



**DEVELOPMENT
INVESTMENT
BANK OF TÜRKİYE**

DEVELOPMENT INVESTMENT BANK OF TÜRKİYE

ENVIRONMENTAL AND SOCIAL POLICY

LIST OF ABBREVIATIONS

Bank/ TKYB: Development and Investment Bank of Türkiye

CITES: The Convention on International Trade in Endangered Species of Wild Fauna and Flora

EHS: Environmental, Health, and Safety

E&S, ES: Environmental and Social

ESAP: Environmental and Social Action Plan

ESDD: Environmental and Social Due Diligence

ESMS: Environmental and Social Management System

ESRET: Environmental Social Risk Evaluation Tool

GIIP: Good International Industry Practices

GRM: Grievances Redress Mechanism

IFC: International Finance Cooperation

ILO: International Labor Organization

IMO: International Maritime Organisation

MARPOL: International Convention for the Prevention of Pollution from Ships

Paris MOU: Paris Memorandum of Understanding on Port State Control

PCB: Polychlorinated Biphenyl

SDG: Sustainable Development Goal

SOLAS: Safety of Life at Sea

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1. OBJECTIVES

Development and Investment Bank of Türkiye has the mission to meet the financing and consultancy needs of investors in line with the sustainable development priorities of Türkiye, to contribute to the dissemination of capital to the base and to the structural transformation, to cooperate with domestic and foreign institutions. In line with this mission, the Bank considers environmental and social sustainability as a fundamental component of sustainable and inclusive development. The Bank is aware of the need to address three aspects of sustainable development economic, social and environmental in a balanced and integrated manner. Through this Environmental and Social (E&S) Policy, the Bank aims to manage its direct and indirect environmental and social impacts that may occur as a result of its operational activities and financial services respectively.

The Bank recognizes the importance of environmental and social development and the long-term benefits that it will provide in Türkiye. In order to manage the impacts arising from its activities the Bank, in addition to combating climate change, adopts resource optimization, increasing positive environmental and social activities and minimizing negative environmental and social impacts. The Bank is committed to fulfil its legal obligations, to support environmental and social awareness, to be sustainability oriented, to continuously improve its performance and to transfer its knowledge to its stakeholders.

The Bank's vision reflects its aspirations for environmental and social sustainability, aligning with the broader global development agenda. The Bank recognizes that the achievement of the United Nations Sustainable Development Goals (SDGs), the Financing for Development agenda, the Paris Agreement on climate change relies heavily on the collective success of its operational region. TKYB adopt a sustainable development strategy specifically targeting initiatives that promote employment and economic growth, industry, innovation, and infrastructure, sustainable and clean energy and combat climate change.

2. SCOPE

This policy covers all employees and activities of the Bank. The requirements of this E&S Policy apply, to TKYB financed and/or TKYB administered sovereign and private sector projects and their components, regardless of the source of financing or financing modalities and products, including investment projects funded by a loan, and/or a grant, and/or other means, such as equity and/or guarantees, hereafter broadly referred to as projects. A Client's legal agreement describes a project to which the E&S requirements apply.

3. ENVIRONMENTAL AND SOCIAL RISK CATEGORIZATION

TKYB will assign projects to one of four risk categorizations: High Risk (A), Substantial (B+) Risk, Moderate (B) Risk, and Low (C) Risk using the current version of the TKYB's Environmental and Social Risk Evaluation Tool (ESRET).

4. ASSOCIATED FACILITIES AND PRIMARY SUPPLY CHAIN

TKYB will require the application of this policy to associated facilities to the extent a borrower/client has control or influence over such associated facilities. "Associated facilities" means new facilities or activities that are not funded as part of a project and are:

- (i) directly and significantly related to the project; and,
- (ii) developed, or contemporaneously planned to be developed, with the project; and,
- (iii) necessary for the project to be viable and would not have been developed if the project did not exist.

For a project that includes associated facilities, TKYB will require a borrower/client to apply the requirements set out in this policy.

Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project. Primary supply chain refers to the direct suppliers of goods or materials essential for the core function of a project. Recently, there has been an increasing focus on environmental and social risks in primary supply chains. In fact, it is often in project's primary supply chains, rather than direct project activities, where the most significant risk of undetected adverse environmental and social impact exists, such as risks related to forced labor and the biodiversity impacts that may come from the sourcing of certain materials. These will be systematically addressed as part of TKYB's due diligence process.

