduce the environmental impact of its services and activities and use of natural resources, as well as increasing its positive environmental activities. Considering the indirect effect of these approaches over the climate change related issues, the bank has placed the environmental management system at the heart of its operational strategies since the past 8 years.

- The Bank ensured that its personnel participated in training programs, fairs and congresses related to issues such as the climate change, environment, energy, energy efficiency and waste technologies.

Accordingly, as a pioneer Bank in its sector, TKYB has an annual target of offsetting its Scope 1 through Gold Standard certification and Scope 2 emissions through the i-REC certification.

The climate change and carbon markets related developments at national and international levels are being followed up closely by the experts and by the upper management. The Bank continues its operations by integrating its activities to the developments related to the transition to the low carbon economy.

As mentioned above the core business of TKYB is the provision of loans. At the project evaluation stage; the environmental sensitivity of the investment, the Social and Environmental Impact Assessment (SEIA) Report, the expectations of the fund providers from renewable energy and energy efficiency projects, the greenhouse gas emission reduction potential of the investment and the monitoring data obtained after the commissioning of the investment are the components that feed in the general operational strategies of the Bank. The Bank may or may not decide to finance a project accordingly. For instance, there was a project in review regarding a hydropower plant (HPP) that was proposed on a river that already had a few dams on it. Upon detailed review of the basin status report, the project was not financed as having that many HPPs on a river would adversely impact the basin and its surroundings. HPPs and Geothermal Power Plants are considered risky in this regard where detailed Environmental and Social assessments are carried out with strict continuous monitoring. In addition, there was a crediting process for a manufacturing industry client in the Central Anatolian Region. Their outlined mitigation efforts for environmental impacts were not deemed enough by the Bank, which didn't end up financing the project. As another company-specific example, a proposed geothermal power plant was close to a cultural heritage area, therefore a Cultural Heritage Management Plan was prepared before the Project was financed. More examples could be given in this context like requesting an HPP to be redesigned so that the fish ladder is convenient to the height of the regulator to facilitate fish movement upstream and downstream prior to financing; and requesting soil protection projects for the slope areas impacted by the project facilities.

Renewable energy and energy efficiency which are essential for a low carbon economy, are the issues that TKYB attributes highest importance. The Bank, in line with Turkey's priorities, has been taking important steps in supporting renewable energy and energy efficiency investments.

In line with TKYB's strategy to support a low carbon economy the year 2018 Renewable Energy Primary Indicators can be listed as follows:

- Total Amount of Allocated Loans TRY 8,759 million
- Total Amount of Loans Supplied to Corporations TRY 5,177 million
- Number of Projects Evaluated 434
- Number of Projects Financed 258, accounting for an additional capacity of 1,883 MW

Renewable Energy Power Plants That Became Operational as of December 31st, 2018:

- 58 Hydroelectric Power Plants
- 6 Wind Farms
- 5 Geothermal Power Plants
- 3 Landfill Projects
- 15 Energy Efficiency Projects
- 153 Solar Power Plants.

The annual economic impact of these projects totals approximately 4,384 GWh, preventing about 2,499 million tons of CO2 equivalent greenhouse gas emissions per year.

