Second-Party Opinion

Development and Investment Bank of Turkey Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Development and Investment Bank of Turkey Sustainable Finance Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The 13 eligible categories [1] for the use of proceeds are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 10, 11, 12, 13, 14, and 15.

PROJECT EVALUATION / SELECTION TKYB's Project Evaluation Team will manage the internal process for evaluating and selecting projects. TKYB's environmental and social risk management processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

MANAGEMENT OF PROCEEDS TKYB's Sustainable Finance Working Group oversees the process for management of proceeds. TKYB intends to fully allocate the proceeds within 36 months from the date of issuance. Unallocated proceeds will be temporarily invested in cash and cash equivalents, money market funds or other short-term liquid instruments. This is in line with market practice.

REPORTING TKYB intends to provide allocation and impact reporting on its website on an annual basis until full allocation. Reporting will include the total amount of proceeds allocated, balance of unallocated proceeds, share of financing versus refinancing, geographical distribution of eligible projects and assets, and relevant impact metrics. This is in line with market practice.

Evaluation Date	May 11, 2022
Issuer Location	Istanbul, Turkey

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For inquiries, contact the Sustainable Finance Solutions project team:

Cristhian Veintimilla (Amsterdam)
Project Manager
cristhian.veintimilla@sustainalytics.com
(+31) 20 205 02 09

Mahesh Krishnamoorthy (Mumbai)
Project Support

Ayaka Okumura (Amsterdam)
Project Support

Ashok Yashwant (Mumbai)
Project Support

Kibii Sisulu (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

[1] Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Eco-efficient or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Access to Essential Services, Socio-economic Advancement and Empowerment, Employment Generation, and Food Security and Sustainable Food Systems.

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Introduction

The Turkish Development and Investment Bank (TKYB or the "Bank") is Turkey's state-owned development and investment bank. Established in 1975, TKYB provides financial and technical services to companies through three core businesses; Development Banking, Investment Banking and Turkey Development Fund. Most of its investments support the industrial, energy, education, health and infrastructure sectors in Turkey.

TKYB has developed the Development and Investment Bank of Turkey Sustainable Finance Framework (the "Framework") under which it intends to issue green, social and sustainability bonds. TKYB use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to contribute to sustainable development in Turkey.

The Framework defines eligibility criteria in nine green areas

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention & Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Climate Change Adaptation
8. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
9. Green Buildings

The Framework defines eligibility criteria in four social areas:

1. Access to Essential Services
2. Socioeconomic Advancement and Empowerment
3. Employment Generation
4. Food Security and Sustainable Food Systems

TKYB engaged Sustainalytics to review the Development and Investment Bank of Turkey Sustainable Finance Framework, dated March 2022, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).[2] The Framework will be published in a separate document.[3]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[4] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of TKYB's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. TKYB representatives have

[2] The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/.
[3] The Development Investment Bank of Turkey Sustainable Finance Framework is available on TKYB's website at: http://www.kalkinma.com.tr/.
[4] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

confirmed (1) they understand it is the sole responsibility of TKYB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and TKYB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that TKYB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Development and Investment Bank of Turkey Sustainable Finance Framework

Sustainalytics is of the opinion that the Development and Investment Bank of Turkey Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The 13 eligible categories are aligned with those recognized by the GBP and SBP.[5] Sustainalytics is of the opinion that the use of proceeds can be expected to contribute to the transition to a low-carbon economy and help support socio-economic development in Turkey. Sustainalytics notes positively that the Bank has set a look-back period of 36 months for refinancing.
  - Under Access to Essential Services, TKYB may finance the following activities:
    - Projects that aim to improve and increase public access to healthcare services. TKYB has confirmed that such services and facilities will be accessible to all regardless of ability to pay, which is in line with market practice.
    - Construction, operation and supply of equipment for public healthcare facilities. This may include expenses related to goods for hospital use, administrative expenses and expenses related to maintenance for extending the life of projects.
    - Construction and operation of childcare facilities for low-income families or people from disadvantaged backgrounds[6] who balance work and child-rearing or long-term caregiving. These expenses may include goods for the operation of childcare facilities,

[5] The eligible categories in the Framework are: Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Eco-efficient or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Access to Essential Services, Socio-economic Advancement and Empowerment, Employment Generation, and Food Security and Sustainable Food Systems.
[6] Disadvantaged background includes people with disabilities, female-headed households, single-headed households from low income groups and women who belongs to low income groups.