5. EMERGENCY AND DISASTER MANAGEMENT

Fast-track emergency procedures apply to situations arising from natural disasters, crises, and/or conflict that require urgent intervention, emergency aid, evacuation, or damage remediation. These procedures are specifically designed to address emergency and unforeseen events that may disrupt the Bank's regular operations, including any type of disaster, crisis, or interruption. In such circumstances, TKYB's credit process and environmental and social (E&S) risk assessment shall proceed concurrently. Where TKYB determines that the potential impacts and risks are "low" or "moderate," the corresponding E&S activities—such as the preparation of studies and management plans—may be undertaken in parallel with project implementation, thereby addressing both the urgency of fast-tracked procedures and compliance with appraisal requirements.

6. COMMON APPROACH

Where TKYB is co-financing a project with other multilateral or bilateral agencies or organizations, and where appropriate, TKYB will cooperate with such co-financier(s) and a borrower/client to agree on a common approach in the assessment, development, and implementation of a project. A common approach will be acceptable to TKYB, provided that such an approach will enable a project to achieve objectives materially consistent with the TKYB's Policy. In determining whether the common approach is acceptable, TKYB will take into account the policies, standards, and implementation procedures of the multilateral or bilateral agencies or organizations, as applicable.

7. PRINCIPLES

In the investments financed, the Bank is committed to conserving biodiversity and cultural heritage, to avoid adverse impacts upon the living conditions of communities and vulnerable groups or individuals and to promote equality of opportunity and avoidance of discrimination. Investments that are likely to have unacceptable effects on environment and society are not

supported or financed. The Bank does not finance the activities that are prohibited in accordance with the national legislation or international conventions to which Türkiye is a party, that are comprised in the Exclusion List attached to this Policy (Annex 1), or that are not in compliance with the environmental and social standards and requirements of its Lenders. Therefore, the Bank finances business opportunities which are in accordance with applicable national regulations and international conventions to which Türkiye is a party or present a plan to do so within a reasonable time period.

In line with the overall objective of promoting sustainability and avoiding adverse environmental, social and climate impacts and risks, TKYB applies the following principles:

- to avoid, reduce or limit environmental pollution and environmental damage including emissions and pollution;
- to consider related stakeholders' thoughts, concerns etc. by inclusive engagement with key stakeholders and using GRM;
- to preserve and protect biodiversity and tropical rainforests and to sustainably manage natural resources;
- to consider probable and foreseeable impacts of climate change including utilizing the potential to adapt to climate change;
- to avoid adverse impacts on the living conditions of communities within project's area of influence, in particular vulnerable groups and indigenous people ;
- to avoid and minimize involuntary resettlement and forced eviction of people and their living space as well as to mitigate adverse social, physical and economic impacts through changes in land use by reinstating the previous living conditions of the affected population;
- to ensure and support occupational health and safety as well as health protection in the workplace;
- to ensure no forced labor and child labor, ban discrimination in respect of employment and occupation, and support the freedom of association and the right to collective bargaining;
- to avoid all forms of discrimination;
- to protect and preserve cultural heritage;
- where necessary, to mitigate potential residual environmental and social negative impacts.

8. TKYB's INSTITUTIONAL ARRANGEMENTS

8.1 Environmental and Social Management System (ESMS)

The Bank believes that environmental and social risk assessment should be a part of routine decision-making processes in all investment and credit applications. Therefore, the Bank has developed an Environmental and Social Management System (ESMS) and is implementing it through the entire lifetime of the loans to safeguard the Bank from credit, reputational and environmental and social liability risks.

The ESMS enables the Bank to consistently categorize the potential environmental and social risks of its clients and credit activity and appraise the associated environmental and social impacts. According to the defined environmental and social risk category, the Bank develops action plans to mitigate the risks and impacts and monitors the performance throughout the term of the credit. Site visits may be conducted during the appraisal of a credit, in accordance with TKYBs Environmental and Social Risk Evaluation in Credit Process, to ensure an effective understanding of environmental and social risks and impacts, and to support the preparation of a management plan specific to the site.

The Bank aims to manage its direct impacts in a sensitive manner to the environment and society. Greenhouse gas emissions caused by the Bank's operational activities are regularly monitored and science-based targets are set for mitigation. The Bank commits to take measures to reduce resource consumption (energy, water, paper) and waste minimization.

8.2 Capacity and Resources

The Bank is committed to developing and maintaining the necessary internal capacity, structure, guidance resources and engagement with third parties for effective implementation of the ESMS across the organization; not amend, waive or materially restrict the scope or effect of the applicability of ESMS, and to conduct appropriate E&S due diligence of potential co-financing joint venture and partners; and ensure the scope of its ESMS is not compromised in such partnerships.