C3.1d

(C3.1d) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios	Details
Nationally determined contributions (NDCs)	<p>Turkey has signed the Paris Agreement, yet still remains as one of the 12 countries that have not ratified it. After the climate talks in Paris, Turkey has declared its Intended National Determined Contribution (INDC) with a greenhouse gas reduction target (including land use, land use change and forestry) (LULUCF) of up to 21% below the business as usual (BAU) scenario by 2030. As a part of this process until 2030, Turkey has declared it will take necessary steps towards its target in part with the help of its National Climate Change Strategy and Action Plan. Accordingly in its INDC, Turkey states that plans to implement necessary policies to reach 10GW of installed solar and 16GW of installed wind capacity, while "making use of the country's entire hydraulic capacity", decreasing losses in energy generation & the grid to 15% and having all new buildings constructed in accordance with the country's new Energy Efficiency legislation. Even though Turkey has not ratified the Paris Agreement, it could pass the Parliament and be ratified any given month and The Bank intends to be ready for the day that it does. The INDC document also shows the country's outlook 12 years into the future, which is valuable for the Bank, which has aligned its activities in line with the country's perspective and strategy. Turkey's INDC foresees an overall increase in the country's emissions, which will lead to a rise in overall temperature. The Bank is also aware that Turkey has been going through a rough stretch in terms of drought and hydro investments will have problems going forward. Turkey has used up a lot of its hydraulic potential and the Bank has decided to slowly phase out loans towards hydro investments going forward. The Bank came to this decision basing it off of precipitation patterns, temperature trends and high environmental & social impact of these investments by looking at the historical data, experiences of the Bank's hydro investments (The Bank has financed hydro plants dating back to 2006) and extrapolating them into the future. Looking into the future, the Bank's ultimate goal is to help Turkey evolve into a more developed country. Therefore, contributing to the above-mentioned INDC is critical for the bank. Accordingly, the Bank has been upping its efforts and increasing its performance every year. 2018 Renewable Energy Primary Indicators can be listed as follows:</p> <ul style="list-style-type: none"> • Total Amount of Allocated Loans TRY 8,759 million • Total Amount of Loans Supplied to Corporations TRY 5,177 million • Number of Projects Evaluated 434 • Number of Projects Financed 258, accounting for an additional capacity of 1,883 MW • Renewable Energy Power Plants That Became Operational as of December 31st, 2018: <ul style="list-style-type: none"> • 58 Hydroelectric Power Plants • 6 Wind Farms • 5 Geothermal Power Plants • 3 Landfill Projects • 15 Energy Efficiency Projects • 153 Solar Power Plants

C4. Targets and performance

C4.1

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

No target

C4.1c

(C4.1c) Explain why you do not have emissions target and forecast how your emissions will change over the next five years.

	Primary reason	Five-year forecast	Please explain
Row 1	We are planning to introduce a target in the next two years	The Bank currently has an ISO 14001 Environmental Management System and plans to integrate a Sustainability Management System as well upon its move to its new building from Ankara Istanbul is completed and it holds its Annual Management Review meeting to define its budgeting. As a part of this, 2019 will be the year the Bank will also publish emissions reduction goals for the future. The Bank has achieved approximately a 10% reduction in its emissions in 2018 compared to 2017 without specific emissions targets and thus considers this to be its BaU scenario going forward. The Bank foresees about a 10% year-on-year emissions reductions for the next five-year period.	Currently, the Bank does not have an absolute or intensity emissions reduction goal. However, it has had a goal to become a carbon neutral bank for the last 4 years and achieved it every single year including 2018. The Bank will keep having this annual goal going forward, as it received the Gold Standard to offset its Scope 1 emissions and i-REC certification to offset its Scope 2 emissions in 2018. In addition, the Bank just went through a major relocation as it moved its headquarters where it left the 2 big office buildings in Ankara for one in Istanbul. Upon having its first post-relocation "Annual Management Review" meeting in Istanbul, the Bank will aim to introduce a target in the next two years.

C4.2

(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.

Target

Other, please specify (Offsetting Scope 1 and Scope 2 emissions every year and becoming a carbon neutral Bank)

KPI – Metric numerator

Offsetting 100% of Scope 1 and Scope 2 emissions

KPI – Metric denominator (intensity targets only)

Not an intensity target

Base year

2017

Start year

2017

Target year

2018

KPI in baseline year

0

KPI in target year

100

% achieved in reporting year

100

Target Status

Achieved

Please explain

Every year, the Bank aims to offset its Scope 1 (through Gold Standard) and Scope 2 emissions (through the i-REC certification). The Bank has done it in the past 3 years and managed to achieve its target yet again in 2018. The Bank sets this target annually for the next year after it achieves the same goal for the previous year. Therefore, as an annual target, KPI in baseline year has been entered as 0, whereas the KPI in target year is entered as 100 to refer to offsetting 100% of Scope 1 & Scope 2 emissions.

Part of emissions target

This is not a part of an emissions target

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

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.

No

C4.3d

(C4.3d) Why did you not have any emissions reduction initiatives active during the reporting year?