administrative expenses and expenses related to maintenance for extending the life of projects.
    - Construction, operation and supply of equipment for public educational facilities. TKYB has confirmed that such services and facilities will be accessible to all regardless of ability to pay, which is in line with market practice.
- Within Socio-economic Advancement and Empowerment, TKYB intends to finance small- and medium-sized enterprises (SME),[7] including digital start-ups, and entrepreneurship projects aiming to provide employment for women, low-income individuals and those from disadvantaged backgrounds, people with disabilities, the unemployed and refugees under temporary protection.
- In the Employment Generation category, TKYB intends to finance projects aiming to increase sustainable tourism and generating employment for vulnerable groups in areas affected by infectious diseases and natural disasters determined in accordance with Turkey's national emergency and disaster law.[8,9] The targeted vulnerable groups include low-income people, unemployed individuals, those from disadvantaged backgrounds, people with disabilities and refugees under temporary protection. Sustainalytics notes positively that the sustainable tourism projects in this category will target unemployed people and people living below the poverty line. Sustainalytics considers such financing to be aligned with market practice.
- Under the Food Security category, the Bank intends to finance the construction and operation of facilities for smallholder farmers that produce, process or store food, aiming to improve food conservation and connectivity in the food chain. Sustainalytics considers this to be aligned with market practice.
- In the Renewable Energy category, the Bank may finance renewable energy projects from wind, waste biomass,[10] solar sources, including solar-powered heating and cooling, concentrated solar power and combined renewable power generation plants.[11] Additionally, TKYB may finance the manufacturing of products, key components and machinery dedicated to said renewable energy technologies. TKYB may also finance later stage R&D projects related to renewable energy and battery storage. Sustainalytics notes the following:
    - TKYB has confirmed to Sustainalytics that for concentrated solar power plants and combined renewable power generation plants, the majority of electricity generated (>85%) will be sourced from the stated renewable energy.
    - Regarding manufacture of wind turbines, TKYB's Environmental and Social Policy ensures sustainable sourcing by using raw materials, such as wood products, only from sustainably managed forests.[12]
    - Regarding R&D expenditures, it is market expectation to limit R&D expenses to 10% of each issuance. For the sake of transparency, Sustainalytics encourages the Bank to report on the share of allocation to R&D.
- In the Energy Efficiency category, the Bank may finance energy efficiency upgrades aiming to reduce energy consumption and GHG emissions, according to the following criteria:
    - Building upgrades which achieve at least 20% energy savings from the baseline, measured as primary energy demand.
    - Industrial energy efficiency projects for heat recovery and heat exchangers which achieve 15% reduction in energy consumption and GHG emissions. Sustainalytics notes that carbon-intensive and hard-to-abate activities and industries are excluded.
    - Transmission and distribution infrastructure, including smart grid technology[13] dedicated to generation or use of renewable energy and supporting integration of

[7] The Framework defines SMEs as companies which meet one of the following criteria: (i) have fewer than 50 employees and less than TRY 25 million (USD 1.84 million) in revenue or in net sales; or (ii) have fewer than 250 employees and less than TRY 125 million (USD 9.20 million).
[8] Government of Turkey, "Emergency Law" (Olağanüstü Hal Kanunu), at: https://www.mevzuat.gov.tr/MevzuatMetin/1.5.2935.pdf
[9] Areas affected by natural disaster will be identified in accordance with Article 1 of Turkey's Disaster Law No. 7269 which states "Disaster Area Affecting General Life" as an area which has been negatively affected by natural disaster.
[10] Waste biomass includes domestic organic waste, household waste, manure and sewage sludge.
[11] Combined renewable power generation plant is a facility that generates electricity from more than one fully renewable energy source connected to the grid from the same connection point. TKYB has communicated to Sustainalytics the renewable energy intended for this activity includes wind power, geothermal and biomass. More information at: https://www.resmigazete.gov.tr/eskiler/2020/03/20200308-8.htm.
[12] Sustainably managed forest shall be certified with either FSC or PEFC certifications.
[13] Smart grid technology includes communication and sensor technology, smart meters, monitoring and control automation devices, big data computing platforms, as well as related equipment and infrastructure.

renewable energy into power systems. Further, TKYB confirmed that the proceeds will not be allocated to projects that facilitate new connections to fossil fuel power plants.
    - Based on the above, Sustainalytics considers this to be aligned with market practice.
- Under Pollution Prevention and Control, TKYB aims to finance projects that aim to reduce waste generation and increase resource efficiency by at least 5%. This category also includes projects aimed at reducing air emissions, wastewater discharge and contaminant loads. The Bank has confirmed that carbon-intensive and hard-to-abate activities and projects that directly rely on fossil fuels or contribute to extend the life of fossil fuel use are excluded. Sustainalytics considers this to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land-Use category, TKYB may finance:
    - Smart irrigation projects including controllers and sensors;
    - Sustainable fisheries and aquaculture having certification such as Best Aquaculture Practices, Aquaculture Stewardship Council, Friend of the Sea;
    - Sustainable agriculture projects certified by EU Organic, Turkish Organic Farming Certifications,[14] GlobalG.A.P. or equivalent national or international certification. Sustainalytics recognizes that GlobalG.A.P. addresses some relevant sustainability issues, such as soil management, but notes that it does not cover the full scope of sustainable land management issues which are covered by other credible sustainable agriculture standards. In addition, the GlobalG.A.P. criteria are based on internal self-assessments and corrective actions, and do not contain minimum performance standards in many areas. Therefore, Sustainalytics does not consider the use of GlobalG.A.P. to be aligned with market practice and views it as a limitation of the Framework. Sustainalytics notes that it is market expectation to specify all eligible schemes and encourages the Bank to report on any other schemes it intends to use. For Sustainalytics assessment of these agriculture and aquaculture certification schemes, please refer to Appendices 2 and 3 respectively.
- Within Clean Transportation, TKYB may finance investments in the acquisition, production, development and operation of low-carbon public transport vehicles, including: (i) hydrogen, fuel cell and electric with zero tailpipe emissions, (ii) private vehicles with emissions intensity 50 gCO_2e/pkm, (iii) buses, rail vehicles and trucks below 25 gCO_2e/pkm, (iv) and passenger boats and ships.[15] TKYB may also finance supporting infrastructure, including charging stations for electric vehicles, hydrogen fuelling stations, electric highways and electric grid upgrades which support the installation of electric charging points. Regarding electric highways, TKYB has confirmed that the financing will be directed towards electrical lines infrastructure and excludes expenditures related to the building and maintenance of the roads themselves. Additionally, the Bank may finance infrastructure to encourage walking and support cycling, e-bikes and e-scooters. Sustainalytics views these investments as aligned with market expectations.
- In Sustainable Water and Wastewater Management, TKYB may finance projects that reduce water consumption in industries by at least 5%. Examples of these projects include water consumption monitoring systems, reuse systems and leakage detection systems.[16] Sustainalytics views this to be aligned with market practice.
- In Climate Change Adaptation, the Bank intends to finance projects related to research, development, implementation and maintenance of climate change adaptation systems and technologies, including climate observation and early warning systems against extreme climate conditions and natural disasters. TKYB may also finance projects supporting data-drive climate monitoring systems. The issuer has confirmed to Sustainalytics that projects that provide early warnings against extreme climate events will have a vulnerability assessment or diagnosis of realized climate impacts and potential climate risks, and an adaptation plan with details of the mitigation measures shall be in place. Sustainalytics views these investments to be aligned with market practice.

