



# ALLOCATION & IMPACT REPORTING

TKYB

22.09.2023

Assured by KPMG



DEVELOPMENT  
INVESTMENT  
BANK OF TÜRKİYE

# Introduction

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**Development and Investment Bank of Türkiye (TKYB)** has contributed to the development and growth of Türkiye since its establishment in 1975. TKYB, where the Turkish Ministry of Treasury and Finance holds 99.08% of the shares, is driven by solid public support, assurance, and trust. With its strong foundations and stable structure, the Bank has assumed an important mission in Türkiye's progress towards its development targets.

Throughout its deep-rooted history, the Bank was a market maker in different areas. TKYB's some of the major milestones are:

- obtained first ISO 14001 environment management certificate among public banks,
- reported to CDP (Carbon Disclosure Project) Climate Change Program on a voluntary basis,
- became an affiliate member of EIF-NPI (National Promotional Institutions) Program,
- founding signatory to the UNEP-FI Responsible Banking Principles
- signatory to the UN Global Compact Türkiye Declaration on Sustainable Finance and signed the renewed Statement from Business Leaders for Renewed Global Cooperation, issued asset-backed securities secured by the mortgage loans of the sector's leading banks,
- received the "Climate Friendly Institution" certificate from the Turkish Standards Institute
- issued Türkiye's first social sukuk
- provided financial consultancy services for the issuance of Türkiye's first transition bond to low-carbon economy
- first institution in Türkiye to sign up to the Operating Principles for Impact Management.

During nearly half a century, TKYB has played a key role in supporting the investments of a wide range of companies from diverse sectors by providing long-term resources; the most basic requirement of sustainable economic development. Having a reputable position and strong relations built on mutual trust with the world's leading funding institutions, the Bank offers financing to the business world via either direct lending or wholesale banking in various sectors, led by energy, energy efficiency, industry, tourism, finance, healthcare, and manufacturing with an aim to boost the employment, income and prosperity levels across Türkiye. The Bank focuses on financing sustainable development in light of the UN Sustainable Development Goals (SDGs) by 2030.

**In 23.09.2022, Türkiye Kalkınma Yatırım Bankası A.Ş. ("TKYB") issued a sustainability bond aimed at financing projects that provide social and environmental benefits.**

This Allocation&Impact Report includes impact data covering the periods October-November-December 2022. Since access to all evidence documents could not be completed in accordance with the annual reporting period, the 3 months of the issuance corresponding to 2022 were reported. The report for 2023 will be published in the first quarter of 2024.

### Evaluation Criteria

Projects and assets financed by the proceeds from sustainability bonds during between 23 September-31 December 2022 were evaluated according to the following characteristics of the projects:

1. Met the “Use of Proceeds” and “Eligibility Criteria” outlined in the TKYB Sustainable Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each “Use of Proceeds” criteria outlined in the TKYB Sustainable Finance Framework.

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

Proceeds	Eligibility Criteria	Key Performance Indicators (KPIs)
Renewable Energy	<ul style="list-style-type: none"> <li>Renewable energy projects including (reduction or avoidance of CO<sub>2eq</sub>/year at least 10,000 tons):           <ul style="list-style-type: none"> <li>-Wind power plant</li> <li>-Solar power plant (SPP); photovoltaics (PV) energy projects (including combined renewable power generation plant and rooftop SPPs) (SPPs on non-agricultural land), Concentrated Solar Energy (CSP) and solar heating and cooling projects</li> <li>-Biogas power plant (feedstock will be domestic organic waste, manure, sewage sludge)</li> </ul> </li> <li>Renewable energy equipment           <ul style="list-style-type: none"> <li>-Manufacturing of products, key components and machinery that are essential for eligible renewable energy technologies</li> </ul> </li> <li>Later stage research and development projects related to renewable energy and related battery technologies</li> </ul>	<ul style="list-style-type: none"> <li>Annual GHG mitigation reduced/avoided (tCO<sub>2e</sub>)</li> <li>Renewable energy production capacity constructed (MW)</li> <li>Renewable energy production (kWh/year)</li> </ul>
Employment Generation	<ul style="list-style-type: none"> <li>Women-inclusive enterprise that: (i) has at least one female shareholder with properly documented representative and managing powers; or (ii) has at least one female C-level Manager or with at least 25-percent female representation in Mid-level Managerial position; or (iii) employs and/or aiming to employ a ratio of women that is higher than the average ratio observed in the respective sector,</li> <li>Aiming to increase job creation for low income individuals and/or from disadvantaged backgrounds; people with disabilities, the unemployed, refugees under temporary protection</li> </ul>	<ul style="list-style-type: none"> <li>Additional number of employments created</li> <li>Number of women employments</li> </ul>