The Bank always strives to be more efficient and aims to reduce its emissions. The Bank's electricity use decreased by 10% and natural gas use decreased by 20% in 2018 compared to previous year. These were achieved through awareness-raising activities & trainings among employees and purchasing energy-efficient products. The specific time-period the Bank has gone through in 2018 has resulted in the Bank not being able to frame these activities around particular initiatives. The Bank just went through a major relocation as it moved its headquarters where it left the 2 big office buildings with old and inefficient heating and cooling systems in Ankara for one modern office building in Istanbul. Upon having its first post-relocation "Annual Management Review" meeting in Istanbul (latest by 2020), the Bank will aim to introduce energy and emissions targets and carry out initiatives accordingly. On the other hand, the Bank has had a goal to become a carbon neutral bank for the last 4 years and achieved it every single year including 2018. The Bank will keep having this annual goal going forward, as it received the Gold Standard to offset its Scope 1 emissions and i-REC certification to offset its Scope 2 emissions in 2018.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Product

Description of product/Group of products

The Bank has been providing strong and systematic contributions to Turkey's economic development with its strategic role in the supply of long term financial resources which is the most basic requirement of sustainable economic development. The Bank allocates funds to finance the fixed and working capital investments of different sectors including renewable energy (Wind, solar, hydro, biomass), and energy efficiency across many sectors.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Avoided emissions calculated based on ACM0002 (Large-scale Consolidated Methodology of Grid-connected electricity generation from renewable sources); Bank also has own taxonomy.)

% revenue from low carbon product(s) in the reporting year

33.77

Comment

The Bank records emission reductions that are caused as a result of loans it provides to the renewable energy (RE) and energy efficiency (EE) investments, and reports this in its annual reports. RE and EE are essential for a low carbon economy, which are prioritized by the Bank. The Bank, in line with Turkey's priorities, has been taking important steps in supporting renewable energy and energy efficiency investments. Accordingly, the Bank's actions to support a low carbon economy the year 2018 Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Allocated Loans TRY 8,759 million • Total Amount of Loans Supplied to Corporations TRY 5,177 million • Number of Projects Evaluated 434 • Number of Projects Financed 258, accounting for an additional capacity of 1,883 MW Renewable Energy Power Plants That Became Operational as of December 31st, 2018: • 58 Hydroelectric Power Plants • 6 Wind Farms • 5 Geothermal Power Plants • 3 Landfill Projects • 15 Energy Efficiency Projects • 153 Solar Power Plants. The annual economic impact of these projects totals approximately 4,384 GWh, preventing about 2,499 million tons of CO2 equivalent greenhouse gas emissions per year. Accordingly, The Bank has seen that the loans it has provided until the end of year 2018 have led to an annual emissions reduction of almost 2.5 million tons in total. The Bank target to increase this amount in the next years.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1 2016

Base year end

December 31 2016

Base year emissions (metric tons CO2e)

576.9

Comment

The Bank's had a Scope 1 emissions of 576.9 mtCO2e in 2016 The Bank has completely offset its Scope 1 emissions of 576.9 mtCO2e in 2016 with Gold Standard.

Scope 2 (location-based)

Base year start

January 1 2016

Base year end

December 31 2016

Base year emissions (metric tons CO2e)

624.4

Comment

The Bank has completely offset its Scope 2 emissions of 576.9 mtCO2e in 2016 with i-REC.

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

The Bank has not calculated a market-based Scope 2 emissions in 2016.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

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)

557.9

Start date

January 1 2018

End date

December 31 2018

Comment

Our Scope 1 emissions have been verified.

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 have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

The Bank calculates its Scope 2 GHG emissions and gets independent external verification. The Bank also offsets its entire Scope 2 emissions with i-REC.

C6.3

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

Reporting year

Scope 2, location-based

546.02

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2018

End date

December 31 2018

Comment

Our location-based emissions were independently verified as 546.02 mtCO2e and later offset via i-REC.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 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 Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1728.78

Emissions calculation methodology

Food, beverage, tap water, printing, paper, toner are considered in this category. The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

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

0

Explanation

The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

Since there was no significant capital good acquirement during the reporting year no calculation was made.

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

Evaluation status

Relevant, calculated

Metric tonnes CO2e

91.6

Emissions calculation methodology

This item includes emissions estimated related to electricity transmission. The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

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

0

Explanation

The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

We don't have any emissions under this category.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

6.11

Emissions calculation methodology

Waste vegetable oils, wastewater, recyclable packaging and hazardous wastes are considered in this category. The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard

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

0

Explanation

The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

188.87

Emissions calculation methodology

Travel by land, air and sea, and hotel accommodations are considered in this category. The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

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

0

Explanation

The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

Employee commuting

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

This option hasn't been calculated as sound data collection couldn't take place. The Bank intends to report this in the coming years.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

The only leased assets are a group of company cars and their fuel consumptions that are already accounted for under scope 1, and to avoid double counting the Bank has not included them here.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

0.51

Emissions calculation methodology

The post and cargo TKYB sent are considered in this category (Usually light items) The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

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

0

Explanation

The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used to carry out calculations.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

We do not have such products.