[14] TKYB has communicated to Sustainalytics that agricultural projects certified under Turkish Organic Farming Certification will be eligible only when they have independent 3rd party verification. Sustainalytics view positively about the 3rd party verification to ensure sustainability and considers it to be aligned with market practice.
[15] TKYB has communicated to Sustainalytics that boat and ships will be fully electric, hydrogen or biofuel powered.
[16] Projects related to water management facilities directly associated with fossil fuel operation are not eligible.

  - Under the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes category, TKYB may finance:
    - Research and Development (R&D) of biobased materials which may include bioplastic production from olive seeds and coffee waste. The Bank has confirmed to Sustainalytics that financing will be limited to later stage R&D projects and allocation to such expenditures will not surpass 10% of net proceeds. Sustainalytics considers this to be in line with market practice.
    - Procurement of recycled plastic for processing into raw materials for new products. While such expenditures support the EU Plastic Strategy[17] and Turkish "Zero Waste Project",[18] Sustainalytics notes that the extent of recycling of plastics is very low, with an estimated 9% of total global plastic waste having been recycled between 1950 and 2015, and further recognizes that improved recycling rates alone, even if attainable, will not fully address the holistic environmental issues associated with plastics.[19] In order to achieve full circularity, the industry needs to take substantial measures, including an increased use of sustainably sourced alternative and low-carbon materials that can be recycled indefinitely without loss of quality.
    - Projects supporting digitization of production systems aimed at improving resource efficiency, such as implementation and maintenance of SCADA systems and system for monitoring use of raw materials. The Bank has additionally confirmed that expenditures under this category will exclude activities that are carbon intensive or related to hard-to-abate industries.
    - Sustainalytics considers these expenditures to be in line with market practice.
  - TKYB may finance residential and commercial Green Buildings which have obtained or are expected to obtain the following minimum certification levels: (i) LEED Gold, BREEAM Excellent or Turkish Green Building Council (CEDBIK) Very Good. Please refer to Appendix 1 for Sustainalytics' assessment of these schemes. Sustainalytics considers the expenses in this category as credible and aligned to market practice.
- Project Evaluation and Selection:
  - TKYB's Project Evaluation Team oversees the internal process for evaluating and selecting eligible assets. The team is comprised of members from the Technical Evaluation, Sustainability and Environmental and Social Risk Evaluation, Financial Evaluation, and Valuation and Economical & Sectoral Evaluation departments.
  - All allocation decisions made under the Framework follow TKYB's internal policies on identifying and managing social and environmental risks. Sustainalytics considers these policies and processes to be adequate at addressing environmental and social risks possibly related to allocation decisions made under the Framework. For additional details, see Section 2.
  - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - TKYB's Sustainable Finance Working Group oversees the process for management of proceeds. TKYB will track allocation to eligible assets using an existing internal system. The Bank intends to fully allocate the proceeds with 36 months from issuance on a portfolio basis. TKYB will replace projects that cease to meet the Framework's criteria with other eligible projects within a reasonable timeframe. Pending full allocation, proceeds will be invested temporarily in cash, cash equivalent, money market funds or other short-term liquid instruments.
  - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - TKYB commits to report on the allocation and impact of proceeds on its website[20] on an annual basis until full allocation. Reporting will include the amount or percentage of allocation to the

[17] EU Plastic Strategy targets to recycle 55% of plastic packaging waste by 2030. For more information, please refer: https://ec.europa.eu/commission/presscorner/detail/sv/MEMO_18_6
[18] Zero waste project aims to increase the recycling rate to 35% in Turkey by 2023. For more information, please refer: https://zerowaste-project.eu/index.php/about-the-project/
[19] Unlike steel, glass and aluminium, plastics can only be recycled a finite number of times before being disposed of. In addition, recycled and bio-based plastics face end-of-life management issues similar to conventional fossil fuel plastics.
[20] TKYB's website: www.kalkinma.com.tr

eligible green and social portfolio, balance of unallocated proceeds, distribution of projects by region, the portion of financing and refinancing, in addition to relevant impact metrics, such as renewable energy production capacity (MV), annual GHG emissions reduced or avoided (tCO_2e), annual energy savings (MWh/year), number and level of green building certifications, number of education facilities financed, number of SMEs financed, and amount of food waste prevented (tonnes/year).