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**Detailed Findings****Table 2: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings
<b>Use of Proceeds Criteria</b>	Verification of the 2 projects funded by the sustainability bonds during between 23 September-31 December 2022 to determine if projects aligned with the Use of Proceeds Criteria outlined in the TKYB Sustainable Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.
<b>Reporting Criteria</b>	Verification of the 2 projects funded by the sustainability bonds during between 23 September-31 December 2022 to determine if impact of projects was reported in line with the KPIs outlined in the TKYB Sustainable Finance Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.



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### Independent Limited Assurance Report to Türkiye Kalkınma ve Yatırım Bankası A.Ş.

We were engaged by the Board of Directors of Türkiye Kalkınma ve Yatırım Bankası A.Ş. (the "Bank") to provide limited assurance on the Allocation and Impact Report for the year ended 31 December 2022 of the Bank ("the Report").

The scope of our assurance is limited to the Selected Information listed below:

- Themes, number of projects, volume of amount refinanced for Sustainability Bond in the table of Allocation of Proceeds
- For impact of Sustainable Bond Utilization – Renewable Energy
  - Solar power plant (SPP) projects
  - Energy generation (Electricity) (kWh)
  - GHG emissions avoided (ton/year)
  - Number of female employees created
  - Number of occupational health and safety accidents (OHS)
  - Size of eligible sub-projects (MWh/year)
  - Project's first disbursement and maturity date
  - Localisation of Eligible Sub-Project
  - Estimated number of households benefiting produced electricity

#### *Management's responsibilities*

The Bank's management is responsible for the content of the Report and preparation, collection, and presentation of the Selected Information as of and for the year ended 31 December 2022 in accordance with the Eligibility Criteria, disclosed in the Table 1. This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.



### *Our responsibilities*

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

We apply International Standard on Quality Management 1 Quality Management For Firms That Perform Audits Or Reviews Of Financial Statements, Or Other Assurance Or Related Services Engagements which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of International Code of Ethics for Professional Accountants (including International Independence Standards) (The IESBA Code) issued by the International Ethics Standards Board for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

### *Procedures performed*

A limited assurance engagement on the Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant staff at the corporate and business unit level responsible for determining the Selected Information.
- Comparing the information provided in respect of the Selected Information to corresponding information in the relevant underlying sources to determine whether the relevant information contained in such underlying sources has been included in the Selected Information.
- Undertaking substantive testing, on a sample basis, of the Selected Information.
- Using the Bank's internal documentation to evaluate and measure the Selected Information.
- Re-performing calculations used to prepare the Selected Information for the reporting period.
- Evaluating the disclosure and presentation of the Selected Information in the Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.



### *Inherent limitations*

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

### *Conclusion*

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information of Türkiye Kalkınma ve Yatırım Bankası A.Ş. for the year ended 31 December 2022 is not presented, in all material respects, in accordance with the Eligibility Criteria and Calculation Principles disclosed in Table 1 and Appendix 1, respectively.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Türkiye Kalkınma ve Yatırım Bankası A.Ş. in connect with reporting to Agence Francaise De Developpement and for no other purpose or in any other context.

### *Restriction of use of our report*

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Türkiye Kalkınma ve Yatırım Bankası A.Ş., for any purpose or in any other context. Any party other than Türkiye Kalkınma ve Yatırım Bankası A.Ş. who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Türkiye Kalkınma ve Yatırım Bankası A.Ş. for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Türkiye Kalkınma ve Yatırım Bankası A.Ş. on the basis that it shall not be copied, referred to or disclosed, in whole (save for Türkiye Kalkınma ve Yatırım Bankası A.Ş.'s own internal purposes) or in part, without our prior written consent.