Use of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

We don't sell any products.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

We don't sell any products.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

There are no downstream assets leased by TKYB.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

There are no Franchises.

Investments

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

This category hasn't been calculated.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

This category is not relevant for TKYB. No additional upstream sources.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

This category is not relevant for TKYB. No additional downstream sources.

C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

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

0.0000015

Metric numerator (Gross global combined Scope 1 and 2 emissions)

1103.92

Metric denominator

unit total revenue

Metric denominator: Unit total

734700000

Scope 2 figure used

Location-based

% change from previous year

51.45

Direction of change

Decreased

Reason for change

The Bank's unit total revenue has increased 86% from TRY 395 million to TRY 734.7 million while its emissions decreased about 10% as a result of sound governance by the Bank on its environmental issues and efficiency efforts (Electricity use decreased 10%, natural gas use decreased 20% in the reporting year). The resulting comparison of intensity figures came out to be a 51.45% year-on-year decrease.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO ₂ e)	GWP Reference
CO ₂	352.53	IPCC Fifth Assessment Report (AR5 – 100 year)
CH ₄	0.85	IPCC Fifth Assessment Report (AR5 – 100 year)
N ₂ O	0.55	IPCC Fifth Assessment Report (AR5 – 100 year)
Other, please specify (CFCs)	155.65	IPCC Fifth Assessment Report (AR5 – 100 year)
Other, please specify (HCFCs)	48.32	IPCC Fifth Assessment Report (AR5 – 100 year)

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO ₂ e)
Turkey	557.9

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By activity

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO ₂ e)
Natural Gas Heating Purposes	303.05
Natural Gas used in kitchen	19.47
LPG used in kitchen	0.1
Generator Fuel (Diesel)	2.58
Fuel consumed by company cars (Diesel)	28.66
Refrigerant Leakage from Air Conditioners and Refrigerators	194.39
Fire Extinguishers	9.65

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO ₂ e)	Scope 2, market-based (metric tons CO ₂ e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Turkey	546.02		1093.27	0

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By activity

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based emissions (metric tons CO ₂ e)	Scope 2, market-based emissions (metric tons CO ₂ e)
Office activities	546.02	

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 CO ₂ e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	We did not have a change in RE consumption reporting year.
Other emissions reduction activities	0	No change	0	We did not have a change in other emissions reduction activities in the reporting year.
Divestment	0	No change	0	We have not made any divestment in recent years.
Acquisitions	0	No change	0	We did not have any acquisition in the reporting year.
Mergers	0	No change	0	We did not have any merging activities in recent years.
Change in output	0	No change	0	We did not have a change of output in the reporting year.
Change in methodology	0	No change	0	We did not change our methodology.
Change in boundary	0	No change	0	There is no change in boundary in 2018.
Change in physical operating conditions	0	No change	0	We did not have any changes in physical operating conditions.
Unidentified	0		0	We did not have any unidentified emissions changes.
Other	118.51	Decreased	9.7	The Bank's electricity use decreased by 10% and natural gas use decreased by 20% in 2018 compared to previous year. These were achieved through awareness-raising activities & trainings among employees and purchasing energy-efficient products. The specific time-period the Bank has gone through in 2018 has resulted in the Bank not being able to frame these activities around particular initiatives. The Bank just went through a major relocation as it moved its headquarters where it left the 2 big office buildings with old and inefficient heating and cooling systems in Ankara for only 4 floors in one modern office building in Istanbul. The Bank has also offset its Scope 1 and 2 emissions for the year 2018 through Gold Standard and i-REC certifications. Total change in emissions due to these activities overall were 118.51 mtCO ₂ e. Total gross Scope 1 and 2 emissions in 2017 and 2018 were 1,222.43 and 1,103.92 mtCO ₂ e, respectively. Hence, the emissions value (percentage) is calculated as ((1,103.92 - 1,222.43)/1,222.43) x 100 = 9.7%

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?