- Sustainalytics considers the reporting process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Development and Investment Bank of Turkey Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 4: Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of TKYB

Contribution of the Framework to TKYB's sustainability strategy

TKYB's sustainability strategy is based on two pillars for its banking operations: (i) supporting sustainable development in line with Turkey's development priorities – focused on driving the transition to a low-carbon economy and access to finance, and (ii) responsible banking – establishing a comprehensive risk management approach to optimize the impact of investments.[21] The Bank's 2021-2023 Strategic Plan reinforces its commitment to sustainable development by supporting projects that contribute to priority issues, such as shifting to a low-carbon economy, mitigating climate change impacts, stimulating responsible production and consumption, combatting poverty, and promoting environmental protection.[22]

Under climate action, TKYB has set a goal to reduce its scope 1 and 2 GHG emissions from its business operations by 10% in 2025 and by 40% in 2040, compared to 2020 levels.[23] As of 2020, renewable energy and energy efficiency projects accounted for 57% of the Bank's total loan portfolio, leading to 2.87 $MtCO_2e$ avoided per year.[24]

On the social front, TKYB aims to strengthen its support for SMEs through international financial institutions and the Turkish Development Fund. Since 2018, TKYB implemented 11 loan programmes with international development finance institutions. By the end of 2020, these projects had provided approximately USD 1 billion funding to 2,800 SMEs and created 7,500 additional jobs.[25]

Sustainalytics is of the opinion that the Development and Investment Bank of Turkey Sustainable Finance Framework is aligned with the TKYB's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents and waste generated in construction, occupational health and safety, community relations and stakeholder participation.

Sustainalytics is of the opinion that TKYB is able to manage and/or mitigate potential risks through implementation of the following:

- In 2020, TKYB launched its Environmental and Social Policy creating an exclusion list and introducing an environmental and social risk evaluation in its credit process.[26] The Bank has also developed an Environmental and Social Management System (ESMS) that is implemented throughout the lifetime of loans to safeguard from potential credit, environmental and social risks. According to the Policy, all lending activities must comply with Turkish environmental and social laws and regulations, and

[21] TKYB, "2020 Integrated Report", at: https://kalkinma.com.tr/assets/uploads/pdf/TKYB-Integrated-Report-2020.pdf
[22] Ibid.
[23] TKYB, "Sustainability Report 2019", at: https://kalkinma.com.tr/assets/uploads/pdf/KALKINMA_BANKASI_SUR19_2303.pdf
[24] TKYB, "2020 Integrated Report", at: https://kalkinma.com.tr/assets/uploads/pdf/TKYB-Integrated-Report-2020.pdf
[25] Ibid.
[26] TKYB, Environmental and Social Risk Evaluation in Credit Process (Summary)", (2020), at: https://kayist.org/content/files/uploads/37/environmental-and-social-risk-evaluation-in-credit-process.pdf

all other applicable environmental and social standards, such as the IFC Performance Standards.[27] TKYB classifies and assesses E&S risks associated with all of its debt and loan activities using an Environmental Risk Evaluation Tool (ERET). The classification of E&S risks is determined based on social and environmental criteria, including resource efficiency, waste and wastewater, air emissions, soil and water quality, noise, occupational health and safety, community health and safety, land acquisition, biodiversity, and stakeholder engagement. If a project is classified as high risk (category B+ or A), TKYB conducts an environmental and social due diligence and prepares an ESIA, regardless of the categorization in the national EIA regulation.

- TKYB also prepares an E&S Action Plan (ESAP) for all clients in accordance with national regulations and the IFC Performance Standards. The ESAP is attached to the credit agreement as a binding obligation. The status of all clients' ESAP is monitored throughout the loan period.
- The national EIA Regulation in Turkey (2014) classifies projects into three risk categories, with high risk projects being required to submit an EIA report including the result of public consultations.[28]
- For occupational health and safety, TKYB adheres to both national OHS regulations[29] and the IFC Performance Standard 2.[30]
- For community relations and stakeholder participation, TKYB requires its clients to prepare a Stakeholder Engagement Plan and establish a grievance mechanism for all projects, including implementing a procedure called Grievance Redress Mechanism for IFI financed projects, which is established based on the requirements of the World Bank ESS 10.[31]
- The Bank is a founding signatory of the Principles for Responsible Banking formulated by the UN Environment Programme, and a signatory of the IFC's Operating Principles for Impact Management[32] and the UN Global Compact.[33]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TKYB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 13 use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics focuses below use of proceeds whose impact is specifically relevant in the Turkish context.