Training needs are identified, and employees are provided with necessary trainings to increase their capacity. Voluntary activities are supported to provide public awareness on sustainable development in collaboration with non-governmental organizations and other stakeholders.

8.3 Environmental and Social Due Diligence (ESDD)

ESDD is an expert assessment conducted in order to evaluate the potential environmental & and social risks and impacts associated with a project or investment. This process begins in the initiation phase and is based on internationally recognized best practices and standards. It continues throughout the duration of the project and involves a set of keys steps that are described below.

8.3.1 Compliance Obligations

The Bank evaluates all lending activities in compliance with national environmental and social laws and regulations, the Bank's own policy and procedures and where applicable all other environmental and social standards to which the Bank is committed to meet.¹

Unless otherwise agreed with the funding partner, the Bank applies IFC's performance standards (IFC Performance Standards on Environmental and Social Sustainability, Effective January 1, 2012) and the requirements of TKYB's Lenders to all projects covered by this policy. These are:

Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

Performance Standard 2:	Labor and Working Conditions
Performance Standard 3:	Resource Efficiency and Pollution Prevention
Performance Standard 4:	Community Health, Safety, and Security
Performance Standard 5:	Land Acquisition and Involuntary Resettlement
Performance Standard 6:	Biodiversity Conservation and Sustainable Management of Living Natural Resources
Performance Standard 7:	Indigenous Peoples
Performance Standard 8:	Cultural Heritage

8.3.2 Fundamental instruments of the International Labor Organization (ILO).

The Bank will also apply Good International Industry Practices (GIIP) as well as general and sector specific Environmental, Health, and Safety (EHS) Guidelines from the World Bank Group.

These guidelines contain the performance levels and measures that are normally acceptable to the Bank, and that are generally considered to be achievable in new facilities at reasonable costs by existing technology.

8.3.3 Environmental and Social Action Plan (ESAP)

In accordance with the TKYB Environmental Social Risk Evaluation in Credit Process, the Environmental and Social Action Plan (ESAP), which determines the actions to be implemented by the client and includes a monitoring program to minimize the environmental and social impacts of credit transactions, is prepared according to risk categories. The ESAP will form part of the financing agreements and include, as necessary, obligations of the client to support the implementation of the ESAP.

8.4 Strengthening the Borrower's Environmental and Social Management System

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 on all investments it finances. This is one of the Bank's missions as being the Development Bank of Türkiye.

8.5 Monitoring and reporting

TKYB will monitor a borrower's/client's E&S performance of a project in accordance with the requirements in the ESAP. This includes reviewing monitoring reports submitted by a borrower/client on compliance of a project with the requirements of the ESAP. The extent and mode of TKYB's monitoring with respect to E&S performance will be proportionate to the potential E&S risks and impacts of a project.

8.6 Stakeholder Engagement

8.6.1 Consultation and Participation

TKYB recognizes the importance of early and continuing engagement with stakeholders that is inclusive and without discrimination against project-affected people, including those deemed disadvantaged or vulnerable. TKYB will require a borrower/client to engage with stakeholders through information disclosure, and meaningful consultation in a manner proportionate to the risks and impacts on project-affected people and other interested parties. This includes requiring a borrower/client to identify project-affected people including those who may be disproportionately affected by a project because of their disadvantaged or vulnerable status.

TKYB will participate in consultation activities led or organized by a borrower/client, where necessary, to understand the concerns of project-affected people, and how such concerns will be addressed by a borrower/client in project design and mitigation measures in accordance with this policy. TKYB will monitor the implementation of consultation and stakeholder engagement by a borrower/client.

The direct and indirect environmental and social performance of the activities of the Bank is reviewed annually with the aim of continuous improvement. Where relevant, the financings approved in conformity with the ESMS are regularly shared with all stakeholders on the website of the Bank according to the risk categories.

8.6.2 Information disclosure

TKYB will require the borrower/client to provide sufficient information about the potential risks and impacts of the project for the Borrower's consultations with its stakeholders. Such information will be disclosed in a timely manner, in an accessible place, and in a form and language understandable to project-affected parties and other interested parties, so they can provide meaningful input into project design and mitigation measures. Positive project impacts will also be monitored and communicated where relevant, to ensure a balanced and transparent stakeholder engagement process.

8.7 Women Empowerment

TKYB is committed to promote women's social and economic empowerment through:

- (i) supporting an inclusive and egalitarian organizational culture for its employees where they are provided with equal opportunities,
- (ii) To implement an effective mainstreaming process in financial activities aimed at eliminating all forms of discrimination and enhancing women's access to resources and opportunities.