Location-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 undertakes this energy-related activity
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 MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	119177.31	119177.31
Consumption of purchased or acquired electricity	<Not Applicable>	0	1093.27	1093.27
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>	0	120270.58	120270.58

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Natural Gas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

1591.17

MWh fuel consumed for self-generation of electricity

0

MWh fuel consumed for self-generation of heat

1495.12

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

Natural gas used for heating, and cooking in the kitchen are included in this category.

Fuels (excluding feedstocks)

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

9779.8

MWh fuel consumed for self-generation of electricity

9779.8

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

Diesel used in company generators are included in this category.

Fuels (excluding feedstocks)

Liquefied Petroleum Gas (LPG)

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

0.49

MWh fuel consumed for self-generation of electricity

0

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

LPG used to in the kitchen to prepare tea has been included in this category.

Fuels (excluding feedstocks)

Other, please specify (Diesel)

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

107805.84

MWh fuel consumed for self-generation of electricity

0

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

Diesel used in company vehicles are included in this category.

C8.2d

(C8.2d) List the average emission factors of the fuels reported in C8.2c.

Diesel

Emission factor

74.539

Unit

kg CO₂ per GJ

Emission factor source

2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2 Energy, Chapter 2 Stationary Combustion (Table 2.5)

Comment

EF for diesel consumed in generators has been calculated from the source below; https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf.

Liquefied Petroleum Gas (LPG)

Emission factor

63.2665

Unit

kg CO₂ per GJ

Emission factor source

2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2 Energy, Chapter 2 Stationary Combustion (Table 2.5)

Comment

EF for LPG has been calculated from the source below; https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf.

Natural Gas

Emission factor

56.2665

Unit

kg CO₂ per GJ

Emission factor source

2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2 Energy, Chapter 2 Stationary Combustion (Table 2.5)

Comment

EF for natural gas has been calculated from the source below; https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf.

Other

Emission factor

75.2427

Unit

kg CO₂ per GJ

Emission factor source

2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2 Energy, Chapter 3 Mobile Combustion (Table 3.2.1 & 3.2.2)

Comment

EF for diesel consumed in vehicles has been calculated from the source below; https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_3_Ch3_Mobile_Combustion.pdf.

C8.2f

(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.

Basis for applying a low-carbon emission factor

No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

Low-carbon technology type

<Not Applicable>

Region of consumption of low-carbon electricity, heat, steam or cooling

<Not Applicable>

MWh consumed associated with low-carbon electricity, heat, steam or cooling

<Not Applicable>

Emission factor (in units of metric tons CO₂e per MWh)

<Not Applicable>

Comment

There has been no market based emissions calculations at the Bank. Additionally, the Bank has not procured low-carbon electricity in 2018. The Bank has a goal of becoming carbon neutral every year through offsetting its Scope 1 emissions with Gold Standard and Scope 2 emissions with i-REC.

C9. Additional metrics

C9.1

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

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	No third-party verification or assurance

C10.1a

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

Scope
Scope 1

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
TKYB GHG Verification .pdf

Page/ section reference
"TKYB GHG Verification" Assurance Statement Page 1

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
TKYB GHG Verification .pdf

Page/ section reference
"TKYB GHG Verification" Assurance Statement Page 1

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?

No, we do not verify any other climate-related information reported in our CDP disclosure

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, but we anticipate being regulated in the next three years

C11.1d

(C11.1d) What is your strategy for complying with the systems in which you participate or anticipate participating?

According to a Report published by the Climate Change and Air Management division of the Ministry of Environment and Urbanization under the Partnership for Market Readiness (PMR) Program, a carbon tax of \$10/tCO₂e was deemed likely for Turkey. The Bank aims to offset its emissions (Scope 1 via Gold Standard, Scope 2 via i-REC) for its own operations every year and finances many energy efficiency and renewable energy projects. In 2018, it has offset its emissions through these certifications. This would likely be an opportunity for the Bank as demand for these kinds of projects would be boosted, while customers with already financed projects would have to shoulder the burden, which may be seen as a risk that may impact their repayments. Even so, the Bank would welcome such a system that would help drive the Country forward to be more sustainable, which is the Bank's ultimate goal. The Bank would welcome such a system as it would help the country move forward in its sustainability journey. The Bank would have no problems complying with the system as it already offsets its own emissions. For the projects it finances, the Bank would help the customers/investors make the transition as its objective is to help execute projects that contribute to the economy and sustainability more than other motives.