The contribution of renewable energy, energy efficiency, green buildings and low-carbon transportation to Turkey's climate-related targets

Due to Turkey's high population growth and economic development, the country's total GHG emissions have grown 184% between 1990 and 2019. Final energy consumption in Turkey nearly doubled between 2005 and 2018, with fossil fuels (coal, oil and natural gas) representing 83% of the country's energy mix.[34] Considering its heavy dependence on fossil fuel-based sources, in addition to the security of its energy supply, Turkey's energy strategy prioritizes the diversification of the country's energy mix, particularly through the growth of renewable energy.

Renewable energy generation in Turkey has grown from 0.3 TWh in 2000 to 45.3 TWh in 2019.[35] As of May 2021, renewable energy accounted for approximately 52% of Turkey's total electricity generation, well

[27] TKYB, "Environmental and Social Policy", (2020), at: https://kalkinma.com.tr/assets/uploads/pdf/TKYB-environmental-and-social-policy.pdf
[28] World Bank, "Turkey Geothermal Development Project (P172827) Additional Finance Loan Environmental and Social Management Framework" (2021) at: https://documents1.worldbank.org/curated/en/258831635421656078/pdf/Environmental-and-Social-Management-Framework.pdf
[29] Government of Turkey, "Occupational Health and Safety Law" (İş Sağliği Ve Güvenliği Kanunu), at: https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=6331&MevzuatTur=1&MevzuatTertip=5
[30] IFC, "Performance Standard 2 - Labour and Working Conditions", (2012), at: https://www.ifc.org/wps/wcm/connect/88f1f09e-5fe4-4fad-9286-33ecb221ab23/PS2_English_2012.pdf?MOD=AJPERES&CVID=jiVQIns
[31] World Bank, "Environmental and Social Standards 10 – Stakeholder Engagement and Information Disclosure" at: https://thedocs.worldbank.org/en/doc/837721522762050108-0290022018/original/ESFFramework.pdf#page=111&zoom=80
[32] IFC has defined principles which "support the development of the impact investing industry by establishing a common discipline around the management of investments for impact", at: https://www.impactprinciples.org/.
[33] TKYB, "Annual Report 2020", at: https://kalkinma.com.tr/assets/uploads/pdf/en/annual_report_2020.pdf
[34] IEA, "Turkey", at: https://www.iea.org/countries/turkey
[35] Statista, "Renewable energy generation in Turkey from 2000 to 2019", at: https://www.statista.com/statistics/893494/renewable-energy-generation-turkey/

exceeding its 2023 target of increasing the share of renewable energy to 30% in the country's energy mix[36] During the first quarter of 2021, over 1200 MW from renewable sources were added to Turkey's installed capacity, accounting for close to 98% of the new installed capacity added during that period.[37] Turkey aims to continue promoting the expansion of renewable energy and has planned to develop 10 GW each of solar and wind capacity by 2027.[38] To support the execution of these goals, the Turkish government has mandated a series of national climate-related strategies, including the National Energy Efficiency Action Plan (NEEAP) 2017-2023, which draws upon the National Climate Change Strategy of 2010- 2023 and the Energy Efficiency Strategy of 2012-2023. Under the NEEAP, the government intends to increase energy efficiency and reduce GHG emissions across various sectors. Specifically, the strategy set the goal of reducing Turkey's primary energy consumption by 14% by 2023 from a 2017 baseline.[39] To achieve this goal through energy efficiency measures, the Government of Turkey has financed approximately USD 11 billion in energy efficiency measures. The NEEAP outlines 55 actions defined in various categories, including buildings, services and transport.[40]

In Turkey, the building sector accounts for about 30% of the total final energy consumption and nearly 10% of the total CO_2 emissions.[41,42] Turkey's building sector, in the last decade, has witnessed rapid growth and transformation. In this context, the government established the Energy Efficiency Strategy in 2017. The strategy defines actions to "introduce maximum energy requirements for buildings and limits for maximum emissions" and sets a goal to transform at least one-fourth of the building stock in 2010 to sustainable buildings by 2023.[43]

Turkey's transport sector emitted 21% of the country's GHG emissions and accounted for nearly 30% of final energy consumption in 2019.[44, 45] In response to such high emissions and Turkey's efforts toward clean transportation, the government has established Transport and Communications Strategy Goals in 2011. Under this strategy, Turkey aims to increase the share of passenger rail transport beyond 10% of all transport modes and reduce the share of passengers using road transport to under 72% by the end of 2023.[46].

In conclusion, Sustainalytics is of the opinion that TKYB's use of proceeds for renewable energy, energy efficiency, green buildings and clean transportation are expected to create positive environmental benefits and contribute to Turkey's national climate-related goals.

