TÜRKİYE KALKINMA BANKASI A.Ş. - Climate Change 2020

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. Our mission is to contribute to the structural transformation and fair capital distribution in our country in accordance with sustainable development priorities by meeting the financial and advisory needs of investing customers; to add value to employees and all other stakeholders with its dynamic, innovative, environmentally and socially responsive banking approach.. TKYB approaches sustainable and responsible development principles with a holistic perspective and expands its sphere of influence by creating common value among all its stakeholders through strategic initiatives. TKYB aims to manage potential risks and opportunities arising from its services and activities by addressing economic development and environmental and social factors.TKYB has a major role in the realization of investments in renewable energy and energy efficiency, tourism, as well as environmental investments (such as water management, waste management) in other industries, with the purpose of transition to a low carbon economy and fighting climate change. Positioning itself as a model corporate citizen, the Bank collaborates with international initiatives to protect the environment and address climate change. Our bank works in collaboration with major international development finance institutions such as the World Bank, European Investment Bank (EIB), German Development Bank (KfW), Asian Infrastructure Investment Bank (AIIB) and Islamic Development Bank (IsDB) 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). As a development bank, we are deeply committed to the United Nations Sustainable Development Goals. Within the scope of the UN SDGs and the Paris Agreement provisions, we take responsibility for our world, environment and society. We keep our strong sense of social responsibility alive and use our resources effectively and efficiently. Our loan portfolio is a major indicator of our commitment to combat climate change. As of 2019, 53% of the loan portfolio which is more than 8 billion TRY, is comprised of renewable energy and energy efficiency projects. Since 2004, we have financed 262 renewable energy and energy efficiency projects with a total installed capacity of 1,940 MW. As a result of these credits the Bank provided, an annual emissions reduction of 2.63 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 2019 by offsetting its Scope 1 (Gold Standard) and Scope 2 emissions (i-REC). The Bank has established an Environmental Management System (EMS) in order to increase its positive impacts and reduce the negative environmental impacts of its banking activities. The system is established based on the TS-EN-ISO 14001 Environmental Management System standard and ISO 14064. TKYB is the first state-owned bank which established the Environmental Management Systems in 2010 and completed its 9th year of success in the ISO 14001 Environmental Management System. 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.

The Bank continued its successful financial performance by increasing its asset size by 23.3% to 19,375.9 million TRY compared to the previous year and its equity by 66.3% to 2,356.4 million TRY. The Turkish Ministry of Treasury and Finance holds 99.08% of the paid-in capital of TKYB. 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.

The currency exchange rate of USD/TRY: 5.82160 provided in the 2019 Annual Report is used for the calculations in the following response.

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
Reporting year	January 1 2019	December 31 2019	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas 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 chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)

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)	Within the Bank, CEO leads the progress in issues related to sustainability, climate change and sustainable development, which we address with a holistic view, aim to expand our impact area thanks to strategic initiatives implemented within the Bank and create common value among our stakeholders. We have an Environmental Management Committee (EMC) which assesses climate-related issues. EMC is led by the Executive Vice President (EVP) who oversees Financial Affairs, Credit Operations, Treasury and Capital Market Transactions, Operations and Subsidiaries, Corporate Relations and Sustainability functions. Our Committee consists of 7 members including representatives among EVPs, directors and the other staff from different levels. All activities managed by the Committee are reported directly by EVP to the CEO, who is the ultimate responsible in climate-related issues at the Bank. As our CEO sits on the Board and assigns the delegates and members of the EMC, he informs our Board of Directors in this direction. The Committee gathers quarterly and under the Committee, working groups and teams within the bank provide periodical reports to continuously sharing data and information. Also, the highlights and EMC's decisions are directly reported to the CEO in the same frequency. At the end of the reporting line, CEO annually reports to the Board and shapes the decisions to be made at the "Annual Management Review" meetings. In 2019, important decisions were taken in the field of sustainability and combating climate change by the initiative of our General Manager. One of these is the signature of our Bank's UNEP-FI Responsible Banking Principles. In this context, our Bank, took the first steps to analyze the impact (negative and positive) arising from banking activities. Another step in this area is to increase the functionality and comprehensiveness of the sustainability management mechanism by ensuring the coordination and effective execution of sustainability related issues in line with the environmental and social policies developed and planned to move forward. In this scope, the goal is to establish a Sustainability Committee in 2020, which includes an independent board member and all member of executive management. With that, we aim to manage the risks and opportunities related with sustainable development that may arise from our services and activities.

C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some 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	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities The impact of our own operations on the climate The impact of our bank lending activities on the climate	Within the structure of the Bank, issues related to sustainability, climate change and sustainable development are owned at the top management level; CEO leads the changes in these fields. We address all the issues related to sustainable development with a holistic view, aim to expand our impact area thanks to strategic initiatives implemented within the Bank and create common value among all of our stakeholders. To manage and monitor issues related to climate change, we have an Environmental Management Committee (EMC) which assesses climate-related issues. EMC is led by the Executive Vice President (EVP) who oversees Financial Affairs, Credit Operations, Treasury and Capital Market Transactions, Operations and Subsidiaries, Corporate Relations and Sustainability functions as at the 2nd most senior executive level at the Bank. Our Committee consists of 7 members including representatives among EVPs, directors and the other staff from different levels. All the activities and issues managed by this Committee are reported directly by EVP to the CEO, who is the ultimate responsible in climate-related issues at the Bank. As our CEO sits on the Board and assigns the delegates and members of the EMC, he informs our Board of Directors in this direction. The Committee gathers quarterly and under the Committee, working groups and teams within the bank provide periodical reports to each other continuously sharing data and information. Also, the highlights and EMC’s decisions are directly reported to the CEO in the same frequency. At the end of the reporting line, CEO annually reports to the Board and shapes the decisions to be made at the "Annual Management Review" meetings. As a development bank, our bank assesses climate-related risks to its loan process. One of the main part of the loan evaluation reports at the Bank consists of Environmental and Social Risk Assessment conducted for potential projects. These evaluation reports which include climate related risks and opportunities and impact of our lending activities, are always presented and discussed as a scheduled item at board meetings. The Board is informed when a project may have a red flag during the credit evaluation process, after which the project may not get the go-ahead for the loan. Also, climate-related risks and opportunities in our own operations such as major carbon reduction and energy efficiency projects are discussed at the meetings as climate-related actions and environmental milestones overall are subject to Board approval.

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)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities	Annually
Other committee, please specify (Environmental Management Committee)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations	Annually

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).

Within the structure of the Bank, issues related to sustainability, climate change and sustainable development are owned at the top management level; CEO leads the changes in these fields. We address all the issues related to sustainable development with a holistic view, aim to expand our impact area thanks to strategic initiatives implemented within the Bank and create common value among all of our stakeholders.

To manage and monitor issues related to climate change, we have an Environmental Management Committee (EMC) which assesses climate-related issues. EMC is led by the Executive Vice President (EVP) who oversees Financial Affairs, Credit Operations, Treasury and Capital Market Transactions, Operations and Subsidiaries, Corporate Relations and Sustainability functions as at the 2nd most senior executive level at the Bank. Our Committee consists of 7 members including representatives among EVPs, directors and the other staff from different levels. All the activities and issues managed by this Committee are reported directly by EVP to the CEO, who is the ultimate responsible in climate-related issues at the Bank. As our CEO sits on the Board and assigns the delegates and members of the EMC, he informs our Board of Directors in this direction. The Committee gathers quarterly and under the Committee, working groups and teams within the bank provide periodical reports to each other continuously sharing data and information. Also, the highlights and EMC's decisions are directly reported to the CEO in the same frequency. At the end of the reporting line, CEO annually reports to the Board and shapes the decisions to be made at the "Annual Management Review" meetings.

In 2019, important decisions were taken in the field of sustainability and combating climate change by the initiative of our General Manager. One of these is the signature of our Bank's UNEP-FI Responsible Banking Principles. In this context, our Bank, aware of its responsibility, took the first steps to analyze the impact (negative and positive) arising from banking activities. Another step in this area is to increase the functionality and comprehensiveness of the sustainability management mechanism by ensuring the coordination and effective execution of sustainability related issues in line with the environmental and social policies developed and planned to move forward. In this scope, the goal is to establish a Sustainability Committee in 2020, which includes an independent board member and all member of executive management. Through this Committee, we aim to manage the risks and opportunities that may arise from our services and activities by addressing the economic, environmental and social dimensions of sustainable development. Also, we plan to increase effectiveness of sustainability projects and raise awareness on climate change among our employees. At the same time, another duty of the Committee is to determine the decisions on sustainability issues that will be on the agenda of the Board of Directors. This Committee will be coordinated by the Subsidiaries, Corporate Relations and Sustainability Department, be informed accurately and effectively by the sustainability representatives within the Bank.

As a development bank, our bank assesses climate-related risks to its loan process and favor for high environmental and social performance in the projects it gets involved. One of the main part of the loan evaluation reports at the Bank consists of Environmental and Social Risk Assessment conducted for potential projects. These evaluation reports which include climate related risks and opportunities and impact of our lending activities, are always presented and discussed as a scheduled item at board meetings. Our E&S Risk Assessment process is managed by our Engineering Department, which includes experts on environmental and social impacts of projects, in line with Bank's policies and procedures, that also evaluates carbon emissions reductions related to projects financed. 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. Also, climate-related risks and opportunities to our own operations such as carbon reduction and energy efficiency are always discussed at the meetings as climate-related actions and environmental milestones overall are subject to Board approval.

C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	The staff is encouraged and rewarded on their specifically assigned efficiency projects by offering them domestic and international trainings and workshops. Regarding the contribution of employees to Bank's sustainability performance, the bonuses will be impacted. Also, involvement in other various personal and career development activities are facilitated.

C1.3a

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

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Chief Executive Officer (CEO)	Monetary reward	Behavior change related indicator	Every individual is considered separately on different scales with different KPIs, and 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. The awarded employees can be 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, medium and long-term efficiency actions and targets that will be assigned to corresponding positions on their performance evaluations. Regarding the contribution of employees to Bank's sustainability performance, the bonuses will be impacted. This performance evaluation process is also embraced and supported by the CEO, as sustainability performance of the Bank is one of his priority. Managing issues related to sustainability, sustainable development and climate change are included in the job description of CEO. In this context, the change in strategy, business structure and behavior of the Bank has been ensured thanks to the steps taken in this field. In 2019, under the leadership and initiative of the CEO, the bank has become a member of UNEP-FI, BCSD Turkey and the Global Compact, and it is aimed to continue developing the perspective on climate change within the scope of the Bank.
All employees	Monetary reward	Behavior change related indicator	Every individual is considered separately on different scales with different KPIs, and 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. The awarded employees can be 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, medium and long-term efficiency actions and targets that will be assigned to corresponding positions on their performance evaluations. Regarding the contribution of employees to Bank's sustainability performance the bonuses will be impacted.
All employees	Non-monetary reward	Behavior change related indicator	Every individual is considered separately on different scales with different KPIs, and 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. The awarded employees can be 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, medium and long-term efficiency actions and targets that will be assigned to corresponding positions on their performance evaluations. Regarding the contribution of employees to Bank's sustainability performance the bonuses will be impacted. 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.

C-FS1.4

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

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	Under the Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. In accordance with the working status of the Bank and the social security institution legislation, the retirement pension is related to the ones included in the Law No. 5434 and the severance payment is calculated to those included in the Law numbered 1475.

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

	From (years)	To (years)	Comment
Short-term	0	1	The Bank considers the short term to be up to one 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.

C2.1b

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

Climate change has several impacts on our Bank and create several risks and opportunities. We believe that we have to integrate climate change risks into our medium and long-term strategic planning and business operations to mitigate any negative impact of climate change. We aim to manage potential risks and opportunities arising from our services and activities by addressing economic development and environmental and social factors. Therefore, we continue to transform both of our strategy and business structure in order to minimize negative impact of these risks and maximize positive impact of opportunities and integrate sustainability approach into our core strategy. In order to do that, in 2019, we reviewed our vision, mission and strategic goals as follows;

· Support projects that serve goals such as transition to a low carbon economy to achieve Sustainable Development Goals, combating climate change, conscious production-consumption, eliminating poverty, protecting our planet, etc.;

· Aim to play an important role in the development of the enterprise ecosystem by investing in new generation enterprises, along with its sub-funds and support to the sectors of strategic importance in the sustainable growth of our country;

· Create corporate structures and processes supported by information technologies that provide operational efficiency and efficiency in all fields of activity.

We manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System which covers our activities in all business units in Turkey. We follow the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas inventory and monitor our GHG impacts closely. Electricity consumption, fuel and natural gas consumption are monitored very closely and are included in the risk assessment process according to the results obtained. Therefore, through our direct operations, we are not exposed a significant climate change risk. However, as all of our operations are managed from our Head Quarters in İstanbul, any physical damage occurred at this location may affect us directly and restrain us from providing our banking services and jeopardize the security of our database. For example, we assess flooding or heavy rainfall as a physical risk related to climate change. Even though İstanbul is not identified as a city with a flooding risk through WRI Aqueduct Tool, we always consider that flooding risk may have a substantive financial and strategic impact on our business. However, we are more exposed to climate related risks through our customers and value chain and substantive financial and strategic impact of these risks related to our lending process is significantly larger. In this context, 53% of the Bank's loan portfolio is assigned to renewable energy and energy efficiency projects, the main risks that we face will be credit risk if our customers are unable to repay loans, geographic area risks, and operational risks. There are many types of risks related to climate change such as legal (possible legislation changes on ETS and Carbon Tax system), physical (damages that make unable to serve projects that we provided loans) or technological (financial loss of our customers related to technological development) risks that will lead to this credit risk. Therefore, we consider the level of environmental risks in our lending process, and we develop strategic management plans and loan evaluation mechanism that take these risks into account and to also fully avail us of climate related business opportunities. We evaluate environmental and social risks of the loans requested from the Bank and ensure effective management of the issue in line with the Bank's strategy. All credit applications received by the Bank are checked against the Exclusion List included in the Bank's Environmental and Social Policy, then Environmental and Social Risk Assessment is applied to all the credits which are not included in the Bank's Exclusion List.

The risk management unit sets up conservative limits to reduce the geographical or technological clustering of projects that will be financed by the Bank. 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.

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 0.82%. 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.

C2.2

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

Value chain stage(s) covered
Direct operations

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

Frequency of assessment
More than once a year

Time horizon(s) covered
Long-term

Description of process
The general risk principles followed by the Bank include the following activities: specializing in activities in accordance with its mission, vision, and its structure defined in its law of establishment; taking definable, controllable and/or manageable risks accordingly; avoiding risks other than the ones which are unavoidable as required by its activities. Within this scope, the main principle is taking risks which are defined and manageable. Our Risk Management Department and Internal Audit Unit are responsible of our risk management process which entails as following: ● Identify the significant risks that the Bank is exposed to, ● Measure and monitor the identified risks, ● Manage the risks within the limits set by the Board of Directors within the scope of legal regulations and the Bank's risk evaluation. Identification, measurement, monitoring and evaluation of the risks that constitute the main element of risk management are carried out through legal and bank-specific designed risk reports prepared by the Risk Management unit at the Bank. The Bank ensures that the existing and potential future impacts of the risks taken are measured as much as possible within the limits of the risk measurement and reporting techniques. Furthermore, climate related risks in our direct operations are always considered in our risk management mechanism. As we operate in banking industry, we have not any production or commercial activities. Also, we have not any branches and all our operations occur at our Head Quarter, located in İstanbul. Because of this, our direct environmental impact and greenhouse gas footprint is considerably limited with our Head Quarter. Thus, through our direct operations, we are not exposed to a significant climate change risk. However, we identify physical risks which jeopardize our business continuity. As all our business operations, database and IT infrastructure are managed from our HQ, if any severe weather events like flooding, hail or heavy rainfalls damage our HQ, this may cause major data loss, interrupt our business continuity or put into danger our employees' health and safety. Thus, we develop emergency plans to prevent these negative impacts and make provision for severe weather events. We also have insurance for the risks to IT infrastructure to mitigate the potential negative impacts of the severe weather conditions. We manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System which covers our activities in in Turkey. We follow the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas (GHG) inventory and monitor our GHG impacts closely. The Bank was the first state-owned bank which established TSE EN ISO 14001 Environmental Management System in 2010. Electricity, fuel and natural gas consumption is monitored very closely and are included in the risk assessment process according to the results obtained. Within this scope, we also closely follow and implement the requirements of national legislation, laws and regulations to manage our environmental and social impact while fulfilling the legal obligations. We consistently follow national and international developments within the industry and best practices in environmental and social issues.

Value chain stage(s) covered
Upstream

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

Frequency of assessment
More than once a year

Time horizon(s) covered
Long-term

Description of process
The general risk principles followed by the Bank include the following activities: specializing in activities in accordance with its mission, vision, and its structure defined in its law of establishment; taking definable, controllable and/or manageable risks accordingly; avoiding risks other than the ones which are unavoidable as required by its activities. Within this scope, the fundamental principle is taking risks which are defined and manageable. Our Risk Management Department and Internal Audit Unit are responsible of our risk management process which entails as following: ● Identify the significant risks that the Bank is exposed to, ● Measure and monitor the identified risks, ● Manage the risks within the limits set by the Board of Directors within the scope of legal regulations and the Bank's risk evaluation. Identification, measurement, monitoring and evaluation of the risks that constitute the main element of risk management are carried out through legal and bank-specific designed risk reports prepared by the Risk Management unit at the Bank. The Bank ensures that the existing and potential future impacts of the risks taken are measured as much as possible within the limits of the risk measurement and reporting techniques. Furthermore, climate related risks in our upstream value chain are always considered in our risk management mechanism. In this category, we recognize three type of risks. One of them is related to legislation change on ETS/Carbon Tax system, environmental law or legislation on renewable energy production in Turkey. The other one is related to our suppliers, even we have not many. Last one is based on International Financial Institutions (IFIs). Firstly, in Turkey, there is an important transition risk which occurs from development of a hybrid Emissions Trading System (ETS)/Carbon Tax system and from change on renewable energy production legislation (YEKDEM). Turkey has signed but has not yet ratified the Paris Agreement and has published an Intended National Determined Contribution (INDC) including a target to reduce country emissions (aiming 18% to 21% reduction in GHG emissions by 2030 compared to Business as Usual (BAU) Scenario.). In this context, the state may put into practice a Carbon Tax Law and this could adversely impact our customers profitability and make them unable to repay their loans or make new investments. This situation may create financial implications for us and impact our business. Also, in Turkey, to actualize domestic and renewable energy strategy, an incentive named YEKDEM (Turkish Renewable Energy Resource Support Mechanism) is established and the increase of share of renewable energy capacity in total capacity is aimed. By this project the state guaranteed the purchase of electricity, which is produced from renewable energy, at the determined price. This mechanism constitute a great opportunity for us to accelerate the number financing renewable energy projects, as our main part of loan portfolio (53%) is assigned to renewable energy efficiency. However, it also creates an important risk because this regulation boosts investments and if does not prevail, no, investments and demand for the Bank's resources may decrease. Secondly, even though we do not have many suppliers, we expect that our suppliers have the same point of view and business ethics in environmental and social terms. To take this approach one step further, next year, we will prepare a set of rules to be used by suppliers in the selection process. Thirdly, as a development bank, our financial resources for lending are mainly provided through our loan agreements with IFIs. In this context, we sign loan agreements to finance projects regarding combat climate change and aim to attain more resources in this manner. As of 2019, we made loan agreements approximately in amount of over 12.2 billion TRY with IFIs to finance renewable energy and energy efficiency projects. Therefore, we cannot engage in any activity that jeopardizes these resources and we cannot risk extending loans to customers who engage in such activities. Therefore we manage our direct environmental impacts by our Environmental Management System and our indirect environmental impacts through our customers by our Environmental and Social Risk Assessment.

Value chain stage(s) covered
Downstream

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

Frequency of assessment
More than once a year

Time horizon(s) covered
Long-term

Description of process
The general risk principles followed by the Bank can include the following activities: specializing in activities in accordance with its mission, vision, and its structure defined in its law of establishment; taking definable, controllable and/or manageable risks accordingly; avoiding risks other than the ones which are unavoidable as required by its activities. Within this scope, the fundamental principle is taking risks which are defined and manageable. Our Risk Management Department and Internal Audit Unit are responsible of our risk management process which entails as following: ● Identify the significant risks that the Bank is exposed to, ● Measure and monitor the identified risks, ● Manage the risks within the limits set by the Board of Directors within the scope of legal regulations and the Bank's risk evaluation. Identification, measurement, monitoring and evaluation of the risks that constitute the main element of risk management are carried out through legal and bank-specific designed risk reports prepared by the Risk Management unit at the Bank. The risk management unit sets up limits to reduce the technological clustering of projects that will be financed by the Bank. The Bank ensures that the existing and potential future impacts of the risks taken are measured as much as possible within the limits of the risk measurement and reporting techniques. Furthermore, climate related risks in our downstream value chain are always considered in our risk management mechanism. In this category, we recognize risks from our customer portfolio and products. For us, as well as their financial impact of projects, climate change has importance for the Bank’s mission. Also, any climate change related issues (transitional or physical) may impact the decision of new investments of our customers and this may lead to a negative financial implication on our Bank. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects financed according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of their performance in line with the Bank's strategy. That’s why all credit applications received by the Bank are checked against the Exclusion List, then Environmental and Social Risk Assessment is applied to all the credits which are not included in the Bank’s Exclusion List. Through the process, we define environmental and social risks of the projects.. In this process, we categorize projects and clients into four categories; high risk (Category A), substantial risk (Category B+), medium risk (Category B-), low risk (Category C). 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.

C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, current regulations related to climate change are always considered and followed as a transition risk in our risk assessment. In Turkey, to actualize domestic and renewable energy strategy, an incentive named YEKDEM (Turkish Renewable Energy Resource Support Mechanism) is implemented and the increase of share of renewable energy capacity in total capacity is aimed. By this implementation, the state guarantees the purchase of electricity which is generated from renewable energy, at the determined price per kWh electricity, for the first ten years of operation of the plant. This intensive constitute a great opportunity for us to accelerate the number financing renewable energy projects, as our main part of loan portfolio (53%) is dedicated to renewable energy and energy efficiency projects. This is valid for plants that go into operation before 2021. This has been a major incentive for investments and our loan agreements, however if the regulation will be in force or not after 2021 is not certain at the moment. Thus, this uncertainty creates an important risk because any changes in these regulations or potential rollbacks would negatively impact the Bank as investments and demand for the Bank's resources may decrease.
Emerging regulation	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, emerging regulations and laws related to climate change are always considered and followed as a transition risk in our risk assessment. Emerging regulations have the potential to create significant changes in the environment the Bank operates, so the bank always searches for possible future implementations. In relation to the MRV CO2 regulation that is piloted, a Turkey's own EU-like Emissions Trading System (ETS) may come into effect. 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. In a near future, the Bank expects an ETS/Carbon Tax system which will affect all over business units and stakeholders of TKYB. An implementation of such a tax would alter the way many companies operate and could adversely impact our customers profitability. This could make them unable to repay their loans or make new investments. Thus, such a case may create financial implications for us and impact our business. The Bank would manage its business by integrating the tax into its evaluation process of the customer and project. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, AIIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy.
Technology	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, technological risks related to climate change are always considered and followed as a transition risk in our risk assessment. Technological changes have the potential to create significant changes in the environment our customers operate, so the bank always evaluated for possible future changes and challenges. Development in renewable energy technology may increase investments with cheaper equipment, however a development pace with less than anticipated would make the opposite impact, such as the Bank and its potential customers may not be able to meet their growth projections into the future. This may interrupt investments and drive up costs to implement projects. A technological change which influence adversely our customers' profitability could make them unable to repay their loans or make new investments. Thus, such a case may create financial implications for us and impact our business. Therefore, we evaluate environmental and social risks of the loans requested from the Bank as an integrated part of the credit evaluation process and apply international standards set by IFIs (IFC, IBRD, EIB, AIIB, World Bank etc.) to all projects it financed , as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy. Also, the Bank always considers the Best Available Technology. There are risks when a potential project is up for financing and the technology it intends to use doesn't give the best performance for that cost. For example, regarding a proposed solar power plant which requested loan from the Bank, after completing the proper evaluation for the project we recommended a better performing technology alternative.
Legal	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, legal risks related to climate change are always considered and followed as a transition risk in our risk assessment. There were no climate-related litigation claims in the reporting year for the Bank which is highly accounted of. The Bank also considers the projects financed in this manner. It is expected from the projects and not to have any climate-related litigation claims associated to its projects. Therefore, the Bank always monitors of the legal risks and manages its own operations and supports its customers/investors accordingly. We have loan agreements with IFIs regarding combat of climate change. Thus, any climate-related litigation claims related to our direct operations or value chain could jeopardize our resources from these IFIs. Therefore, we monitor changes on legal issues related to environment or climate change and manage our direct environmental impact, through our Environmental Management System by following the TS-EN-ISO 14001 and ISO 14064 standards. And for the projects financed, we evaluate environmental and social risks of the loans requested from the Bank.
Market	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, market risks related to climate change are always considered and followed as a transition risk in our risk assessment. 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. Also, we are in competition with several Turkish banks for renewable energy and energy efficiency loans. As more than half of our loan portfolio consists of renewable energy and energy efficiency projects, we are aware customer demand is very important for us in this context. To manage market risk, the amount of exposure to market risk is calculated by the standard method and reported to the Banking Regulation and Supervision Agency as stated in the "Regulation on Banks' Capital Adequacy Measurement and Assessment."
Reputation	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, reputational risks related to climate change are always considered and followed as a transition risk in our risk assessment. We are exposed to a reputational risk through our direct operations and especially our value chain. As a development bank, we take actions to manage our environmental impact. We act with the awareness that we act as a role model for our customers by reducing our own carbon footprint and managing our environmental impact. However, as we have an important environmental impact through our portfolio and customers, we always consider climate related risks in our loan evaluation process. As we mentioned before, more than half of our portfolio is constituted from renewable energy and energy efficiency projects. Therefore, we evaluate environmental and social risks of the loans requested from the Bank by our Environmental and Social Risk Assessment process. The process is carried out for both the project itself and its impacts and for the customer. All credit applications received by the Bank are checked against the Exclusion List, then Environmental and Social Risk Assessment is applied to all the credits which are not included in the Bank's Exclusion List. Through the process, we define environmental and social risks of the projects. In this process, we categorize projects and clients into four categories; high risk (Category A), substantial risk (Category B+), medium risk (Category B-), low risk (Category C). The Bank does not support or finance investments that may have unacceptable effects on the environment and society. The list of activities which are not financed is based on the national legislation or international agreements that Turkey is a party. It is an important control mechanism for the protection of the Bank's reputation. The Bank always finances investments that comply with applicable national regulations and relevant international standards or offer a plan to ensure compliance within a reasonable period of time.
Acute physical	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, acute physical risks related to climate change are always considered and followed as a transition risk in our risk assessment. Climate change causes abnormal weather patterns and extreme precipitation events, such as flooding, cyclone, drought and hail. Extreme weather events impact the Bank's direct operations in a limited way as we do not have any production activities or any branches. We are exposed to acute physical risks through our direct operations and especially our value chain. In our direct operations, we identify a physical risk which jeopardize our business continuity. As all our business operations, database and IT infrastructure are managed from our HQ, if any severe weather events like flooding, hail or heavy rainfalls damage our HQ, this may cause major data loss, interrupt our business continuity or put into danger our employees' health and safety. However, we develop emergency plans to prevent these negative impacts and make provision for severe weather events. We also have insurance for the risks to IT infrastructure to mitigate the potential negative impacts of the severe weather conditions. Thus, we manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System. However, these severe weather events may impact our customers and the projects that we financed. Negative financial impacts on the financed projects may cause a credit risk and revenue loss for the Bank when customers are not 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. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy.
Chronic physical	Relevant, always included	Our Risk Management Department is responsible for managing company-wide risks and climate-related risks through our direct operations or value chain are always integrated to our risk management process. In this scope, chronic physical risks related to climate change are always considered and followed as a transition risk in our risk assessment. Climate change causes abnormal weather patterns and extreme precipitation events, such as flooding, cyclone, drought and hail. Extreme weather events impact the Bank's direct operations in a limited way as we do not have any production activities or any branches. However, these severe weather events massively impact the projects that we finance. 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 mitigates the risks through financial tools to facilitate payments as well as employing environmental and social risk assessment process. .