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

TKYB has had a goal to become a carbon neutral bank for the last 4 years and achieved it every single year including 2018. The Bank will keep having this annual goal going forward, as it received the Gold Standard to offset its Scope 1 emissions and i-REC certification to offset its Scope 2 emissions in 2018. With a credit serial number of GS1-1-TR-GS367-12-2010-175-71938-72495 and project name of Çatalca 60 MW Wind Power Project (which the Bank financed), TKYB purchased 558 mtCO₂e of credits to offset its Scope 1 emissions from an onshore wind farm in Bursa, Turkey through Gold Standard.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO₂e)

558

Number of credits (metric tonnes CO₂e): Risk adjusted volume

558

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

TKYB has had a goal to become a carbon neutral bank for the last 4 years and achieved it every single year including 2018. The Bank will keep having this annual goal going forward, as it received the Gold Standard to offset its Scope 1 emissions and i-REC certification to offset its Scope 2 emissions in 2018. Redeemed with a certificate ID of 0000-0000-1232-0508 and project name of Bağarası Wind Power Plant, TKYB purchased 1094 MWh corresponding to 546,02 mtCO₂e to offset its Scope 2 emissions from an onshore wind farm in Aydin, Turkey through i-REC.

Verified to which standard

Other, please specify (i-REC)

Number of credits (metric tonnes CO₂e)

546.02

Number of credits (metric tonnes CO₂e): Risk adjusted volume

546.02

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

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.

Objective for implementing an internal carbon price

Navigate GHG regulations
Change internal behavior
Drive energy efficiency

GHG Scope

Scope 1
Scope 2

Application

As a pioneer bank in Turkey that has been achieving carbon neutral status through offsets for 4 years in a country which is pondering mechanisms like ETS and carbon tax, internal price on carbon is an important concept that is implemented into the decision making process. As the Bank considers above-mentioned mechanisms to arrive in the next few years, it has been applying the IPC on its operations that would be subject to tax.

Actual price(s) used (Currency /metric ton)

5.83

Variance of price(s) used

Evolutionary pricing: As TKYB calculates the price through what it pays for offsets, this amount will be subject to change in the future. The Bank's emissions will likely keep decreasing and the cost of offsets will likely increase.

Type of internal carbon price

Offsets

Impact & implication

The IPC implies a value that the Bank pays importance to as in it reflects how much is spent to become carbon neutral. Decision-making processes feed off of IPC in such a way that in various operational expenditures, the Bank compares the emissions reduction potential of a spend versus paying money to offset the emissions after the year-end.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our customers
Yes, other partners in the value chain

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to educate customers about the climate change impacts of (using) your products, goods, and/or services

% of customers by number

100

% Scope 3 emissions as reported in C6.5

8.7

Please explain the rationale for selecting this group of customers and scope of engagement

As a part of the Bank's policy, it engages with every single investor/customer regarding the projects they want loans for in education/training and compliance aspects. The Bank guides the customer towards the kind of consultancies they should receive and how to manage risks throughout the project while complying with both the Bank's rules and national legislation. The Bank also provides manuals on how to use its loans.

Impact of engagement, including measures of success

For the Bank, measure of success is for the project to come to life and operation phase to go smoothly without any technical, legal, financial or management issues. Renewable energy and energy efficiency which are essential for a low carbon economy, are the issues that TKYB attributes highest importance. The Bank, in line with Turkey's priorities, has been taking important steps in supporting renewable energy and energy efficiency investments. In line with TKYB's strategy to support a low carbon economy the year 2018 Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Allocated Loans TRY 8,759 million • Total Amount of Loans Supplied to Corporations TRY 5,177 million • Number of Projects Evaluated 434 • Number of Projects Financed 258, accounting for an additional capacity of 1,883 MW • Renewable Energy Power Plants That Became Operational as of December 31st, 2018: • 58 Hydroelectric Power Plants • 6 Wind Farms • 5 Geothermal Power Plants • 3 Landfill Projects • 15 Energy Efficiency Projects • 153 Solar Power Plants. The annual economic impact of these projects totals approximately 4,384 GWh, preventing about 2,499 million tons of CO2 equivalent greenhouse gas emissions per year.

C12.1c

(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.

The Bank has four main partners in the value chain that it also engages with in regards to climate-related issues: IFIs, NGOs, Government Organizations and Communities. All of these partners have importance for the Bank's operations.

