

Second-Party Opinion

TSKB Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the TSKB Sustainable Finance Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. The eligible categories are: Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Pollution Prevention and Control, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Alternative Maritime Power, Sustainable Water and Wastewater Management, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Food System (green category), Access to Essential Services (Healthcare), Access to Essential Services (Education), Employment Generation through SME Companies, Disaster Relief and Sustainable Food System (social category). Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12 and 14.



PROJECT EVALUATION AND SELECTION TSKB has established the Technical Analysis Team which will be responsible for the project evaluation and selection process. TSKB has processes in place to identify and mitigate common environmental and social risks potentially associated with the eligible projects. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS TSKB's Financial Institutions and Investor Relations department will manage the net proceeds using a portfolio approach and track their allocation using an eligible loan portfolio. The Bank intends to allocate all proceeds to eligible projects within 24 months of each issuance. Pending allocation, TSKB will temporarily hold proceeds in cash, cash equivalents and money market funds in the Bank's treasury liquidity portfolio. This is in line with market practice.



REPORTING TSKB will report annually on the allocation of net proceeds and corresponding impact in a dedicated report, which will be published on its website until full allocation. TSKB has communicated to Sustainalytics that if it obtains revolving credit facilities, it will report on allocation until loan maturity. In addition, the Bank intends to report on relevant impact metrics. Sustainalytics views TSKB's allocation and impact reporting as aligned with market practice.

Climate Transition Finance Handbook

Sustainalytics has evaluated TSKB's transition governance, strategy, decarbonization targets and intentions to report on transition progress and finds TSKB to be aligned with the recommendations of the Climate Transition Finance Handbook 2023.

Second-Party Opinion

Reviewed by:

MORNINGSTAR



SUSTAINALYTICS

Evaluation Date

July 29, 2024

Issuer Location

Istanbul, Türkiye

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Disclaimer	17

For inquiries, contact the Sustainable Corporate Solutions project team:

Titus Vilches (Amsterdam)

Project Manager

Titus.Vilches@morningstar.com

Siga Wu (Amsterdam)

Project Support

Siina Matihaldi (Amsterdam)

Project Support

Louisa Mandt (Amsterdam)

Project Support

Andrew Johnson (Paris)

Client Relations

susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB” or the “Bank”) was founded in 1950 as Türkiye’s first privately owned development and investment bank. The Bank provides medium- to long-term financing products tailored to sustainable investment projects in various sectors and focuses on corporate banking, investment banking and advisory services. Headquartered in Istanbul and with a development hub in Ankara, the Bank has 452 employees as of December 2023.¹

TSKB has developed the TSKB Sustainable Finance Framework dated July 2024 (the “Framework”) under which it intends to issue sustainability bonds, loans and private placements,² and use the proceeds to finance and refinance, in whole or in part, existing and future projects intended to contribute to Türkiye’s transition to a low-carbon economy and promote socio-economic development.

The Framework defines eligibility criteria under the following environmental categories:

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

The Framework defines eligibility criteria under the following social categories:

11. Access to Essential Services (Healthcare)
12. Access to Essential Services (Education)
13. Employment Generation through SME Companies
14. Disaster Relief
15. Sustainable Food System

TSKB engaged Sustainalytics to review the Framework 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), Social Bond Principles 2023 (SBP),³ Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP)⁴. The Framework will be published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with 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 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and

¹ TSKB, “December 2023 Consolidated Report 2023”, (2023): <https://www.tskb.com.tr/en/investor-relations/financial-information>

² TSKB has confirmed to Sustainalytics that private placements will be limited to debt placements.

³ 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/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁵ The TSKB Sustainable Finance Framework is available on TSKB’s website at: <https://www.tskb.com.tr/en/financial-institutions/publications>

⁶ 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.

- 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 1.16, 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 TSKB'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. TSKB representatives have confirmed that (1) they understand it is the sole responsibility of TSKB to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) 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 TSKB.

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.