C-FS2.2b

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. We evaluate all investments and loan activities for environmental and social risks in accordance with the national and international environmental and social standards and regulations. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount: • Checking of Exclusion List • Gathering of information on the project • Environmental and social risk categorization and assessment • Informing the customer on the E&S Action Plan • Credit approval • Monitoring environmental and social performance As renewable energy and energy efficiency are essential for combatting against climate change, financing these energy projects constitutes more than half of the Bank's loan portfolio. There will be more need and demand towards renewable energy and energy efficiency projects, directly impacting the Bank's growth and financial performance. Our financial resources for lending are mainly provided through our loan agreements with IFIs. In this context, we are targeting to sign loan agreements to provide more resources in this manner. For example, we made a loan agreement of over 1.1 billionTRY with AIIB in 2019 to finance renewable energy and energy efficiency project. As of 2019, 53% of the loan portfolio which is more than 8 billion TRY, is comprised of renewable energy and energy efficiency projects. Since 2004, we have financed 262 renewable energy and energy efficiency projects with a total installed capacity of 1,940 MW. As a result of these credits, the Bank has prevented the emission of 2.63 million tons of carbon dioxide equivalent as of end 2019 and provided a positive impact equivalent to 115 million adult tree planting annually to Turkey. In addition, the Bank provides a reduction in imports in this area thanks to the renewable energy loans it provides. In this context, the Bank has an impact on reducing 445,527 toe consumption and 5,180,551,107 kWh-year energy imports.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	

C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	The Bank management recognizes the climate change as one of the biggest challenges the sector must face and therefore during the general risk assessment process climate change related issues are taken into consideration. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, AIIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount: • Checking of Exclusion List • Gathering of information on the project • Environmental and social risk categorization and assessment • Informing the customer on the E&S Action Plan • Credit approval • Monitoring environmental and social performance 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. E&S Risk Assessment starts at the Corporate Banking and Project Finance department by checking the project against Exclusion List. If the project is not in the exclusion list, as an integrated part of the credit approval process, the Technical Specialist in the Engineering Department carries out the E&S risk categorization process, which is cross-checked by the Environmental and Social Risk Specialist. E&S risks are categorized from high to low as A, B+, B- and C.. The actions required to manage the risks are defined according to the risk categorization. These actions include the preparation of the Environmental and Social Action and Management Plans and Monitoring Programs. For higher risk projects an independent Environmental and Social Consultant may be contracted to conduct an environmental and social due diligence. E&S risk assessment is presented to the credit committees as an integrated part of credit evaluation process. The E&S performance of the projects is monitored and reported during the loan period. The Bank also shares with the public on its website the environmental and social documents of the projects. Also, renewable energy and energy efficiency are essential for combatting against climate change, thus is of very high importance to TKYB because financing these energy projects constitutes more than half of the Bank's credit portfolio. This is considered a big opportunity for the Bank going forward as there will be more need and demand towards renewable energy and energy efficiency projects, directly impacting the Bank's growth and financial performance. As a development bank, our financial resources for lending are mainly provided through our loan agreements with IFIs. In this context, we sign loan agreements to finance combat against climate change. For example, we made a loan agreement of over 1.1 billion TRY with AIIB in 2019 to finance renewable energy and energy efficiency project. As of 2019, 53% of the loan portfolio which is more than 8 billion TRY, is comprised of renewable energy and energy efficiency projects. Since 2004, we have financed 262 renewable energy and energy efficiency projects with a total installed capacity of 1,940 MW. As a result of these loans, thanks to all collaborations and renewable energy projects that have been extended, the Bank has prevented the emission of 2.63 million tons of carbon dioxide equivalent as of the end of 2019 and provided a positive impact equivalent to 115 million adult tree planting annually to Turkey. In addition, the Bank provides a reduction in its imports in this area thanks to the renewable energy loans it provides. In this scope, the Bank has an impact on reducing 445,527 toe consumption and 5,180,551,107 kWh-year energy imports.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	The Bank recognizes the climate change as one of the biggest challenges the sector must face. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount: • Checking of Exclusion List • Gathering of information on the project • Environmental and social risk categorization and assessment • Informing the customer on the E&S Action Plan • Credit approval • Monitoring environmental and social performance As a part of our Environmental and Social Risk Assessment, we assess water-related issues of our loan portfolio. We evaluate water risks in scope of following issues: • Impact on water resources (surface and ground water, coastal, etc.) due to project (amounts of water usage, change of water temperature, change of the riverbed) • Generation of waste and wastewater by the projects and its impact. Also, renewable energy and energy efficiency are essential for combatting against climate change. This is considered a big opportunity for the Bank going forward as there will be more need and demand towards renewable energy and energy efficiency projects, directly impacting the Bank's growth and financial performance. As a development bank, our financial resources for lending are mainly provided through our loan agreements with IFIs. In this context, we sign loan agreements to finance combat against climate change. For example, we made a loan agreement of over 1.1 billion TRY with AIIB in 2019 to finance renewable energy and energy efficiency project.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	<Not Applicable>	

C-FS2.2e

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.). To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount: • Checking of Exclusion List • Gathering of information on the project • Environmental and social risk categorization and assessment • Informing the customer on the E&S Action Plan • Credit approval • Monitoring environmental and social performance As a part of our Environmental and Social Risk Assessment, we assess forest-related issues of our loan portfolio. We evaluate forest-related risks in scope of following issues: • Impact on land use, (forestry and agricultural) by checking how big is the impact of changes to natural environment resulting from the project (e.g. cutting down trees or use of agricultural land.); • Impact on flora and fauna, by evaluating the risk of impairment of flora and fauna (especially endangered and threatened species) due to project • Impact on natural parks or protected areas due to the project In addition, our Exclusion List includes activities that are not compatible with our environmental and social policy. We do not finance the following three items in the list which have impact on forests: • Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity.; • Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.; • Production or trade in wood or other forestry products other than from sustainably managed forests.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	<Not Applicable>	

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes	The Bank management recognizes the climate change as one of the biggest challenges the sector must face and therefore during the general risk assessment process climate change related issues are taken into consideration. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount: • Checking of Exclusion List (all credit applications received by the Bank are checked against the Exclusion List) • Gathering of information on the project • Environmental and Social risk categorization and assessment (categorizing projects and clients into four categories; high risk (Category A), substantial risk (Category B+), medium risk (Category B-), low risk (Category C).) • Informing the customer on the E&S Action Plan • Credit approval • Monitoring Environmental and Social performance The Bank shares with the public on its website the environmental and social documents of loan projects that it classifies in the risk category.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	

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?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Emerging regulations have the potential to create significant changes in the environment the Bank operates, so the bank always searches for possible future implementations. In relation to the MRV CO2 regulation that is piloted, a Turkey's own EU-like Emissions Trading System (ETS) may come into effect. 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. In a near future, the Bank expects an ETS/Carbon Tax system which will affect all over business units and stakeholders of TKYB. An implementation of such a tax would alter the way many companies operate and could adversely impact our customers profitability. This could make them unable to repay their loans or make new investments. Thus, such a case may create financial implications for us and influence our business. The Bank would manage its business by integrating the tax into its evaluation process of the customer and project. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy.

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)
8451775

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

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

Explanation of financial impact figure
For Risk 1, we determine a single financial impact figure, the explanation of this impact is provided below. As a possible hybrid ETS/Carbon Tax may impact adversely our customers profitability, this may cause a financial implication for our bank by impacting their ability to repay their loans or to make new investments. Thus, this type of regulation may increase our credit risk and NPL ratio of the Bank. However, more than half of our portfolio is constituted from renewable energy and energy efficiency projects which will not be adversely affected by a carbon tax or any other carbon management cost. Thanks to this qualification of our portfolio, even though we are exposed to a financial implication due to the regulation, this would not be an important impact. As of end of 2019, 11.2 % of the portfolio corresponds to industrial sector which is evaluated as energy intensive sector and is exposed to higher carbon costs. Regarding our projects 0.5 % of this loan stock is assumed as cost of this impact which makes about 8,451,775 TRY.

Cost of response to risk
909373

Description of response and explanation of cost calculation
To mitigate this risk, we assess risks arised from current or emerging regulations through our E&S Risk Assessment process. As we mentioned before, E&S Risk Assessment starts at the Corporate Banking and Project Finance department by checking the project against Exclusion List. If the project is not in the exclusion list, as an integrated part of the credit approval process, the Technical Specialist in the Engineering Department carries out the E&S risk categorization process, which is cross-checked by the Environmental and Social Risk Specialist. E&S risks are categorized from high to low as A, B+, B- and C.. The actions required to manage the risks are defined according to the risk categorization. These actions include the preparation of the Environmental and Social Action and Management Plans and Monitoring Programs. For higher risk projects an independent Environmental and Social Consultant may be contracted to conduct an environmental and social due diligence. E&S risk assessment is presented to the credit committees as an integrated part of credit evaluation process. The E&S performance of the projects is monitored and reported during the loan period. The bank avoids to finance projects to companies that are not considering climate change issues and do not mitigate their risks. 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 909,373 TRY.

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?
Downstream

Risk type & Primary climate-related risk driver

Current regulation	Mandates on and regulation of existing products and services

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

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

Company-specific description
The Turkish Government has long been backing renewable energy investments via regulations. To actualize domestic and renewable energy strategy, an incentive named YEKDEM (Turkish Renewable Energy Resource Support Mechanism) is established and the increase of share of renewable energy capacity in total capacity is aimed. By this project, the state guarantees the purchase of electricity, which is generated from renewable energy, at the determined price per kWh electricity, for the first ten years of operation of plant. This mechanism constitute a great opportunity for us to accelerate the number financing renewable energy projects, as our main part of loan portfolio (53%) is comprised of renewable energy and energy efficiency projects. This is valid for plants that go into operation before 2021. This has been a major incentive for investments and our loan agreements, however if the regulation will be in force or not after 2021 is not certain at the moment. Thus, this uncertainty creates an important risk because any changes in these regulations or potential rollbacks would negatively impact the Bank as investments and demand for the Bank’s resources may decrease. A change in the existing regulation could potentially decrease renewable energy investments as well. Once this incentive is over, the uncertainty in the pricing structure may impact the ability of our customers (or possible customers) to make new investments. Also, if already-financed projects don't start operation before the end of 2020, they cannot benefit from this pricing incentive structure and the revenue projections may deviate with uncertainty which 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.

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)
318397948

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

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

Explanation of financial impact figure

For Risk 2, we determine a single figure financial impact, the explanation of this impact is provided below. 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. Already, more than half of our portfolio is constituted from renewable energy and energy efficiency projects, which makes the Bank susceptible to the risks to be experienced by the termination of this initiative. As of 2019 all the renewable energy projects are in the feed in tariff mechanism. However, considering the projects in the loan portfolio which have already started operation even partially will continue to be in the feed in tariff mechanism. Therefore, a very low risk exists 2019 energy project portfolio which is 53%. The financial impact is assumed as % 1 of this portfolio, as of 2019 which corresponds to 80,532,748 TRY. On the other hand, the number of renewable energy projects which seek to benefit from the mechanism before it is over, especially wind and solar energy projects, is expected to be high, in 2020. We estimate that if these projects are not commissioned before the tariff mechanism is over will be a risk for the bank, regarding the risk of our customers' failure to repay their loans. The financial impact is estimated that 10% of the planned loan amount would be in risk which corresponds to 237,865,200 TRY. Total financial impact figure will be 318,397,948.