IFIs are the Bank's main source for financing, therefore the Bank has to maintain a good working relationship with them. The Bank always complies with international standards and rules/guidelines set out by IFIs and looks to strengthen its relationship with them while increasing the amount of resources it benefits from. The Bank follows the manuals assigned by the IFIs to comply with their rules and engages with them on a project basis, as well as periodic catch-ups, evaluations, reporting and monitoring. The Bank details the country's conditions to the IFIs to truly reflect the daily happenings and trends that take place in Turkey, which may lead to IFIs occasionally revising their approach to various stages of financing. There is a very operational two-way feedback mechanism between the IFIs and the Bank.

The Bank also engages with many NGOs to raise awareness and help build capacity. For instance, the Bank is in touch with TEMA for occasionally participating in their panels and planting trees with them.

The Under-secretariat of Treasury of the Republic of Turkey holds 99.08% of the paid-in capital of the Bank. Accordingly, the Bank maintains good relations with all governmental institutions across the board, namely the Ministry of Environment and Urbanization, Ministry of Energy, Ministry of Agriculture and Forestry. The Bank participated in the workshop that evaluated Turkey's compliance policies to combat climate change that was organized by the Ministry of Environment and Urbanization. The Bank has engaged with the Ministry of Energy on the topic of project incentives and support as energy efficiency mechanisms. With the Ministry of Agriculture and Forestry, the Bank has provided guidance and thoughts on possible regulations on biomass, as well as attending a workshop with the Ministry in attendance that was organized by BSCD Turkey (Business Council for Sustainable Development Turkey) and Nature Conservation Centre (DKM) on Water Management and Ecosystem Services.

The Bank extremely values its engagement with local communities. In the end of the day, a big portion of the projects the Bank finances have an impact on the local communities. Therefore, them having their voices heard is a major aspect of the Bank deciding whether to finance/keep financing a project. For instance, there was a customer that applied for the Bank's funding, which involved a facility for metal manufacturing in the Central Anatolian Region. The Bank assessed the overall package and believed that the customer would not be able to manage the risks and environmental impacts well enough, as well as the community pushback that would arise from the investment. Therefore, the Bank didn't finance the project. There are complaint mechanisms for the communities to be able to reach the Bank and let it know about their opinions.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

- Direct engagement with policy makers
- Trade associations
- Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Cap and trade	Support	Carried out by the Ministry of Environment The World Bank Partnership for Market Readiness (PMR) Turkey Project Phase 1 studies provided year-round participation and guide prepared by working groups and reporting, expert support is provided.	The Bank is providing feedback and support to the Ministry of Environment and Urban Planning in determining and evaluating the policy options that would help Turkey reduce greenhouse gas emissions by the help of market mechanisms. The Bank is also actively involved in the efforts of setting up a National Carbon Market. For the meetings held since 2016, as TKYB we shared our vision at each step, to prepare a Roadmap for the consideration of establishment and operation of a Greenhouse Gas Emissions Trading System in Turkey.
Adaptation or resilience	Support	The Bank participated in the workshop that evaluated Turkey's compliance policies to combat climate change that was organized by the Ministry of Environment and Urbanization.	The Bank aimed to help create awareness and positive public opinion while providing legislative support and information
Other, please specify (Biomass)	Support	The Bank has provided guidance and thoughts on possible regulations on biomass to the Ministry of Agriculture and Forestry through workshops and various exchanges.	The Bank has issued its opinions on the improvement of biomass systems and how to best manage it going forward in Turkey.
Other, please specify (Water Management)	Support	The Bank attended a workshop with the Ministry of Environment and Urbanization that was organized by BSCD Turkey (Business Council for Sustainable Development Turkey) and Nature Conservation Centre (DKM) on Water Management and Ecosystem Services.	The Bank has issued its opinions on the improvement of awareness on water management and financing options for water efficiency projects.
Energy efficiency	Support	The Bank has participated in workshops and various exchanges with the Ministry of Energy on the topic of project incentives and support as energy efficiency mechanisms	The Bank has issued its opinions on the improvement of awareness on energy efficiency and on the financing options for energy efficiency projects.
Clean energy generation	Support	Participation has been ensured and expert support has been provided for the "Sustainable Biomass Usage to support the Green Development of Turkey" workshop, jointly initiated in 9 May 2018 by the Turkish General Directorate of Agricultural Research and Policies and the United Nations Industrial Development Organization.	The Bank has issued its opinions on the improvement of biomass systems and how to best manage it going forward in Turkey.
Clean energy generation	Support	Participation has been ensured and expert support has been provided at the general director and managing agent levels for the "Technical Assistance for Developed Analytical Basis for Formulating Strategies and Actions towards Low Carbon Development" workshop.	The Bank has provided expertise and valuable information to support the workshop on how to develop a low-carbon economy in Turkey in terms of necessary infrastructure and legislative mechanisms.
Other, please specify (Sustainable Development)	Support	Manager and expert-level support has been provided for the "Sustainable Development Goals" workshop and working groups, organized jointly by the United Nations and the Turkish Ministry of Development.	The Bank was among the representatives of the public sector and pitched in on how to achieve UN SDGs by 2030. The Bank provided information and insights on various mechanisms to help incentivize entities in Turkey towards sustainable practices.
Climate finance	Support	Expert assistance has been provided for the Innovate4Climate conference, and climate change developments concerning sustainable financing have been monitored and evaluated.	The Bank has observed the developments and overall global trend on sustainable finance to inform the relevant public institutions in Turkey on policy recommendations.
Climate finance	Support	Institutional activities have been provided for the sustainable banking research conducted by the Turkish Statistical Institute, and collaboration has been ensured.	The Bank provided relevant data on climate change that would help reflect the current status of climate finance in Turkey, according to which new legislative action may be taken by public institutions going forward.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Is your position on climate change consistent with theirs?