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 TSKB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the TSKB Sustainable Finance Framework

Sustainalytics considers the TSKB Sustainable Finance Framework to be credible, impactful and aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Pollution Prevention and Control, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Alternative Maritime Power, Sustainable Water and Wastewater Management, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Food System (green category), Access to Essential Services (Healthcare), Access to Essential Services (Education), Employment Generation through SME Companies, Disaster Relief and Sustainable Food System (social category) are aligned with those recognized by the GBP, SBP, GLP, and SLP.
 - Sustainalytics notes that some of the proceeds may be used to finance projects in hard-to-abate and carbon-intensive sectors with the objective of supporting the transition and decarbonization of these sectors. Sustainalytics further notes that the assurance of the credible transition of these activities lies with the entities carrying out the activity. TSKB has a transition plan underpinned by its commitment under the Net Zero Banking Alliance (NZBA)⁷ and its SBTi-validated emissions reduction targets.⁸ In addition, the Bank has processes to engage with recipients of such support to ensure that they have: i) a transition strategy and pathway aligned

⁷ UNEP-FI, "Turkiye Sinai Kalkinma Bankasi (TSKB)", at: <https://www.unepfi.org/member/turkiye-sinai-kalkinma-bankasi-tskb/>

⁸ Science Based Targets initiative, "TSKB Target Language and Summary" (2023), at: https://sciencebasedtargets.org/resources/files/Target-language-and-summary_TSKB.pdf

with science-based trajectories or national net zero emissions targets; ii) long-term decarbonization targets aligned with the Paris Agreement and a corresponding short- or mid-term trajectory; iii) quantitative measurable and publicly disclosed metrics; and iv) the financed asset or project is an integral component of the recipient's decarbonization strategy aligned with a credible decarbonization pathway. With regard to benchmarking the recipients' decarbonization trajectory, TSKB may reference the TPI's and SBTi's pathways as well as sectoral decarbonization pathways prescribed by government agencies in Türkiye, including the Ministry of Industry and Technology, and the Ministry of Environment and Urbanization and Climate Change. Sustainalytics encourages the Bank to benchmark against credible science-based pathways such as those of the TPI and SBTi for alignment with the goals of Paris Agreement.

- Under the Renewable Energy category, TSKB may finance or refinance the development, manufacture, construction, operation, retrofit, maintenance and equipment related to:
 - Onshore and offshore wind facilities.
 - Solar PV, concentrated solar heat and power generation (CSP) and solar thermal facilities. TSKB has confirmed to Sustainalytics that more than 85% of the electricity generated from CSP and solar thermal will be sourced from solar energy.
 - Hydropower limited to: i) facilities with power density greater than 10 W/m² or life cycle emissions below 50 gCO₂e/kWh for projects in operation after the end of 2019; ii) facilities with power density greater than 5 W/m² or life cycle emissions below 100 gCO₂e/kWh for projects in operation before the end of 2019.
 - Bioenergy generated from: i) municipal solid waste through landfill gas capture and anaerobic digestion; ii) agricultural waste; iii) animal manure collected from smallholder farmers; and iv) waste sludge. TSKB has confirmed to Sustainalytics that recyclables will be segregated before energy conversion and landfill gas capture is from closed or decommissioned landfills with an average 75% gas capture efficiency. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste. The Bank has further confirmed that waste sludge from fossil fuel operations will be excluded.
 - Hydrogen production through electrolysis of water powered by renewables.
 - Components and enabling technologies that are wholly dedicated to renewable energy generation and storage, such as wind turbines, solar panels and batteries.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, TSKB may finance or refinance the following:
 - i) Reconstruction, expansion, renovation and refurbishment measures that lead to at least a 15% reduction in energy consumption or CO₂ emissions. Sustainalytics notes that TSKB may finance such measures in hard-to-abate sectors; ii) projects that result in a minimum reduction of 500 tCO₂ per annum in iron, steel, aluminium, cement, chemical and fertilizer sectors. Sustainalytics notes that for such financing, the Bank will assess the borrower's transition strategies against internationally known methodologies and will require that: i) the borrowers have long-term Paris Agreement-aligned targets with mid- and short-term trajectories to achieve the targets; ii) the financed projects are an integral component of the borrower's decarbonization strategy that is aligned with a credible decarbonization pathway; and iii) the borrower's performance against the targets be quantitatively measurable and disclosed publicly. Sustainalytics further notes that assurance of the credible transition of these activities lies with the entities carrying out each activity and therefore encourages the TSKB to disclose the names of the transition pathways it requires the investees to follow. Sustainalytics considers that these expenditures contribute to the decarbonization of the relevant sectors.
 - Smart technologies, including: i) technology for smart grids, such as components for wide area monitoring systems (WAMS), measurement equipment, supervisory control and data acquisition (SCADA) systems, smart meters to measure electricity consumption, monitoring and control automation devices, and big data and computing platforms; ii) storage facilities that are directly related to renewables; iii) metering