Cost of response to risk

909373

Description of response and explanation of cost calculation

To mitigate this risk, we assess risks which arise from current or emerging regulations through our E&S Risk Assessment process. As we mentioned before, E&S Risk Assessment starts at the Corporate Banking and Project Finance department by checking the project against Exclusion List. If the project is not in the exclusion list, as an integrated part of the credit approval process, the Technical Specialist in the Engineering Department carries out the E&S risk categorization process, which is cross-checked by the Environmental and Social Risk Specialist. E&S risks are categorized from high to low as A, B+, B- and C. The actions required to manage the risks are defined according to the risk categorization. These actions include the preparation of the Environmental and Social Action and Management Plans and Monitoring Programs. For higher risk projects an independent Environmental and Social Consultant may be contracted to conduct an environmental and social due diligence. E&S risk assessment is presented to the credit committees as an integrated part of credit evaluation process. The E&S performance of the projects is monitored and reported during the loan period. . Also, financed projects are closely monitored during 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. 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. The bank avoids to finance projects to companies that are not considering climate change issues and do not mitigate their risks. 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 909,373 TRY.

Comment

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

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Climate related risks in our direct operations are always considered in our risk management mechanism. As we operate in banking industry, we have not any production or commercial activities. Also, we have not any branches and all our operations occur at our Head Quarter, located in İstanbul. Climate change causes abnormal weather patterns and extreme precipitation events, such as flooding, cyclone, drought and hail.We are not exposed a significant climate change risk, through our direct operations. However, we identify a limited physical risk which jeopardize our business continuity. As all our business operations, database and IT infrastructure are managed from our HQ, if any severe weather events like flooding, hail or heavy rainfalls damage our HQ, this may cause major data loss, interrupt our business continuity or put into danger our employees' health and safety. Damages at our HQ as a result of this risk may impact our business, reliability and financial performance. However, when we look climate events related to severe weather events retrospectively and according to the Flooding Risk results of WRI Aqueduct Tool, Istanbul is not among the high-risk cities. However, we develop emergency plans to prevent these negative impacts and make provision for severe weather events. We also have insurance for the risks to IT infrastructure to mitigate the potential negative impacts of the severe weather conditions.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

21612107

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

For Risk 3, we determine a single figure for the financial impact range with maximum and minimum financial impact, the explanation of this impact is provided below. We identify different damages may occur as a result of a severe weather event in İstanbul where or HQ is located. These physical risks that we may encounter in our HQ building may be common physical damages such as broken glass, damage to bank belongings, that are damages that can be overcome quickly with renewal operations. Also, as well as general damages, we may have damage that have medium or large-scale effects on our data center and IT infrastructure. For this reason, we defined the scenario in which our IT infrastructure will have to be completely renewed and renovation for physical damage will be required, for which the total financial impact is equivalent to 21,612,107 TRY.

Cost of response to risk

421725

Description of response and explanation of cost calculation

Even, İstanbul is not one of the high-risky cities regarding the occurrence of severe weather events, we consider the risk of any damages caused by climatic events. We manage all environmental activities and risks through our Environmental Management System which covers our activities in in Turkey. We follow the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas (GHG) inventory and monitor our GHG impacts closely. The Bank was the first state-owned bank to establish TSE EN ISO 14001 Environmental Management System Standard in 2010. Electricity consumption, fuel and natural gas consumption are monitored and included in the risk assessment process according to the results obtained. Within this scope, we also follow and implement national legislation, laws and regulations to manage our environmental and social impacts while fulfilling our legal obligations. The Bank continuously follows national and international developments within the industry and best practices in environmental and social issues. The cost to realize this initiative is the Banks partial internal costs and external costs for securing the certificates and standards. Also, we include employment costs of a specialized person in charge with EMS and energy efficiency projects. Cost of management is calculated as the 421,725 TRY.

Comment

Among other risks, we also consider the impacts on our operations. We consider the risk of any damages to our operations which might be caused by climatic events and manage through established and properly managed EMS.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Climate change and chronic physical changes adversely impact the Bank's customers. As a result, they may have operational problems at the hydropower plants because of drought, wind power plants because of icing and solar power plants because of snow, hail 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, there are losses in energy generation. Since there are hydropower, wind and solar projects in the loan portfolio, the Bank may face credit risks because of the financial unbalance of the customers due to production shortage.

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)

402663741

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

For Risk 4, we determine a single financial impact, the explanation of this impact is provided below. More than half of our portfolio is comprised of renewable energy and energy efficiency projects, which makes the Bank susceptible to severe weather events risks. Energy generation from renewables like hydroelectric, wind and solar highly depend on weather conditions as we indicated in company-specific description of this risk (Risk 4). 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 efficiently. Very dry weather conditions are not suitable for solar PV as well, in terms of dust impact on energy generation and maintenance. Thus, a weather event, which impacts renewable energy projects that the Bank finances, could adversely impact the customers profitability. This could make them unable to repay their loans or make new investments which may create financial implications for the Bank's business. 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 402,663,741 TRY.

Cost of response to risk

506871

Description of response and explanation of cost calculation

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. 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 506,871 TRY for the Bank.

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 5

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact

Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

We are exposed to reputational risks through our direct operations and especially our value chain. As we have an important environmental impact through our portfolio and customers, we always consider climate related risks in our loan agreement process. The Bank is aware that any risks from the projects which are financed by the Bank are also reputational risks for the Bank. Environmental and social issues which arise from our financed projects, would directly impact our reputation. As a result, the Bank may face cuts from its resource providers. As a development bank, our financial resources for lending are mainly provided through our loan agreements with IFIs, also we aim to accelerate the number of loan agreements to increase our resources. We cannot engage in any activity that jeopardizes these resources and we cannot risk extending loans to customers who engage in such activity. Therefore, the Bank aims to manage the projects it finances in terms of environmental and social risks to have decent reputation on IFIs angle such as IBRD, World Bank.

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)

189767403

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

For Risk 5, we determine a single financial impact, the explanation of this impact is provided below. Increased stakeholder concern may have negative impacts on the projects. As projects that we financed have general risks such as not completing the project or shut down risks due to court cases, there are also environmental and social risks of projects in construction and operation period which may increase stakeholder concerns. Raised concerns not properly responded may result in oppositions of communities or NGOs, or any other stakeholders. As a development bank, we provide loans to projects considering the environmental and social risks/impacts of the projects and also the concerns of our resource providers and other stakeholders. We do not finance projects that would jeopardize our reputation in front of our investors and other stakeholders. We are aware of that this will affect the loan agreements we make and our direct resources, especially by affecting our engagement with IFIs which are our bank's major source of crediting activities regarding these institutions' requirements for 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. We identify this impact as the negative effect on all themed loans that we receive from IFIs. However we manage environmental and social risks related to our customers through our E&S Risk Assessment and IFIs requirements. As of 2019, we made loan agreements with a total of 21 billion TRY with IFIs. Accordingly, we have provided about 1.9 billion TRY sources annually from the IFIs. We estimate that the amount in risk will be 10% of these loan agreements due to potential negative impacts of the projects financed, which corresponds to 189,767,403 TRY.

Cost of response to risk

2246271

Description of response and explanation of cost calculation

To mitigate such risks we evaluate environmental and social risks of the loans requested from the Bank and projects by our Environmental and Social Risk Assessment process which is carried out for both the project itself and its impacts and separately for the customer. All credit applications received by the Bank are checked against the Exclusion List, then Environmental and Social Risk Assessment is applied to all the credits which are not included in the Bank's Exclusion List. Thanks to this process, we list all projects according to their environmental and social risks. In this process, we categorize projects and clients into four categories; high risk (Category A), substantial risk (Category B+), medium risk (Category B-), low risk (Category C). 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, consider vulnerable people. With these mitigation measures the reputational risks are reduced. Environmental expert costs, managing costs of evaluating and monitoring department, travel costs and other administrative costs and also the employee costs who manage relations with the IFIs are the management costs of this kind of risk, which add up to 2,246,271 TRY.

Comment

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

Identifier
Risk 6

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

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact
Decreased access to capital

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

Company-specific description
We are also exposed a reputational risk through our direct operations in a limited way. We always manage our environmental impact, even it is limited with our Head Quarter to protect its reputation and credibility. We act with the awareness that we will set an example for our customers by reducing our own carbon footprint and manage our environmental impact. As a result, the Bank may face cuts from its resource providers and a decrease in demand from credit-seekers. As a development bank, our financial resources for lending are mainly provided through our loan agreements with IFIs, also we aim to accelerate the number of loan agreements to increase our resources. We cannot engage in any activity that jeopardizes these resources. Therefore, the Bank aims to manage the projects it finances in terms of environmental and social risks to have decent reputation on IFIs angle such as IBRD, World Bank.

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)
18976740

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

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

Explanation of financial impact figure
For Risk 6, we determine a single financial impact, the explanation of this impact is provided below. As a development bank, we provide finance to projects considering the environmental and social impacts of the projects and the concerns of our resource providers and other stakeholders. Also, we indicate that we manage all our environmental impact through our direct operations. We are aware of that this will affect the loan agreements we make and our direct resources, especially by affecting our engagement with IFIs which are our bank's major source of crediting activities regarding these institutions requirements for 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. We identify this impact as the negative effect on the renewable energy, clean energy, energy efficiency themed loans that we receive from IFIs. Totally, as of 2019, we made 21 billion TRY loan agreement with IFIs, Accordingly, we have provided about 1.9 billion TRY sources annually from the IFIs and we estimate that we have a risk of losing 1% of these loan agreements due to potential negative impacts of our direct operations which corresponds to 18,976,740 TRY. We indicated this ratio because we manage all environmental risks related to our direct operations through our Environmental Management System which covers our activities and follows the TS-EN-ISO 14001 and ISO 14064 standards. Also, we indicated that our major environmental risks are related to our value chain and customers, as our environmental footprint is limited with our HQ.

Cost of response to risk
655510

Description of response and explanation of cost calculation
Our direct environmental impact and greenhouse gas footprint is considerably limited as we do not have any production activities and any branches. Still, we monitor, measure and reduce the GHG emissions related to our direct operations. We manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System which covers our activities in all business units in Turkey. We comply with the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas inventory and monitor our GHG impacts. Electricity consumption, fuel and natural gas consumption are monitored and are included in the risk assessment process according to the results obtained. 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 source provider side. Good communication and relations with stakeholders provide the Bank to be in confident business circumstance increasing customer portfolio and loan agreements with IFIs. The total cost therefore add up to TRY 655,510 for the Bank.

Comment
Maintaining its good reputation is crucial for the Bank not only due to 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?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

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

Company-specific description
Emerging regulations have the potential to create significant changes in the environment the Bank operates, so the bank always searches for possible future implementations. In relation to the MRV CO2 regulation that is piloted, a Turkey's own EU-like Emissions Trading System (ETS) may come into effect. 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. In the near future, the Bank expects an ETS/Carbon Tax system which will affect all over business units and stakeholders of TKYB. An implementation of such a tax would alter the way many companies and could encourage new investments on low carbon energy technologies. Thus, such a case may create financial implications for us and impact our business positively. 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. We are aware of that there is a risk caused by this initiative, because this is valid for plants that go into operation before 2021. But also, this has been a major incentive for investments, there may be a wave of investors increasing demand for renewable energy loans from the Bank before this incentive ends.

Time horizon
Medium-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)
5239440000

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

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

Explanation of financial impact figure
For Opp 1, we determine a single figure estimate for a potential financial impact, the explanation of this impact is provided below. TKYB is already carrying a loan portfolio composing of renewable energy loans in a substantial ratio (more than half of our loan portfolio). 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. Therefore, we estimate that, thanks to initiatives which support renewable energy or tax systems which push companies to invest in renewable energy or energy efficiency projects, the revenue from bank loans for renewable energy and energy efficiency investments may increase. Also, as we indicated, when YEKDEM initiative is completed in 2021, renewable energy investments could potentially decrease. However, there is still a high potential of renewable energy investments in Turkey which will provide us a potential financial impact. We obtain funds from the international development finance institutions, and renewable energy and energy efficiency projects are highly supported by these institutions. . Also, we estimated that the hybrid ETS / Carbon Tax system will be valid in 2022 and as we hope that the government will continue to encourage the renewable energy in Turkey with a new initiative similar to YEKDEM. Then, through these provided loan growth rates, we create a scenario analysis for 2022 to see if the trend of previous years (as in the years when YEKDEM is valid) isfollowed, how much the demand for renewable energy loans will be and how much this demand will increase our loan utilization. We estimate an increase in these potential investments on renewable energy and energy efficiency, we estimate a potential financial impact of 5,239,440,000 TRY.