Mixed

Please explain the trade association's position

Under its environmental mandate, ADFIAP supports "green banking" programs and sustainability reporting initiatives. It organizes training events, dialogues and capacity-building programs geared towards an environmental governance standard for DFIs.

How have you influenced, or are you attempting to influence their position?

Seeking Environmental Cooperation opportunity

Trade association

The Banks Association Of Turkey

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The Association aims to help its members and the sector combat and adapt to climate change through various activities, like workshops, capacity-building and creating inventory. In its activities, it gives and receives feedback while letting banks engage among themselves, which brings about a productive atmosphere among members. The Association also helps impact regulation through the feedback it receives, which is towards climate-enhancing activities.

How have you influenced, or are you attempting to influence their position?

The Bank has been an influential member of the Association as it has been active in discussions for building capacity among banks and pushing for climate-related regulations. The Association and members receive feedback and shape themselves accordingly, and the Bank (also through how sustainable its operations are) has had a positive and influential impact on the Association.

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

The Bank reaches out and applies to the General Directorate of Forestry in order to plant trees in areas deemed appropriate by the General Directorate. The aim of the Bank for years 2018 and 2019 is to plant 10 trees per employee

The Bank also engages with TEMA (Turkish Foundation for Combatting Soil Erosion), in order for them to facilitate planting trees.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Within the context of meetings, workshops, panels and work group meetings, the Bank is issuing opinions on the carbon tax, energy efficiency, renewable energy production, and climate finance topics in close coordination and communication with the Undersecretariat of Treasury and Foreign Trade, Ministry of Environment and Urban Planning, Ministry of Energy and Natural Resources, Ministry of Economy, Ministry of Development, Ministry of Finance, Ministry of Science, Industry and Technology. In addition to this the Bank is actively participating interinstitutional cooperation efforts related to climate change and providing written opinion whenever needed. The Bank is also actively supporting policy making processes via organisations such as the Union of Banks of Turkey, Turkish Union of Chambers and Commodity Exchanges, Turkish Industrialists' and Businessmen's Association, and Chambers of Commerce

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 (2018 Annual Report)

Status

Complete

Attach the document

TKYB 2018 Annual Report.pdf

Page/Section reference

56-58

Content elements

Governance

Strategy

Other metrics

Other, please specify (Cumulatively avoided emissions, number of financed renewable energy projects, TRY amount of financed energy projects)

Comment

We have published our Annual Report that includes our financial, environmental, social and governance performance. The Report itself details our operations all throughout, which touches on climate change in many places as almost half of the Bank's portfolio consists of renewables. However, the specific section with regards to Environmental Management is detailed in the "Page/Section reference" column.

C14. 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.

C14.1

(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	CEO	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

Please confirm below

I have read and accept the applicable Terms