Importance of financing SMEs to support employment generation and reduce inequalities in Turkey

In 2019, small and medium-sized enterprises (SMEs) accounted for 99.8% of companies and 73.8% of total employment in Turkey.[47] Given the importance of SMEs in the local context, the Government of Turkey has been implementing financial initiatives to increase their access to finance, such as through increasing the budget for the Credit Guarantee Fund along with other supporting packages and programmes.[48] However,

[36] Eco-sciences, "Turkey's Energy Strategy for 2023 Targets after 2000 MW Giant Renewable Energy Contract", (2018), at: https://www.e3s-conferences.org/articles/e3sconf/abs/2018/39/e3sconf_icpre2018_01001/e3sconf_icpre2018_01001.html#:~:text=The%20government%20is%20aiming%20to,nuclear%20and%20fossil%20fuel%20consumption.
[37] Daily Sabah, "Renewables account for over 50% of Turkey's installed capacity", (2021) at: https://www.dailysabah.com/business/energy/renewables-account-for-over-50-of-turkeys-installed-capacity
[38] IEA, "Turkey 2021 Energy Policy Review, at: https://www.iea.org/reports/turkey-2021
[39] IEA, "Turkey 2021 Energy Policy review", (2021), at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf
[40] IEA, "National Energy Efficiency Action Plan 2017-2023", (2020), at: https://www.iea.org/policies/7964-national-energy-efficiency-action-plan-2017-2023
[41] IEA, "Energy consumption- Total final consumption (TFC) by sector, Turkey 1990-2018", at: https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=Energy%20consumption&indicator=TFCShareBySector
[42] IEA, "Energy consumption- CO2 emissions by sector, Turkey 1990-2018", at: https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=CO2%20emissions&indicator=CO2BySector
[43] The Asian and Pacific Energy Forum, "Turkey: National Energy Efficiency Action Plan (NEEAP) 2017-2023", at: https://policy.asiapacificenergy.org/node/3903
[44] Frontier, "Energy Transition and Sustainable Road Transportation in Turkey: Multiple Policy Challenges for Inclusive Change", (2021), at: https://www.frontiersin.org/articles/10.3389/frsc.2021.631337/full#:~:text=Energy%20sector%20is%20responsible%20of,gas%20emissions%20as%20of%202019.
[45] IEA, "Energy consumption- Total final consumption (TFC) by sector, Turkey 1990-2018", at: https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=Energy%20consumption&indicator=TFCShareBySector
[46] IEA, "Turkey 2021 Energy Policy review", (2021), at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf
[47] The Union of Chambers and Commodity Exchanges of Turkey, "SMEs of Turkey 2020 Report", at: https://www.tobb.org.tr/KobiArastirma/Documents/SMEs%20of%20Turkey%20Report%202020.pdf
[48] CGF is a Turkish Treasury-backed credit system providing loans dedicated to SMEs, at: http://www.kgf.com.tr/index.php/en/about-us/mission-vision

despite these efforts, the share of SME loans in total business loans decreased from 40% in 2007 to 32% in 2018, showing that Turkish SMEs still struggle with access to finance.[49]

In Turkey, women-owned SMEs face greater difficulty in accessing capital and are less likely to receive the same level of financing as men. Only 47% of women-owned SME applications are granted a loan, and the loaned amounts are 7.5% lower than those given to men, according to World Bank research.[50,51] Empowering more Turkish women-owned SMEs and increasing financial access is expected to unleash significant growth potential and bring positive benefits for other underserved groups as well by facilitating employment, according to the IFC.[52]

Based on this context, Sustainalytics is of the opinion that TKYB's financing to SMEs operating in underdeveloped regions and owned or led by women or vulnerable groups (such as youth) is expected to help reduce regional disparities and bring positive social impacts by increasing employment generation, providing access to finance and supporting female entrepreneurship.

Importance of financing public education and healthcare facilities in Turkey

According to the World Bank, Turkey has experienced steady economic and social growth in recent decades with the annual GDP growth rate averaging nearly 7% from 2010 to 2017.[53] Public expenditures on primary, secondary and tertiary educational institutions in the country increased by 24% (as percentage of GDP) between 2010 and 2016.[54] Despite increases in overall spending, access to education in Turkey remains low compared to other OECD countries. In 2018, 17% of youth were out of school at the upper secondary level, almost double than the OECD average of 7.65%.[55] Additionally, there is significant difference in resource allocations between public and private institutions in Turkey: respectively USD 4,732 versus USD 15,180 per student per year,[56] which contributes to wide gaps in the quality of education among schools.[57] In the 2015 Programme for International Student Assessment (PISA) results, Turkey ranked second last among OECD countries with 31.2% of the tested students underperforming in mathematics, sciences and reading.[58]

In the early 2000s, Turkey underwent major health reforms, and with the support of the World Bank Group, introduced universal health coverage, creating what is commonly referred to as the Universal Health Insurance system (UHI).[59] Under UHI, residents who are registered with the Social Security Institution (SGK) can receive medical treatment free of charge from hospitals that have a contract with the SGK. However, data from 2019 suggests that 7.2% of Turkey's population still faces unmet medical needs due to long waiting lists, distance, transportation problems, among other reasons.[60]

Considering the above, Sustainalytics is of the opinion that TKYB's financing under the Framework have the potential to contribute to improving quality and access to Turkey's healthcare and education systems.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The instruments issued under the Development and Investment Bank of Turkey Sustainable Finance Framework are expected to help advance the following SDGs and targets:

[49] European Commission, "2021 SME Country Fact Sheet - Turkey", (2021) at: https://ec.europa.eu/neighbourhood-enlargement/system/files/2021-09/turkey_-_sme_fact_sheet_2021.pdf
[50] World Bank, "Is your bank officer gender-biased? The case of SME lending in Turkey", (2020), at: https://blogs.worldbank.org/allaboutfinance/your-bank-officer-gender-biased-case-sme-lending-turkey
[51] World Bank, "Gender Bias in SME Lending Experimental Evidence from Turkey", (2019), at: http://documents1.worldbank.org/curated/en/244611577766368167/pdf/Gender-Bias-in-SME-Lending-Experimental-Evidence-from-Turkey.pdff
[52] IFC, "New Financing Tools Empower Turkey's Women Entrepreneurs", News, (2020), at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/turkey-women-entrepreneurs
[53] World Bank, "GDP growth (annual %) – Turkey", (2019), at: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=TR
[54] OECD, "Educational at a Glance 2019 – Turkey", (2019), at: https://www.oecd.org/education/education-at-a-glance/EAG2019_CN_TUR.pdf
[55] OECD, "Education at a Glance 2020 – OECD Indicators", (2020), at: https://www.oecd-ilibrary.org/docserver/69096873-en.pdf?expires=1623306980&id=id&accname=guest&checksum=F3C185C53A8EE25E30E4C029EF171A2A
[56] OECD, "Educational At A Glance 2020 – Turkey", (2020), at: https://www.oecd-ilibrary.org/docserver/1701b91e en.pdf?expires=1623307002&id=id&accname=guest&checksum=BCD32AA03CFDABAF29F60853A43CDF6B
[57] OECD, "Economic Policy Reforms Going For Growth 2018", (2018) at: http://www.oecd.org/economy/growth/TUR.pdf
[58] OECD, "PISA 2015 – Results in Focus", (2018), at: http://www.oecd.org/pisa/pisa-2015-results-in-focus.pdf
[59] World Bank Group, "Universal Health Coverage for Inclusive and Sustainable Development – Country Summary Report for Turkey", (2014), at : https://documents1.worldbank.org/curated/en/883571468172768922/pdf/912210WP0UHC0C0Box385329B00PUBLIC0.pdf
[60] Eurostat, "Unmet health care needs statistics", (2021), at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unmet_health_care_needs_statistics

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention & Control	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
Sustainable Agriculture and Sustainable Management of Living Natural Resources	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.
	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management
		11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Access to Essential Services	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care

	4. Quality Education 8. Decent Work and Economic Growth 10. Reduced Inequalities	services and access to safe, effective, quality and affordable essential medicines and vaccines for all 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Conclusion

TKYB has developed the Development and Investment Bank of Turkey Sustainable Finance Framework under which it may issue green, social and sustainable debt instruments, and use the proceeds to finance or refinance eligible projects related to renewable energy generation, energy efficiency, green buildings, access to essential services, employment generation, among others. Sustainalytics considers that the projects funded under the Framework are expected to provide positive environmental and social impact in Turkey.

The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for TKYB to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of TKYB and that the use of proceeds categories will contribute to the advancement of the UN SDGs 2, 3, 4, 6, 7, 8, 10, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that TKYB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that TKYB is well positioned to issue green, social and sustainable debt instruments and that the Framework is robust, transparent and in alignment with the four core components of the GBP 2021, SBP 2021, GLP 2021, and SLP 2021.

Appendices

Appendix 1: Sustainalytics' assessment of building certification schemes

	LEED[61]	BREEAM[62]	CEDBIK[63]
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.	CEDBIK (Turkish Green Building Council) is a rating system for residential and commercial buildings that is used in Turkey.
Certification levels/rating	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Good Very Good Excellent
Areas of Assessment: Environmental Performance of the Building	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy Efficiency Water Efficiency Land use Health and Comfort Materials and Resources Life on Property Operation and Maintenance Innovation
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item[64] and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.	Prerequisites (independent of level of certification) + additive Credits with associated points

[61] USGBC, LEED: www.usgbc.org/LEED
[62] BREEAM, Building Research Establishment LTD; https://breeam.com/
[63] Cedbik: https://cedbik.org/
[64] BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	Renovations, Existing Buildings: Operation and Maintenance).	BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	
Performance display			

Appendix 2: Sustainalytics' assessment of agriculture schemes

	GLOBAL G.A.P. Agriculture	**EU Organic**
Background	The GLOBAL G.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promoting sustainable agriculture practices.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The GLOBALG.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Compliance Criteria consists of 3 types of control points. To obtain certification the following are required: *Major Musts*: 100% compliance is compulsory Minor Musts: 95% compliance is required Recommendations: no minimum % required	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	1. Applies to farm crop base: (i) fruit and vegetables, (ii) flowers and ornamentals, (iii) combinable crops, (iv) tea, (v) plant propagation material, (v) hop. 2. Covers the certification of the whole agricultural production process of the product, from before the plant is in the ground (origin and propagation material control points) to non-processes product. - Food safety and traceability; Environment (including biodiversity); Workers' health, safety and welfare; Animal welfare; Includes Integrated Crop Management (ICM),	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).

	Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) 3. Waste, conservation (weak), water	
Verification of standards and risk mitigation	Global GAP approves certification bodies, which can then in turn carry out audits and verification. Certification is valid for one year.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The standards are informed by FAO guidelines.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.
Performance display	GLOBALG.A.P.	AB-CDE-999 EU Agriculture AB-CDE-999 Non-EU Agriculture AB-CDE-999 EU/non-EU Agriculture
Qualitative considerations	Widely recognized internationally, and strong assurance of overall quality. However, the environmental dimension, G.A.P. does not prohibit the use of pesticides beyond those permitted by national regulations. Furthermore, the certification includes no requirements for reducing, minimizing or substituting pesticides.	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.

Appendix 3: Sustainalytics' assessment of aquaculture certifications

	Best Aquaculture Practices[65]	**Aquaculture Stewardship Council**[66]
Background	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organization focused on advocacy, the education and leadership of on responsible aquaculture matters.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling programme for responsible aquaculture.
Clear positive impact	Promoting sustainable aquaculture practices.	Promoting sustainable aquaculture practices.
Minimum standards	The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets. As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium's Seafood Watch programme recommends BAP as a reputable label for freshwater fish,	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.

[65] Best Aquaculture Practices, at: https://www.bapcertification.org/About
[66] Aquaculture Stewardship Council, at: https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/.

	mussels, and shrimp, but not salmon, scallops, or clams. [67]	
Scope of certification or programme	Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star rating display on the label provides this information). Within each fishery-specific standard there are requirements and recommendations which apply to social, environmental, animal health & welfare, and food safety issues.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.
Verification of standards and risk mitigation	Third-party certification bodies such as Global Trust, Bureau Veritas, Control Union, Lloyd's Register, NSF, SGS assess compliance against the standard. Non-compliance precludes recertification until the violation is remedied.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.
Third party expertise and multi-stakeholder process	The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments. Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).	Developed in line with United Nation's Food and Agriculture Organization) UN FAO) and International Labour Organization (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.
Performance display		
Qualitative considerations	Widely recognized within the industry. As the certification process is fishery-specific, the standard may be more robust for some species than for others. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture. GSSI's recognition shows that the two-star Best Aquaculture Practices Certification, for their Salmon Farms, and Finfish and Crustacean Farms standards, is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool. The Tool is underpinned by the FAO Technical Guidelines on Aquaculture Certification and consists of performance areas related to scheme	Widely recognized and modelled on the successful MSC certification. Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.

[67] Monterey Bay Aquarium Seafood Watch, at: https://www.seafoodwatch.org/seafood-recommendations/eco-certification.

	governance, operational management (including chain of custody) and applied aquaculture farm audit standards.	

Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Development and Investment Bank of Turkey
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Development and Investment Bank of Turkey Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 11, 2022
Publication date of review publication: **Original publication date *[please fill this out for updates]*:**	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The 12 eligible categories for the use of proceed are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 2, 3, 4, 6, 7, 8, 10, 11, 12, 13, 14, and 15.

Use of proceeds categories as per GBP:

☒ Renewable energy	☒ Energy efficiency
☒ Pollution prevention and control	☒ Environmentally sustainable management of living natural resources and land use
☐ Terrestrial and aquatic biodiversity conservation	☒ Clean transportation
☒ Sustainable water and wastewater management	☒ Climate change adaptation
☒ Eco-efficient and/or circular economy adapted products, production technologies and processes	☒ Green buildings
☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	☐ Other (please specify):

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

☐ Affordable basic infrastructure	☒ Access to essential services
☐ Affordable housing	☒ Employment generation (through SME financing and microfinance)
☒ Food security	☒ Socioeconomic advancement and empowerment
☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP	☐ Other (please specify):

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

TKYB's Project Evaluation Team will manage the internal process in evaluating and selecting projects. TKYB's environmental and social risk management processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- ☒ Credentials on the issuer's social and green objectives
- ☒ Documented process to determine that projects fit within defined categories
- ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
- ☒ Documented process to identify and manage potential ESG risks associated with the project
- ☐ Summary criteria for project evaluation and selection publicly available
- ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☐ Evaluation / Selection criteria subject to external advice or verification
- ☒ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

TKYB's Sustainable Finance Working Group oversees the process for management of proceeds. TKYB intends to fully allocate the proceeds within 36 months from the date of issuance. Unallocated proceeds will be temporarily invested in cash and cash equivalent, money market funds and/or other-short term liquid instruments. This is in line with market practice.

Tracking of proceeds:

- ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☐ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☒ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

TKYB intends to provide allocation and impact reporting on its website on an annual basis until full allocation. Reporting will include total amount of proceeds allocated, balance of unallocated proceeds, share of financing vs refinancing, geographical distribution of eligible projects and assets and relevant impact metrics. This is in line with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Sustainability Bond financed share of total investment

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☒ Energy Savings

☒ Decrease in water use

☒ Number of beneficiaries

☒ Target populations

☒ Other ESG indicators (please specify): Waste reduction rate, Recycling amount of waste, resource consumption reduction rate, food loss/waste reduction rate and amount of prevented food waste

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report
☐ Information published in sustainability report
☐ Information published in ad hoc documents
☒ Other (please specify): TKYB's official website (www.kalkinma.com.tr).
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
☐ Other *(please specify)*:

Review provider(s): **Date of publication:**

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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