Cost to realize opportunity
1524174

Strategy to realize opportunity and explanation of cost calculation
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 customers. 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 1,524,174 TRY.

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, please specify (Energy efficiency projects)

Primary potential financial impact
Reduced indirect (operating) costs

Company-specific description
In 2019 (May), the transfer of our HQ from Ankara to Istanbul was completed. In this context, we have adapted our Environmental Management System to the conditions in Istanbul in order to manage our energy consumption and emission amounts. As we indicated before, the Bank has an established ISO 14001 and ISO 14064 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. By applying ISO 14001 standards in its operations the Bank is able to reduce its environmental impacts and its carbon footprint resuming from its direct and indirect emissions. When using electricity for lighting and other needs by heating with natural gas in Ankara; we started to use electricity for all our needs instead of natural gas in Istanbul. Therefore, reducing our electricity consumption has become one of our primary goals. For this reason, we turned all the lighting in the headquarters into LED lighting. Thus, we aim to provide electrical efficiency. Thanks to this energy efficiency project, since our relocation to Istanbul, we have saved 22,107 kwh.

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)
193690

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

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

Explanation of financial impact figure
For Opp 2, we determine a single financial impact, the explanation of this impact is provided below. 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. By turning all the lighting in the headquarters into LED lighting, we decrease our operational costs. Lifespan of led lightning is seven times longer than the conventional lightning appliances. Therefore, the monetary saving is calculated as 7 times of the annual saving which corresponds to 193,690 TRY. We are aware of that efficient uses of sources and trained personnel will provide the Bank competitive and sustainable for future banking activities.

Cost to realize opportunity
164126

Strategy to realize opportunity and explanation of cost calculation
In Istanbul , the office building is a newer building available or developing new projects in the progress of reducing climate impacts. Our only cost for our energy efficiency project is LED lightning investment. Cost of this investment is equivalent to 164,126 TRY and this is also taken as the cost of management.

Comment
Taking climate change and its impacts into consideration 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

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

Company-specific description
As a development bank we provide loans to projects considering their environment and social risks/ impacts and and also the concerns of our resource providers and other stakeholders. We manage our direct environmental impacts through our EMS in line with ISO 14001 and ISO 16064 standards and assess our indirect environmental impact through E&S Risk Assessment by analyzing environmental risks related to our customers and its projects. Thus, we aim to avoid any reputational risks in front of both our investors and our stakeholders. Our financial resources for lending are mainly provided through our loan agreements with IFIs. In this context, we sign loan agreements to finance combat against climate change. For example, as of 2019, we made loan agreements in amount of over 12.2 billion TRY with IFIs to finance renewable energy and energy efficiency project. Thus, by using our good relations with IFIs and our good reputation regarding management of environmental impacts, we aim to accelerate resources and funds and gain access to 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)
1856533705

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

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

Explanation of financial impact figure
For Opp 3, we determine a single financial impact, the explanation of this impact is provided below. In parallel to our EMS activities, we planted trees in guidance of the Ministry of Forestry on two different fields. The Bank is integrating a waste management system to its EMS, disclosing to CDP Water Program and establishing a sustainability management system. In crediting activities, the Bank has E&S risk assessment process by which categorizes the projects to be financed according to their risks and takes actions accordingly. ESIA and monitoring studies are required for the projects. We believe that all the actions taken so far such as; • EMS activities for managing energy consumption and emissions of the Bank • Preparation for a waste management system • Disclosing in CDP Climate Change Program • E&S Risk Assessment for our loan portfolio and customers • Signing UNEP FI Principles of Responsible Banking • UN Global Compact Ten Principles and planned actions for near future will carry the Bank to be a sustainable and pioneering institution. This will provide opportunities to the Bank to participatein new business models and provide new financial sources from IFIs.. To calculate the financial impact of this opportunity we analyze the increase in loan agreements with IFIs in past periods and we see that last year we increased our IFI resources by 8% and we estimated that in next periods this could be 20% thanks to our new breakthroughs in the field of sustainability under the chairmanship of our Board of Directors. Accordingly, we estimate a financial increase figure of 1,856,533,705 TRY.

Cost to realize opportunity
1524174

Strategy to realize opportunity and explanation of cost calculation
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. Therefore, we include employment costs of a specialized person, travel costs and other administrative costs that are taken on an annual basis and also environmental & social training costs and environmental & social management costs which add up to 1,524,174 TRY.

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
Energy source

Primary climate-related opportunity driver
Use of lower-emission sources of energy

Primary potential financial impact
Reduced indirect (operating) costs

Company-specific description
In 2019 (May), the transfer of our HQ from Ankara to Istanbul was completed. In this context, we have adapted our Environmental Management System to the conditions in Istanbul in order to manage our energy consumption and emission amounts. As we indicated before, the Bank has an established ISO 14001 and ISO 14064 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. By applying ISO 14001 standard in its operations the Bank is able to reduce its environmental impacts and clean its carbon footprint resuming from its direct and indirect emissions. Also, when using electricity for lighting and other needs by heating with natural gas in Ankara; we started to use electricity for all our needs instead of natural gas in Istanbul. While decreasing our operational costs related to natural gas consumption, it also decreased our Scope 1 emissions. We are aware that by using electricity, our electricity consumption and Scope 2 emission may increase, however by adapting electricity efficiency projects such as LED lightening we aim to limit this increase. Also, we know that emission factor of natural gas is nearly 3 times of electricity grid factor. Therefore, by decreasing our operational costs related to natural gas, we can also reduce our GHG emissions.

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)
40079

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 natural gas consumption by 19.3%. These savings correspond to 40,079 TRY in 2019 and the Bank considers this trend reasonable to keep up, which is stated as the potential financial impact of the opportunity.

Cost to realize opportunity

421725

Strategy to realize opportunity and explanation of cost calculation

The Bank is successfully operating the ISO 14001 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. The cost to realize the opportunity is the Bank's partial internal costs and external costs for securing the certificates and standards. Also, we include employment costs of a specialized person in charge with EMS and energy efficiency projects. Cost of management is calculated as the 421,725 TRY.

Comment

The Bank's established EMS enables the Bank to realize opportunities including energy efficiency.

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

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

Yes, qualitative and quantitative

C3.1b

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

Climate-related scenarios and models applied	Details
Nationally determined contributions (NDCs)	Turkey has signed but has not yet ratified the Paris Agreement and has published an Intended National Determined Contribution (INDC) including a target to reduce country emissions (aiming 18% to 21% reduction in GHG emissions by 2030 compared to Business as Usual (BAU) Scenario.)As a part of this process until 2030, Turkey has declared that necessary steps would be taken towards its target in part with the help of its National Climate Change Strategy and Action Plan. Accordingly in its INDC, Turkey states that it is planed 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. The INDC document also shows the country's outlook 12 years into the future, which is important for the Bank since the Bankaligns its activities in line with the country's strategy. Turkey's INDC foresees an overall increase in the country's emissions, which will lead to a rise in overall temperature. Drought is therefore considered to be a risk for hydropower investments in the future in Turkey. Turkey has used up a lot of its hydropower potential and the Bank has decided to phase out loans towards hydro power investments. The Bank came to this decision by assessing precipitation patterns, temperature trends and high environmental & social impact of these investments by looking at the historical data, experiences of the Bank's hydro power investments (The Bank has financed hydro power plants dating back to 2006) and extrapolating them into the future. Looking into the future, the Bank's ultimate goal is to support the sustainable development of Turkey. Therefore, contributing to the above-mentioned INDC is critical for the bank. Accordingly, the Bank has been increasing its efforts performance every year. As of December 31, 2019, Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Loans for Renewable Energy and Energy Efficiency Project in the loan portfolio is 8.053 billion TRY • Number of Renewable Energy Projects Financed is 241 and number of energy efficiency projects is 21, accounting for a total installed capacity of 1,940 MW • 62 Hydroelectric Power Plants • 160 Solar Power Plants. • 8 Wind Farms • 7 Geothermal Power Plants • 4 Landfill Projects

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	As our loan portfolio demonstrates, financing renewable energy (RE) and energy efficiency (EE) projects is a major lending activity for the Bank, which accounts for more than half of the Bank's portfolio. In addition, in 2019, we updated our strategic goals one of which goals is our contribution to the UN Sustainable Development Goals (UN SDGs). We will support projects which contribute to the achievement of the UN SDGs, such as transition to a low carbon economy, combating climate change, responsible production-consumption, eliminating poverty and protecting the planet. Also, we became a signatory to the UNEP-FI Principals for Responsible Banking which is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. In this context, our Bank, aware of its responsibility, took the first steps to analyze the impact (negative and positive) arising from banking activities. All these decisions and strategic goals drive us to finance more projects in RE, EE or clean energy projects. As of 2019, 53% of our loan portfolio which is more than 8 billion TRY, is comprised of renewable energy and energy efficiency projects. We have financed 262 renewable energy and energy efficiency projects with a total capacity of 1940 MW . 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 4, 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 (YEKDEM - Turkish Renewable Energy Resource Support Mechanism) do not sustain. . Also, the impact of severe weather events on our financed renewable energy projects, can also create a credit risk for Bank. On the other hand, regarding the the Bank's activities, these risks may also be defined as opportunities as listed in Opportunity 1. The demand for renewable energy will increase our loan utilization. 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	Yes	As we do not have any branches, our indirect impact on climate change and environment is more significant through our value chain. Therefore, while we assess our strategy and update our goals, we always consider environmental and social impact of our value chain, especially our customers. In this regard, we assess our E&S Risk related to our clients and financed projects separately. In 2019, we developed our environmental and social policy and aim to transform our E&S Risk Assessment to an official procedure. . We aim to disclose our environmental and social policy and E&S Risk Assessment procedure with the approval of the top management in 2020. IFIs are also in great importance in our value chain because our financial resources for lending are mainly provided through our loan agreements with IFIs. Our combat against climate change through our direct operations and loan portfolio has important impact on our relations with IFIs, as we make loan agreements mostly in renewable energy, energy efficiency and clean energy themes. As of 2019, (since 2004), we have made loan agreements in amount of 21 billion TRY with the IFIs, even our last agreement with AIIB in 2019 is renewable energy themed. In this scope, we desire to accelerate our resources from IFIs, thus we will continue to sustain our goals regarding applying our standards to our direct operations and projects financed. Like the products and services category, the Bank's value chain also faces both risks and opportunities. Particularly, as stated in Risk 6 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 increase resources and access to new resources. On the other hand, the Bank may lose its resources if it doesn't implement its established environmental and social good practices. The Bank's value chain is impacted on a medium-high scale from identified risks and opportunities. Also, even though we do not have many suppliers, we expect that our suppliers have the same point of view and business ethics in environmental and social terms. To take this approach one step further, next year, we will prepare a set of rules to be used by suppliers in the selection process.
Investment in R&D	Yes	This year was a critical year for our technological transformation. We focused on digital transformation and aim to continue our investment in order to ensure the continuity of our IT infrastructure and banking operations. Having successfully completed the capacity and resource planning of data centers, the Bank also continued its IT infrastructure maintenance and improvement efforts that ensure service continuity. IT processes performance measurement studies were carried out in line with quality targets. Also, information security awareness training was organized to increase the awareness of the Bank personnel on information security and cyber security, and awareness-raising activities were carried out through the in-house web page, e-mail and information boards on the Bank's campuses. We give a great importance to improve our business continuity for our service quality and accurate operations in our process. As we integrate environmental impacts and risks related to our direct and indirect operations into our business process, digital transformation plays a crucial role in this manner. Also, 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 number of general and technical trainings it provides to its engineers.
Operations	Yes	Our direct environmental impact and greenhouse gas footprint through our operations is considerably limited as we do not have any production activities and any branches. Still, we monitor, measure and reduce the GHG emissions related to our direct operations. We manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System which covers our activities in all business units in Turkey. We comply with the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas inventory and monitor our GHG impacts. Electricity consumption, fuel and natural gas consumption are monitored and are included in the risk assessment process according to the results obtained. The bank has also managed to be a carbon neutral bank in 2019 by offsetting its Scope 1 (Gold Standard) and Scope 2 emissions (i-REC). As stated in Risk 3, the Bank's operations are impacted with severe weather events, yet the Bank manages the impacts through the EMS system and also consulting its investors. As stated in Opportunities 2-4, the Bank is a pioneer in its sector with the environmental management and took the step to move to Istanbul to reduce inefficiencies.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Access to capital Assets Liabilities	As our loan portfolio demonstrates, financing renewable energy (RE) and energy efficiency (EE) projects is a major lending activity for the Bank, which account for more than half of the Bank's portfolio. Considering the operational structure of the bank, loan portfolio is also contributing to the assets of the bank. Our principal revenue source is our lending operations which are highly dependent to renewable energy, energy efficiency and clean energy investment decisions. Updating our strategy, we will support projects which contribute to the achievement of the UN SDGs, such as transition to a low carbon economy, combating climate change, responsible production-consumption, eliminating poverty and protecting the planet. Therefore, we will to continue to support renewable energy and energy efficiency projects in our loan portfolio, so climate-related risks and opportunities highly impact and continue to impact our revenues and assets. The Bank highly contributes to combat climate change with renewable energy, energy efficiency, biogas, waste management projects it finances, with more than half of its loan portfolio. As mentioned in C2.4a, Opportunity 1 is expected to increase the portfolio, thus the assets of the Bank. Loan portfolio of the Bank reached 15 billion TRY at the end of 2019 after showing a year-on-year increase of 28%, 97% and 10% 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 expects the same increasing trend in the coming years. Therefore, assets are highly impacted. As mentioned in 2.3a and 2.4a, various risks and opportunities impact the Bank's revenues and assets, as in the afore-mentioned finance mechanisms for RE and EE. In line with customer and policy-focused Risks 1, 2 and 4, the Bank may face a decrease in demand for its products (which means decrease in revenue) if a new carbon tax or stricter emissions regulation is implemented, or the guaranteed government purchase price for renewables doesn't continue. On the other hand, regarding the Bank's activities, these risks may also be defined as opportunities as listed in Opp 1. The demand for renewable energy will increase our loan utilization and thus revenue. Therefore, the aspect of "products and services" of the Bank's business is impacted in a medium magnitude by the identified risks and opportunities. In 2019, the Bank grew its revenue by 68.2% to 734.7 million TRY. In line with TKYB's strategy to support a low carbon economy, 2019 Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Loans for Renewable Energy and Energy Efficiency Project in the loan portfolio 8.053 billion TRY • Number of Renewable Energy Projects Financed is 241 and number of energy efficiency projects 21, accounting for a total installed capacity of 1,940 MW. Considering the risks and opportunities mentioned in 2.3a and 2.4a, the Bank intends to keep growing. The Bank is highly impacted and does include them in its financial forecast for the coming years. As a development bank, our financial resources for lending are mainly provided through our loan agreements with IFIs, also we aim to accelerate the number of loan agreements to increase our resources. Considering the operational structure of the bank, loan agreements with IFIs contributes to the liabilities of the bank. IFIs such as AIIB, IBRD, World Bank and EIB provide capitals for management of climate change risks. Our combat against climate change through our direct operations and loan portfolio has important impact on our relations with IFIs, thus access to capital, as we make loan agreements mostly in renewable energy, energy efficiency and clean energy themes. As of 2019, (since 2004), we have made loan agreements in amount of 21 billion TRY with the IFIs of which 12.2 billion TRY is for renewable energy and energy efficiency themes. Even in 2019, we made loan agreements of 1.45 billion TRY for renewable energy and energy efficiency. In this scope, we desire to accelerate our resources from IFIs, thus we will continue to sustain our goals applying our standards to our direct operations and projects financed. The Bank may lose its resources if it doesn't implement its established environmental and social good practices. Therefore, the Bank is highly impacted by risks and opportunities in its planning for access to capital. 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 while carrying out sustainable banking practices that will also increase resources from IFIs. Therefore, liabilities directly and highly impacted as well. Our direct environmental impact and greenhouse gas footprint is considerably limited as we do not have any production activities and any branches. Thus, climate related risks and opportunities impact our direct costs in limited way. Still, we monitor, measure and reduce the GHG emissions related to our direct operations. We manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System which covers our activities in all business units in Turkey. We comply with the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas inventory and monitor our GHG impacts. Electricity consumption, fuel and natural gas consumption are monitored and included in the risk assessment process. By moving to İstanbul, our energy consumption diversification is changed. In Ankara, we used natural gas for heating but in Istanbul, we started to use electricity for all needs. Thus, we have to reset our environmental targets in scope of the new energy consumption distribution. For our energy consumption, energy efficiency projects, improvement of our energy consumption monitoring system, our Environmental Management System (EMS), offsetting our GHG emissions (i-REC and Gold Certificate) and for verification of our GHG emissions, we spent 1,438,035 TRY. As stated in Risk 3, the Bank's operations are impacted with severe weather events, yet the Bank manages the impacts through the EMS and also consulting its investors. As stated in Opportunities 2-4, the Bank is a pioneer in its sector with the EMS and moved to Istanbul to reduce inefficiencies. Going forward, the Bank aims to put quantitative environmental goals upon its relocation to Istanbul to further decrease its operating costs by becoming more sustainable in the short, medium and long-term.