Orhan Akova

Partner

İstanbul, 22 September 2023

**Allocation of Proceeds by Eligibility Criteria:****2022 Sustainability Bond**

	Amount allocated (Euro)	Total Projects
Renewable Energy Projects*	11,242,325	2

\*: Includes October-November-December 2022 data.

**Impact Reporting by Eligibility Criteria****2022 Sustainability Bond**

One of the important social impact of Sustainability Bond on projects is the preparation of a Gender Equality Action Plan and employment creation. This document outlines the gender equality action plan that applies to all internal direct and indirect employees and external stakeholders. The Project's commitment and approach is based on addressing gender inequality that may arise as a direct or indirect result of the Project's environmental and social performance. This Gender Equality Action Plan ("GEAP") is not a substitute for stakeholder engagement activities. This plan covers all inequalities raised by internal and external stakeholders, including the activities of contractors.

<b>Renewable Energy Projects*</b>	Solar power plant (SPP) projects 3,442.233 kWh energy generated 0.12 tonnes CO <sub>2</sub> e avoided 4 women employment created 6 OHS accidents occurred
<b>Size of eligible sub-projects*</b> Project-1 Project-2	49,9 MWm / 50 MWe 12 MWm / 10 MWe
<b>First Disbursement Date*</b> Project-1 Project-2	14.10.2022 28.11.2022
<b>Maturity Date*</b> Project-1 Project-2	14.10.2031 23.11.2029
<b>Localisation of Eligible Sub-Project Project-1 + Project-2</b>	   Affordable and clean energy (SDG 7) Sustainable cities and communities (SDG 11) Climate action (SDG 13)
<b>Estimated number of households benefiting produced electricity</b>	14

\*: Includes October-November-December 2022 data

## Appendix 1 – Calculation Principles

This document provides information on the data preparation and calculation methodologies of indicators within the scope of the independent assurance in the last three months (October, November, December) of 2022 Allocation and Impact Reporting of the Development and Investment Bank of Türkiye (“Bank”). The calculations presented in the report were carried out based on the Company’s internally developed methodology. Information from public sources (e.g. Turkey National Electric Network Emission Factor Information Form), TÜİK (Turkish Statistical Institute), TEİAŞ (Turkish Electricity Transmission Corporation), as well as data and reports directly related to the projects have been used in the calculations.

### General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information;

and

- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Please find below the calculation details and methodology by theme for the projects that are financed under the subject Bonds proceeds.

### Renewable Energy

For projects in this type, the amount of annual GHG emissions reduced/avoided is calculated by using the amount of annual generated electricity and emission factor which is published in Turkey National Electric Network Emission Factor Information Form issued by Republic of Turkey Ministry of Energy and Natural Resources. Turkish grid emission factor used the Bank is 0,6488 for solar projects. In order to calculate GHG emissions reduced/avoided by Project, electricity productions were obtained from the Companies directly. Calculations/Assumptions have not been conducted regarding the electricity production of the companies in reporting period (October-December 2022). The electricity production quantities and invoice documents were directly provided by the Companies, the necessary invoice evidence documents were submitted to the independent external auditor and the electricity production quantities were verified. The calculations for Total Annual GHG Emissions Reduced/Avoided were carried out with following formula (Total Electricity Production by Allocated Companies (MWh) \* Turkish grid emission factor formula (tCO<sub>2</sub>e/MWh)).

In order to calculate the Estimated Number of Households Benefiting from the Electricity Produced KPI, one person's electricity consumption was calculated using data obtained from TEİAŞ (2022 Turkey Electricity Production, 33,1105.2 GWh) and TÜİK (Number of People Living in Türkiye; 85,279,553) According to our calculations, per capita electricity consumption in Türkiye is 3,882 kWh/year. Assuming that 4 people live in a household, the annual electricity consumption of a household is calculated as 970.6 kWh/year. Since the Allocation&Impact Report includes a three-month (October-November-December) period, the amount of electricity usage of a household for three months is calculated as 242.6 kWh. The three-month (October-November-December) electricity production amount provided by the Eligible Projects utilized is 3,442.23 kWh. This production data (3,442.23 kWh) is divided by the three-month usage amount (242.6 kWh); 14 households calculated as estimated number of benefiting from the electricity produced.