8.8 Project Grievance Redress Mechanism (GRM)

TKYB will require a borrower/client to establish a project-level and client grievance mechanism proportionate to E&S risk category to receive and facilitate resolution of concerns and grievances of project-affected people arising in connection with a project. The borrower will disseminate

information regarding the GRM to all stakeholders.

Project-affected people may submit complaints related to a project to the project-level grievance mechanism. If the complainant is not satisfied with the resolution received or if no resolution is achieved at the project level GRM, the complaint may be escalated to TKYB's GRM. Project-affected people will first make good faith efforts to resolve the problems with the project level mechanism before approaching other means of resolution.

8.9 TKYB's Grievance Redress Mechanism

Any party that is directly and/or significantly affected by the Bank's operations and financing activities may submit grievances to the Bank anonymously or identified through its several different channels;

- Website:<https://kalkinma.com.tr/en/about-us/environmental-development/environmental-complaint-mechanism>
- E-mail: By sending e-mails to the surdurulebilirlik@kalkinma.com.tr
- Postal mail: By applying to the Bank with a petition

All received grievances are documented systematically, responded in a timely manner and reported to the upper management periodically.

9. POLICY REVIEW AND DISCLOSURE

The Sustainability Committee is responsible for the follow up and update of this policy, and the Board of Directors is responsible for its approval and annulation. The policy will be updated, when necessary, immediately upon changes in legislation and emergence of violations or requirement for improvements. All updates to this policy will be shared with the public via the Bank's website. This policy revised on December 12th, 2025 upon approval of the Board of Directors.

With the entry into force of this Policy, the Environmental and Social Policy, which came into effect with the Board of Directors' Decision dated 17.01.2020 and numbered 2020-01-05/006, is hereby repealed.

10. DOCUMENT HISTORY

Revision Date	Subject of the Revision	Revision No	Revised By	Revision Approved By
12.12.2025	Preparation of the document	R-00	First Publication	Board of Directors

ANNEX 1: TKYB's EXCLUSION LIST

The Bank will not finance projects/activities involving the following:

1. Forced labor¹ or harmful or exploitative forms of child labor²;
2. The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the Project is located, or international conventions and agreements, or subject to international phase out or bans, such as:
 - a. Production of, or trade in, products containing polychlorinated biphenyl (PCBs)³.
 - b. Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-out or bans (Rotterdam Convention, Stockholm Convention)⁴.
 - c. Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)⁵.
3. 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)⁶.
4. Trans-boundary movements of waste prohibited under international law (Basel Convention)⁷.

¹ Forced labor means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty (including any kind of forced or compulsory labor, such as indentured labor, bonded labor or similar labor- contracting arrangements, or labor by trafficked people)

² For purposes of this List, harmful or exploitative forms of child labor means the employment of children under the age of 18 for work which by its nature or the circumstances in which it is carried out is likely to jeopardize their health, safety or morals; but if the laws or regulations of the country in which the Project is located provide, in conformity with the International Labor Organization's Minimum Age Convention, 1973, that children at least 16 years of age may be employed for such work on condition that their health, safety and morals are fully protected and that they have received adequate specific instruction or vocational training in the relevant branch of activity, then child labor means employment of children for work that does not comply with these laws and regulations

³ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950 to 1985.

⁴ United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard. A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>

⁵ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized "ozone holes." The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme, <http://www.unep.org/ozone/montreal.shtml>

⁶ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). A list of CITES listed species is available from the CITES secretariat, <http://www.cites.org>.

⁷ The purpose of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal is to eliminate hazards arising from the transboundary movement, disposal and recycling of hazardous and other wastes. <http://www.basel.int>.

5. Production of, or trade in, weapons and munitions, including paramilitary materials.⁸
6. Production of, or trade in, alcoholic beverages, excluding beer and wine.⁸
7. Production of, or trade in, tobacco.⁸
8. Gambling, casinos and equivalent enterprises.⁸
9. Production of, trade in, or use of unbounded asbestos fibres⁹.
10. 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.
11. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
12. Production or trade in wood or other forestry products other than from sustainably managed forests.
13. 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.
14. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU)¹⁰.

⁸This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

⁹This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.

¹⁰ Non-compliance with International Maritime Organization (IMO) requirements: tankers that do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL), International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management Code compliance), tankers banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used. <http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-thePrevention-of-Pollution-from-Ships-%28MARPOL%29.aspx>.