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

The Bank's mission is to contribute to the structural transformation and fair capital distribution in our country in accordance with sustainable development priorities by meeting the financial and advisory needs of investing customers; to add value to employees and all other stakeholders with its dynamic, innovative, environmentally and socially responsive banking approach. ". 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.

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 9 years.
The Bank ensured that its personnel participated in training programs, fairs and congresses related to 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 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 and social impacts of the investment, the requirements 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 according to the project evaluation results. For instance, a loan application for a potential ore processing project was received which was close to a reservoir for drinking water in the Aegean Region of Turkey. After project evaluation, it was concluded not to finance the project due to its high negative impacts on the environment especially on the reservoir. Also there was a loan application for a propose hydropower plant (HPP) project on a river that already had a number of 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. All projects with potential high risks are evaluated against detailed Environmental and Social assessments with strict continuous monitoring. In addition, there was a crediting process for a manufacturing industry client in the Central Anatolian Region. Their outlined mitigation measures for environmental impacts were not deemed adequate by the Bank, which end up not 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.

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy	All of the portfolio	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. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. Therefore, we evaluate environmental and social risks of the loans requested from the Bank and the projects that it finances according to international standards set by IFIs (IFC, IBRD, EIB, World Bank etc.), as the Bank reports to these source providers to ensure effective management of the issue in line with the Bank's strategy. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed regardless of their investment amount. The first step of this assessment is "Checking of Exclusion List" (all credit applications received by the Bank are checked against the Exclusion List). Projects that fall under the related Exclusion List are in no circumstance funded. Then, we apply other steps of E&S Risk Assessment. We apply the assessment above mentioned as a part of our general risk management in credit lending. In order to make this assessment official and approved by top management, we prepared a procedure text that we drafted in 2019 and submitted it to our board of directors for approval. We will be disclosing the formalized procedure on our website after the approval of our Board of Directors at the beginning of 2020.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	

C-FS3.2b

(C-FS3.2b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Type of exclusion policy	Portfolio	Application	Description
Other, please specify (Some sectors with negative environmental impacts)	Bank lending	New business/investment for new projects	We apply Environmental and Social (E&S) Risk Assessment for all new investment for new projects. 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. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society. We do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. We evaluate all investments and loan activities for environmental and social risks in accordance with the national and international environmental and social standards and regulations. To evaluate climate-related risks and opportunities, we have an "(E&S) Risk Assessment". During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount. The first step of the process is checking whether the project is present in the Bank's Exclusion list. This list includes the excluded activities such as: - The Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), - Trans-boundary movements of waste prohibited under international law (Basel Convention), - Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity, - Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests, - Production or trade in wood or other forestry products other than from sustainably managed forests, - Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats. After checking the exclusion list, gathering of information on the project, environmental and social risk categorization and assessment, informing the customer about E&S Action Plan, credit approval and monitoring Environmental and Social performance steps are followed.
Other, please specify (Some sectors with negative environmental impacts)	Bank lending	New business/investment for existing projects	We apply E&S Risk Assessment for all new business/investment for existing projects. 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. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society. We do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. We evaluate all investments and loan activities for environmental and social risks in accordance with the national and international environmental and social standards and regulations. To evaluate climate-related risks and opportunities, we have an "(E&S) Risk Assessment". During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount. The first step of this process is checking the project, whether it is present in the Bank's Exclusion list. This list includes the excluded activities such as: - The Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), - Trans-boundary movements of waste prohibited under international law (Basel Convention), - Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity, - Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests, - Production or trade in wood or other forestry products other than from sustainably managed forests, - Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats. After checking the exclusion list, gathering of information on the project, environmental and social risk categorization and assessment, informing the customer about E&S Action Plan, credit approval and monitoring Environmental and Social performance steps are followed.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?
Both absolute and intensity targets

C4.1a

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

Target reference number
Abs 1

Year target was set
2019

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Base year
2019

Covered emissions in base year (metric tons CO2e)
1086.79

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2020

Targeted reduction from base year (%)
5

Covered emissions in target year (metric tons CO2e) [auto-calculated]
1032.4505

Covered emissions in reporting year (metric tons CO2e)
1086.79

% of target achieved [auto-calculated]
0

Target status in reporting year
New

Is this a science-based target?
No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)
To be more efficient in every aspect of banking activity, the Bank went through a major relocation as it moved its headquarters where it left the 2 big office buildings in Ankara for one in Istanbul. The office building is a newer building available for developing new projects in the progress of reducing climate impacts. Our natural gas consumption decreased significantly. To seize this opportunity, we set a target to reduce our scope 1 and 2 emissions.

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number
Int 1

Year target was set
2019

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Intensity metric
Metric tons CO2e per unit revenue

Base year
2019

Intensity figure in base year (metric tons CO2e per unit of activity)
8.8e-7

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure
100

Target year
2020

Targeted reduction from base year (%)
10

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]
7.92e-7

% change anticipated in absolute Scope 1+2 emissions
5

% change anticipated in absolute Scope 3 emissions

Intensity figure in reporting year (metric tons CO2e per unit of activity)
8.8e-7

% of target achieved [auto-calculated]
0

Target status in reporting year
New

Is this a science-based target?
No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)
To be more efficient in every aspect of banking activity, the Bank went through a major relocation as it moved its headquarters where it left the 2 big office buildings in Ankara for one in Istanbul. The office building is a newer building available for developing new projects in the progress of reducing climate impacts. Our natural gas consumption decreased significantly, along with the increase in total revenue of the Bank. To seize this opportunity, we set an intensity target to reduce our scope 1 and 2 emissions by 10%.

Target reference number
Int 2

Year target was set
2019

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Intensity metric
Metric tons CO2e per unit revenue

Base year
2019

Intensity figure in base year (metric tons CO2e per unit of activity)
8.8e-7

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure
100

Target year
2024

Targeted reduction from base year (%)
15

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]
7.48e-7

% change anticipated in absolute Scope 1+2 emissions
5

% change anticipated in absolute Scope 3 emissions

Intensity figure in reporting year (metric tons CO2e per unit of activity)
8.8e-7

% of target achieved [auto-calculated]
0

Target status in reporting year
New

Is this a science-based target?
No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)
To be more efficient in every aspect of banking activity, the Bank went through a major relocation as it moved its headquarters where it left the 2 big office buildings in Ankara for one in Istanbul. The office building is a newer building available for developing new projects in the progress of reducing climate impacts. Our natural gas

consumption decreased significantly, along with the increase in total revenue of the Bank. To keep this momentum, we set an intensity target to reduce our scope 1 and 2 emissions by 15% in 5 years.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Other climate-related target(s)

C4.2b

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

Target reference number
Oth 1

Year target was set
2019

Target coverage
Business activity

Target type: absolute or intensity
Absolute

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

Green finance	Other, please specify (Avoided CO2e emissions from financed projects)

Target denominator (intensity targets only)
<Not Applicable>

Base year
2019

Figure or percentage in base year
2631454

Target year
2020

Figure or percentage in target year
2750000

Figure or percentage in reporting year
2631454

% of target achieved [auto-calculated]
0

Target status in reporting year
New

Is this target part of an emissions target?
No, this target is related to our customers and loan portfolio. However as a bank without branches and has limited impact on GHG emissions, we give a great importance on our customers GHG emissions. Also, As our loan portfolio demonstrates, financing renewable energy (RE) and energy efficiency (EE) projects is a major lending activity for the Bank, which account for more than half of the Bank's portfolio. By calculating these projects' impact on GHG emissions and setting target on this, we believe that we encourage our customers and observe our indirect impact on GHG emissions.

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

Please explain (including target coverage)
Accordingly, the Bank's actions to support a low carbon economy the year as of December 31, 2019 Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Loans for Renewable Energy and Energy Efficiency Project in the loan portfolio is 8.053 billion TRY • Number of Renewable Energy Projects Financed is 241 and number of energy efficiency projects 21, accounting for a total installed capacity of 1,940 MW. • 62 Hydroelectric Power Plants • 160 Solar Power Plants. • 8 Wind Farms • 7 Geothermal Power Plants • 4 Landfill Projects The projects have a total installed capacity of 1,940 MW, preventing about 2,631 million tons of CO2 equivalent greenhouse gas emissions per year. The Bank target to increase this amount in the next years.

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*		
Implementation commenced*		
Implemented*	2	62144.19
Not to be implemented		

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings	Building Energy Management Systems (BEMS)

Estimated annual CO2e savings (metric tonnes CO2e)
62133

Scope(s)
Scope 1

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
40079

Investment required (unit currency – as specified in C0.4)
421725

Payback period
<1 year

Estimated lifetime of the initiative
6-10 years

Comment
In 2019 (May), the transfer of our HQ from Ankara to Istanbul was completed. In this context, we have adapted our Environmental Management System to the conditions in Istanbul in order to manage our energy consumption and emission amounts. As we indicated before, the Bank has an established ISO 14001 and ISO 14064 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. By applying ISO 14001 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. When using electricity for lighting and other needs by heating with natural gas in Ankara; we started to use electricity for all our needs instead of natural gas in Istanbul. Also, the office building is a newer building available for developing new projects in the progress of reducing climate impacts and our natural gas consumption decreased significantly. This decrease provides us to decrease our Scope 1 emissions and also our natural gas consumption cost which is equivalent to 40,079 TRY. The cost to realize this initiative is the Banks partial internal costs and external costs for securing the certificates and standards. Also, we include employment costs of a specialized person in charge with EMS and energy efficiency projects. Cost of management is calculated as the 421,725 TRY.

Initiative category & Initiative type

Energy efficiency in buildings	Lighting

Estimated annual CO2e savings (metric tonnes CO2e)
11.19

Scope(s)
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
27650

Investment required (unit currency – as specified in C0.4)
164125

Payback period
4-10 years

Estimated lifetime of the initiative
6-10 years

Comment
In 2019 (May), the transfer of our HQ from Ankara to Istanbul was completed. In this context, we have adapted our Environmental Management System to the conditions in Istanbul in order to manage our energy consumption and emission amounts. As we indicated before, the Bank has an established ISO 14001 and ISO 14064 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. By applying ISO 14001 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. When using electricity for lighting and other needs by heating with natural gas in Ankara; we started to use electricity for all our needs instead of natural gas in Istanbul. Therefore, reducing our electricity consumption has become one of our primary goals. For this reason, we replaced all the lighting in the headquarters into LED lighting to reduce our electricity consumption. For the investment of this project, we spent 164,125 TRY. As annually cost saving is equivalent to 27,670, the ROI of this investment is 6 years.

C4.3c

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

Method	Comment
Dedicated budget for energy efficiency	We manage all environmental activities and risks (especially acute and chronic physical climate related risks) through our Environmental Management System which covers our operational activities. We comply with the TS-EN-ISO 14001 and ISO 14064 standards to monitor and measure our corporate greenhouse gas inventory and monitor our GHG impacts closely. The Bank has established an Environmental Management System (EMS) in order to increase its positive influences and reduce the negative environmental impacts of its banking activities. Electricity consumption, fuel and natural gas consumption are monitored and are included in the risk assessment process according to the results obtained. Therefore, through analysis of our environmental management system and employees who work for this system, we dedicate a budget to realize energy efficiency projects.

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

Group of products

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. As we mentioned before, more than half of our portfolio is constituted from renewable energy and energy efficiency projects. Also, we make several loan agreements with IFIs in scope of financing renewable energy, energy efficiency and clean energy to combat against climate change. In this context, we are targeting to sign loan agreements to provide more resources in this manner. As of 2019, we made loan agreements approximately in amount of 12.2 billion TRY with IFIs to finance renewable energy and energy efficiency project.

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

51.21

% of total portfolio value

53.24

Asset classes/ product types

Bank lending	Corporate Loans

Comment

The Bank contributes to increase the number of new renewable power plants in Turkey by financing renewable energy projects. 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. The Bank provides finance to renewable energy projects and contributes to the use of electricity in the national grid from low carbon energy sources instead of more greenhouse gas intensive sources. The information on energy production of the projects connected to the grid system, which are financed by the Bank is provided from the clients, in kWh. The unit energy production data is multiplied by the country specific grid electricity emission factor for Turkey that is estimated by the Bank's methodology. This methodology is developed based on the information from ACM 0002: Grid-connected electricity generation from renewable sources document from United Nations Framework Convention on Climate Change (UNFCCC). Accordingly, the Bank's actions to support a low carbon economy the year as of December 31, 2019 Renewable Energy Primary Indicators can be listed as follows: • Total Amount of Loans for Renewable Energy and Energy Efficiency Projects in the loan portfolio is 8.053 billion TRY • Number of Renewable Energy Projects Financed 241 and number of energy efficiency projects 21, accounting for a total installed capacity of 1,940 MW • 62 Hydroelectric Power Plants • 160 Solar Power Plants. • 8 Wind Farms • 7 Geothermal Power Plants • 4 Landfill Projects Through the projects financed, the Bank , prevents about 2,631 million tons of CO2 equivalent greenhouse gas emissions per year. 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 2019

Base year end
December 31 2019

Base year emissions (metric tons CO2e)
511.9

Comment
The Bank's had a Scope 1 emissions of 511.9 mtCO2e in 2019. The base year has been updated because of the moving from Ankara to İstanbul. The Bank has completely offset its Scope 1 emissions of 511.9 mtCO2e in 2019 with Gold Standard.

Scope 2 (location-based)

Base year start
January 1 2019

Base year end
December 31 2019

Base year emissions (metric tons CO2e)
574.9

Comment
The Bank has completely offset its Scope 2 emissions of 574.9 mtCO2e in 2019 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 2019.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
Defra Voluntary 2017 Reporting Guidelines
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)
511.9

Start date
<Not Applicable>

End date
<Not Applicable>

Comment
As we have not any branches, we only consider our head quarter located in İstanbul, when we calculate our GHG emissions for Scope-1. 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. Unfortunately, we cannot provide an emission factor from our different electricity suppliers. Therefore, we could not calculate our Scope 2 emissions on market-based.

C6.3

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

Reporting year

Scope 2, location-based

574.9

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

<Not Applicable>

End date

<Not Applicable>

Comment

As we have not any branches, we only consider our head Quarter located in İstanbul, when we calculate our GHG emissions for Scope-2. Our location-based emissions were independently verified as 574.9 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 gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

864.63

Emissions calculation methodology

Food, beverage, tap water, printing, paper and 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

Please explain

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>

Please explain

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
89.87

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

Please explain
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>

Please explain
We don't have any emissions under this category.

Waste generated in operations

Evaluation status
Relevant, calculated

Metric tonnes CO2e
3.75

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

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

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
173.59

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

Please explain
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>

Please explain
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>

Please explain
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
0.65

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

Please explain
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>

Please explain
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>

Please explain
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>

Please explain
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>

Please explain
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>

Please explain
There are no franchises.

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>

Please explain
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>

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

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
8.8e-7

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
1086.79

Metric denominator
unit total revenue

Metric denominator: Unit total
1237000000

Scope 2 figure used
Location-based

% change from previous year
68.37

Direction of change
Decreased

Reason for change
The Bank's unit total revenue has increased 68.2% from 734.7 million TRY to 1,237 million TRY while its emissions decreased about 2% as a result of sound governance by the Bank on its environmental issues and efficiency efforts (natural gas use decreased 19% in the reporting year) and moving to a more energy efficient building. The resulting comparison of intensity figures came out to be a 41.53% year-on-year decrease.

C7. Emissions breakdowns

C7.9

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

C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change	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	28.87	Increased	5.29	The Bank's emissions related to electricity usage increased by 5.29% due to the move from Ankara to İstanbul. In previous years, the heating systems of the Bank's buildings were using natural gas as an energy resource. In 2019, the Bank's buildings were mainly heated with electricity and the Bank's total emissions from electricity consumption was increased by 5.29% due to increased electricity consumption. The Bank has also offset its Scope 1 and 2 emissions for the year 2019 through Gold Standard and i-REC certifications. Total change in emissions overall were 17.13 mtCO2e. Total gross Scope 1 and 2 emissions in 2018 and 2019 were 1,103.92 and 1,086.79 mtCO2e, respectively. Hence, the change in total scope 1 and 2 emissions in percentages is calculated as ((1,086.79 - 1,103.92)/ 1,103.92) x 100 = -1.55%
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..
Change in physical operating conditions	0	No change	0	We did not have any changes in physical operating conditions.
Unidentified	0	No change	0	We did not have any unidentified emissions changes.
Other	0	No change	0	We did not have any other emission changes.

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	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

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	Third-party verification or assurance process in place

C10.1a

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

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Verification_Scope1.pdf

Page/ section reference

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1b

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

Scope 2 approach
Scope 2 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
Verification_Scope2.pdf

Page/ section reference

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1c

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

Scope 3 category
Scope 3 (upstream & downstream)

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
Verification_Scope3.pdf

Page/section reference

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

C11.2

(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 5 years and achieved it every single year including 2019. 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 2019. With a credit serial number of GS1-1-TR-GS947-12-2017-19791-1167-1678 and project name of Killik Wind Power Project , TKYB purchased 511.9 mtCO2e of credits to offset its Scope 1 emissions from an onshore wind farm in Tokat, Turkey through Gold Standard.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

511.9

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

511.9

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 5 years and achieved it every single year including 2019. 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 2019. Redeemed with a certificate ID of 0000-0000-4683-6446 and project name of Manastır Wind Power Plant, TKYB purchased 1136 MWh corresponding to 574,9 mtCO2e to offset its Scope 2 emissions from an onshore wind farm in Yalova Turkey through i-REC.

Verified to which standard

Other, please specify (i-REC)

Number of credits (metric tonnes CO2e)

574.9

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

574.9

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

GHG Scope

Scope 1

Scope 2

Application

As a pioneer bank in Turkey that has been achieving carbon neutral status through offsets for 5 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. We estimate that, as all practices and preparations show us, a hybrid ETS/Carbon Tax system will be established in Turkey in the next few years. As we mentioned before, we consider emerging risks such as a hybrid ETS/Carbon Tax system in our risk management process, an internal carbon price play an important role in our credit lending process, as we apply the IPC on our operations that would be subject to tax. We also evaluate all investments and loan activities for environmental and social risks in accordance with the national and international environmental and social standards and regulations. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process.

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

10.36

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
Compliance & onboarding

Details of engagement
Climate change considerations are integrated into customer screening processes

% of customers by number
100

% of customer - related Scope 3 emissions as reported in C6.5
0

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
In the projects financed, the Bank is committed to avoid adverse impacts on the environment and the society and committed to conservation of biodiversity, pollution prevention and resource efficiency. Projects that are likely to have unacceptable effects on environment and society are not willingly supported or financed. The Bank believes that environmental and social risk assessment should be a part of routine decision- making processes in all credit applications. Therefore, the Bank has developed an E&S Risk Assessment and is implementing it through the entire lifetime of the loans to safeguard the Bank from credit, reputational and environmental and social liability risks. In this scope, the Bank evaluates all lending activities in compliance with national environmental and social laws and regulations. Thus, the Bank assesses all loan portfolio against environmental risk by categorizing the potential environmental and social risks of the clients and loan activity and appraise the associated environmental and social impacts.

Impact of engagement, including measures of success
As a development bank, our bank assesses climate-related risks to its loan process and look out for high environmental and social performance in the projects it gets involved. One of the main chapters of the loan evaluation reports at the Bank consists of Environmental and Social (E&S) Risk Assessments conducted for potential projects. These evaluation reports which includes climate related risks and opportunities and impact of our lending activities, are always presented and discussed as a scheduled item at board meetings. Also, through this assessment, clients are supported to build capacity and effectively increase their environmental and social performance. The Bank also requires regular reporting and conducts environmental and social monitoring of the projects it finances.

Type of engagement
Information collection (understanding customer behavior)

Details of engagement
Collect climate change and carbon information from new customers as part of initial due diligence

% of customers by number
100

% of customer - related Scope 3 emissions as reported in C6.5
0

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
In the projects financed, the Bank is committed to avoid adverse impacts on the environment and the society and committed to conservation of biodiversity, pollution prevention and resource efficiency. Projects that are likely to have unacceptable effects on environment and society are not willingly supported or financed. The Bank believes that environmental and social risk assessment should be a part of routine decision- making processes in all credit applications. Therefore, the Bank has developed an E&S Risk Assessment and is implementing it through the entire lifetime of the loans to safeguard the Bank from credit, reputational and environmental and social liability risks. In this scope, the Bank evaluates all lending activities in compliance with national environmental and social laws and regulations. Thus, the Bank assesses all loan portfolio against environmental risk by categorizing the potential environmental and social risks of the clients and loan activity and appraise the associated environmental and social impacts.

Impact of engagement, including measures of success
The Bank management recognizes the climate change as one of the biggest challenges the sector must face and therefore during the general risk assessment process climate change related issues are taken into consideration. The Bank does not support or finance investments/projects that could have unacceptable impacts on the environment or society and do not finance activities that are forbidden by national legislation or international agreements to which Turkey is a party or that are included in the Bank's Exclusion List. We evaluate all investments and loan activities for environmental and social risks in accordance with the national and international environmental and social standards and regulations. To evaluate climate-related risks and opportunities, we have an "Environmental and Social (E&S) Risk Assessment" process. During this process, all credit applications received by the Bank are assessed by following steps regardless of their investment amount: • Checking of Exclusion List • Gathering of information on the project • Environmental and social risk categorization and assessment • Informing the customer on the E&S Action Plan • Credit approval • Monitoring environmental and social performance Also, through this assessment, clients are supported to build capacity and effectively increase their environmental and social performance. The Bank also requires regular reporting and conducts environmental and social monitoring for all projects it finances.

C12.1d

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

TKYB is aware of the need to address three aspects of sustainable development - economic, social and environmental - in a balanced and integrated manner. In this manner, the bank has several other partners in the value chain other than its customers with regards to climate-related issues, such as IFIs, Governmental Organizations, local communities and NGOs. Engagement with all these partners is significant for the Bank's operations.IFIs are the Bank's main sources for financing and we have signed many loan agreements to finance projects supporting combat against climate change and the Bank aims to attain more resources in this manner, therefore we must maintain efficient engagement with the IFIs. As of 2019, we have made loan agreements of approximately over 12.2 billion TRY with the IFIs to finance renewable energy and energy efficiency projects. The Bank complies with the international standards and policies/guidelines set out by IFIs and engages with them on a project basis, ensuring periodical evaluations, reporting and monitoring. To ensure compliance with the requirements, the Bank manages its direct environmental impacts through the Environmental Management System and manage the indirect environmental impacts from the projects finances through the Environmental and Social Risk Assessment process. The bank evaluates the environmental and social risks of the loans requested from the Bank according to international standards set by IFIs (IFC, IBRD, EIB, the World Bank etc.), and reports to the source providers to ensure effective management of the issue in line with the Bank's strategy. The Bank informs the IFIs on the recent developments and trends in the country to support the IFIs updates on various stages of financing. There is a very operational two-way feedback mechanism between the IFIs and the Bank. The Bank participates events which are organized by its stakeholders in order to follow the recent climate related developments and to discuss and present the Bank's opinions. For example we participated in a series of field visits in the scope of The Korea Green Growth Trust Fund (KGGTF) annual event regarding renewable energy, energy management, environment, water and climate change with other stakeholders such as the World Bank, other IFIs, other banks from Turkey and industry representatives. The Ministry of Treasury and Finance holds 99.08% of the paid-in capital of the Bank. Accordingly, the Bank maintains regular engagements with all governmental institutions such as the Ministry of Environment and Urbanization and Ministry of Energy and Natural Resources (MoENR). In 2019 the Bank engaged with the MoENR on developing a national finance mechanism for energy efficiency in Turkey. A meeting was organized with the Ministry of Energy and Natural Resources and also with the participation of Frankfurt School of Finance and Management and the Bank presented a finance model for the proposed mechanism. Local communities can be impacted by the projects financed by the Bank therefore, the Bank also puts extreme efforts for the engagement with local communities. The bank engages with the local communities when deciding whether to finance/keep financing a project. For instance, there was a loan application which involved a facility for metal manufacturing in the Central Anatolian Region. After evaluating the project and the customer, the Bank concluded that the customer would not be able to manage the risks and environmental impacts, as well as the community pushback that would arise from the investment. Therefore, the Bank didn't finance the project. As a part of the Bank's environmental and social risk assessment, the Bank has established complaint mechanisms to enable the communities to reach the Bank and notify their opinions. The Bank also engages with many NGOs to raise awareness and help build capacity on climate-related issues. In 2019, important decisions were taken in the field of sustainability and combating climate change by the initiative of our CEO. One of these is the signature of our Bank's of the UNEP-FI Responsible Banking Principles. In this context, our Bank, took the first steps to analyse the impact (negative and positive) arising from banking activities. The Bank became a member of BSCD Turkey (Business Council for Sustainable Development Turkey) and also committed to the UN Global Compact Ten Principles. Then the Bank signed the Sustainable Finance Declaration of Global Compact Turkey which aims to enhance the current practices in the finance sector and trigger further actions to a sustainable future. As a result of memberships to various national and international initiatives, the Bank participates in the working groups of these national and international initiatives. One other participation is to Sustainability Working Group of the Banks Association of Turkey where banks in Turkey meet periodically to support enhancement of sustainability in banking activities.

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

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
Energy efficiency	Support	The Bank has participated in a meeting with the Ministry of Energy and proposed a model on developing a national finance mechanism for energy efficiency in Turkey.	The Bank presented its opinions on the improvement of awareness on energy efficiency and on the financing options for energy efficiency projects.
Other, please specify (Role on sustainable development)	Support	The Bank has participated in meetings with the Ministry of Treasury and Finance during the development of the 11th National Development Plan.	The Bank has participated in meetings with the Ministry of Treasury and Finance during the development of the 11th National Development Plan and presented its opinions. The issued plan included the tasks specifically addressed to the Bank.

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.

C12.3f

(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?

The Turkish Ministry of Treasury and Finance 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.. 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 Ministry of Treasury and Finance, Ministry of Environment and Urbanization, Ministry of Energy and Natural Resources, Ministry of Economy, Ministry of Development, Ministry of Finance, Ministry of Science, Industry and Technology. In addition the Bank is actively participating inter institutional cooperation efforts related to climate change and providing opinion whenever needed.

In 2019, Turkey published its 11th Development Plan, as one of the major public initiatives of development and investment banking in Turkey, important responsibilities and duties are assigned to our Bank. In scope of industrial policies, to create a strong financial structure, our role was determined as follows;

· Support industrial investments in priority sectors,

· Secure international long-term funds for use of these sectors,

· Provide economic, financial and technical investment consultancy support to companies covering all stages of a project from analysis to monitoring,

· Establish the Turkey Development Fund to promote investments and the projects for sustainable growth and to ensure the efficient use of capital and funding sources, particularly in priority sectors in line with the development goals of our country.

Also, we overwhelmingly support the vision of increasing renewable energy production of Turkey. In this scope, as of 2019, 53% of our loan portfolio which corresponds to over 8 billion TRY is comprised of renewable energy and energy efficiency projects. We have financed 262 renewable energy and energy efficiency projects with a total installed capacity of 1,940 MW and prevented the emission of 2.63 million tons of carbon dioxide equivalent as of the end of 2019 and provided a positive impact equivalent to 115 million adult tree planting annually to Turkey. In addition, the Bank provides a reduction in its imports in this area thanks to the renewable energy loans it provides. In this context, the Bank has an impact on reducing 445,527 toe consumption and 5,180,551,107 kWh-year energy imports.

Also, 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.

The Bank is also actively supporting policy making processes via organizations 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 (2019 Annual Report)

Status
Complete

Attach the document
annual_report_2019.pdf

Page/Section reference
64-66

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 published our Annual Report that includes our financial, environmental, social and governance performance. The Report itself details our operations all throughout, which addresses our performance on climate change as almost half of the Bank’s portfolio consists of renewable energy projects. There is also a specific section regarding Environmental and Social activities.

Publication
In voluntary sustainability report

Status
Underway – this is our first year

Attach the document

Page/Section reference

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
In 2020, we will publish our first sustainability report and present our performance to combat against climate change through our direct operations and value chain. Information on our sustainability governance, strategy, risks & opportunities, emissions performance and targets will be disclosed in this report.

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	UNEP FI Principles for Responsible Banking	As TKYB, we took our place as a founding signatory in the "Principles of Responsible Banking" prepared by the United Nations Environment Programme Finance Initiative (UNEP FI) to increase the impact of the banking sector on sustainable future activities. We have demonstrated to our stakeholders that we assume an important responsibility once again by registering our support for sustainability.
Industry initiative	UNEP FI Principles for Responsible Banking UNEP FI	As TKYB, we took our place as a founding signatory in the "Principles of Responsible Banking" prepared by the United Nations Environment Programme Finance Initiative (UNEP FI) to increase the impact of the banking sector on sustainable future activities. We have demonstrated to our stakeholders that we assume an important responsibility once again by registering our support for sustainability.
Commitment	Please select	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	In 2019, we became a signatory to UNEP-FI Principals for Responsible Banking which is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. As a signatory of these principals, we have to conduct an impact analysis in text two years. In this context, our Bank, aware of its responsibility, took the first steps to analyze the impact (negative and positive) arising from banking activities. We already conduct an analysis for avoided emissions through our renewable energy and energy efficiency projects portfolio. As of 2019, 53% of our loan portfolio which is more than 8 billion TRY, is comprised of renewable energy and energy efficiency projects. We have financed 262 renewable energy and energy efficiency projects with a total capacity of 1940 MW as of end of 2019. As a result of these credits, thanks to all collaborations and renewable energy projects that have been extended, the Bank has prevented the emission of 2.63 million tons of carbon dioxide equivalent as of the end of 2019 and provided a positive impact equivalent to 115 million adult tree planting annually to Turkey. In addition, the Bank provides a reduction in its imports in this area thanks to the renewable energy loans it provides. In this context, the Bank has an impact on reducing 445,527 toe consumption and 5,180,551,107 kWh-year energy imports.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	<Not Applicable>	

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 "Investments" emissions or alternative carbon footprinting and/or exposure metrics)

In 2019, we became a signatory to UNEP-FI Principals for Responsible Banking which is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. As a signatory of these principals, we have to conduct an impact analysis in text two years. In this context, our Bank, aware of its responsibility, took the first steps to analyze the impact (negative and positive) arising from banking activities.

In this scope, UNEP-FI has already publish a "Portfolio Impact Analysis Tool for Banks" which provides a holistic impact analysis in banking. Developed jointly by the Positive Impact Initiative with signatories of the Principles for Responsible Banking and UNEP FI Member Banks, the Tool will help banks analyze the impacts associated with their retail (consumer and business banking) and wholesale (corporate and investment banking) portfolios. This tool will enable us to analyze how projects that we provide financial products affect the environment, society and economy (broken down across 22 'Impact Areas'), and how these impact areas relate to the challenges and needs within the bank's countries of operation through a number of steps and processes. Through this tool, we aim to identify most significant impact areas based on nature, content and geographic scope of our portfolio and assess our current level of performance vis a vis these impact areas. Thus, our ultimate goal through this assessment to set targets that will increase our positive impact and decrease negative impact where it matters most.

The Bank provides finance to renewable energy projects and contributes to the use of electricity in the national grid from low carbon energy sources instead of more greenhouse gas intensive sources. We conduct an analysis for avoided emissions through our projects in our loan portfolio.The information on energy production of the projects connected to the grid system, which are financed by the Bank is provided from the clients in kWh. The unit energy production data is multiplied by the country specific grid electricity emission factor for Turkey that is estimated by the Bank's methodology. This methodology is developed based on the information from ACM 0002: Grid-connected electricity generation from renewable sources document from United Nations Framework Convention on Climate Change (UNFCCC).

As of 2019, more than half of our loan portfolio which is over 8 billion TRY corresponds to renewable energy and energy efficiency projects. We have financed 262 renewable energy and energy efficiency projects with total installed capacity of 1,940 MW. As a result of these credits, thanks to all collaborations and renewable energy projects that have been extended, the Bank has prevented the emission of 2.63 million tons of carbon dioxide equivalent as of the end of 2019 and provided a positive impact equivalent to 115 million adult tree planting annually to Turkey. In addition, the Bank provides a reduction in its imports in this area thanks to the renewable energy loans it provides. In this context, the Bank has an impact on reducing 445,527 toe consumption and 5,180,551,107 kWh-year energy imports.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	As a development bank, we have several missions and responsibilities in the banking industry. Our principal missions are to contribute to the structural transformation and fair capital distribution in our country in accordance with sustainable development priorities by meeting the financial and advisory needs of investing customers; to add value to employees and all other stakeholders with its dynamic, innovative, environmentally and socially responsive banking approach. As we indicated in our website, one of our core values is our commitment to the United Nations Sustainable Development Goals. Within the scope of the UN SDGs and the Paris Agreement provisions, we declared that we take responsibility for our world, environment and society; and use our resources effectively and efficiently. In 2019, we prioritized SDGs by our contribution and possible add-value. In this scope, we identified SDG 7, SDG 8 and SDG 17 as focused goal; SDG 9 and SDG 13 as directly contributed goals and SDG 1, SDG 2, SDG 4, SDG 5 and SDG 10 as indirectly contributed goals. We play a major role in realizing investments in tourism, renewable energy and energy efficiency, as well as environmental investments in other industries, with the purpose of building an environmentally friendly economy. Positioning itself as a model corporate citizen, the Bank collaborates with international financial institutions on initiatives to protect the environment and address climate change, both of which are essential to achieving sustainable development. In 2019, our Bank became a founding signatory to UNEP-FI Principals for Responsible Banking which is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. In this manner, by dedicating more than half of our loan portfolio to renewable energy and energy efficiency projects, we already act with the responsibility of 2-degree world goal. Also, to analyze and calculate the risk and impact of our portfolio, we establish an E&S Risk Assessment process, which is integrated our credit lending process, and evaluate all our customers regardless the amount of loan.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for all	In 2019, our Bank became a founding signatory to UNEP-FI Principals for Responsible Banking which is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. We also establish an E&S Risk Assessment process which is integrated in our credit lending process, and evaluate all customers regardless of the amount of loan. All credit applications received by the Bank are assessed regardless of their investment amount. Bank's credit portfolio consists of projects with an average maturity of 10 years. 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. E&S Risk Assessment starts at the Corporate Banking and Project Finance department by checking the project against Exclusion List. If the project is not in the exclusion list, as an integrated part of the credit approval process, the Technical Specialist in the Engineering Department carries out the E&S risk categorization process, which is cross-checked by the Environmental and Social Risk Specialist. E&S risks are categorized from high to low as A, B+, B- and C.. The actions required to manage the risks are defined according to the risk categorization. These actions include the preparation of the Environmental and Social Action and Management Plans and Monitoring Programs. For higher risk projects an independent Environmental and Social Consultant may be contracted to conduct an environmental and social due diligence. E&S risk assessment is presented to the credit committees as an integrated part of credit evaluation process. The E&S performance of the projects is monitored and reported during the loan period. The Bank also shares with the public on its website the environmental and social documents of the projects.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No	We set targets for combatting climate change and encourage our clients for investments which consider its impacts on the environment. We do not set any science-based target for now but one of our goals is to update our targets as science based targets.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C15. 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.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	CEO and Board Member	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

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

Please confirm below

I have read and accept the applicable Terms