systems and intelligent electricity systems that manage the intermittency of renewable energy; iv) retrofit of transmission and distribution networks to reduce energy use and technical losses, avoid electricity cuts, facilitate integration of renewable energy into the grid and improve energy efficiency; and v) installation of new transmission systems for the integration of renewable energy or to serve population growth. Regarding transmission and distribution networks, TSKB has confirmed that it will limit financing to the portion of renewables integrated in the grid using a pro-rata approach. Sustainalytics notes that the share of renewables in Türkiye's electricity generation is expected to increase to 54.8% by 2035 from 42.4% in 2020.⁹ Sustainalytics considers this to be aligned with market practice.

- Under the Clean Transportation category, TSKB may finance or refinance the production, establishment, expansion, upgrades, maintenance and operation of the following low-carbon transport and related infrastructure
 - Public transport, including buses, trains, trams, ferries and subways that are powered by electricity or hydrogen. The Bank may also finance hybrid vehicles with direct emissions below 50 gCO₂e/pkm based on the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) and biogas-powered vehicles with direct emissions below 75 gCO₂e/pkm.
 - Light commercial passenger and freight vehicles, including cars, vans, trucks and vessels powered by electricity, hydrogen or hybrid technology with direct emissions below 50 gCO₂e/pkm for passenger vehicles and 25 gCO₂/tkm for freight vehicles. The Bank has confirmed that freight transport with the primary purpose of transporting fossil fuel or fossil fuel blended fuels will be excluded.
 - Infrastructure related to electrified transportation modes, such as electrified railways and electric vehicle charging stations. The Bank has confirmed that parking facilities will be excluded.
 - Investments in transport logistics that: i) promote urban mass transit and non-motorized transport; or ii) increase the energy efficiency of infrastructure and transportation. TSKB has communicated to Sustainalytics that these investments may include pedestrian sidewalks and paths, as well as bike lanes, which Sustainalytics considers to be in line with market practice. Sustainalytics recognizes that infrastructure investments for transport logistics support the optimization of transport use, duration and distance in many cases, thereby holding potential to reduce fuel consumption. However, Sustainalytics encourages TSKB to prioritize financing for projects that remove barriers to modal shift to public transit or promote the use of low-carbon vehicles.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, the Bank may finance or refinance new or existing public, commercial and residential buildings in accordance with the following criteria:
 - Buildings with an energy performance certificate B or above, issued according to Turkish regulations or the Turkish Building Code.
 - Buildings that have achieved or will achieve one of the following minimum certification levels: LEED Gold,¹⁰ BREEAM Excellent,¹¹ DNGB Gold¹² or ÇEDBİK B.E.S.T Residential Certificate Very Good.¹³
 - Refurbishment of commercial or residential buildings that leads to at least a 30% improvement in energy performance. TSKB has confirmed to Sustainalytics that financing will be limited to renovation expenditures only.
 - Sustainalytics considers investments under this category to be aligned with market practice.

⁹ Government of Türkiye, Ministry of Energy and Natural Resources, "Türkiye National Energy Plan", at: https://enerji.gov.tr/Media/Dizin/EIGM/tr/Raporlar/TUEP/T%C3%BCrkiye_National_Energy_Plan.pdf

¹⁰ LEED: <https://www.usgbc.org/leed>

¹¹ BREEAM: <https://bregroup.com/products/breeam/>

¹² DGNB: <https://www.dgnb-system.de/en/index.php>

¹³ ÇEDBİK B.E.S.T: <https://www.cedbik.org/best>

- Under the Pollution Prevention and Control category, TSKB may finance or refinance the following projects:
 - Technologies that reduce water consumption. The Bank has confirmed that technologies driven by fossil fuels or that are applied to fossil fuel operations will be excluded.
 - Reduction in raw materials and auxiliary chemicals used in the industry processes.
 - R&D of products, processes and technologies using bio-based materials (such as biopolymers and bioplastics).
 - R&D, technologies, solutions and processes for data collection, transfer, storage, modelling and uses, all of which are dedicated to GHG emissions monitoring and reduction. Examples include systems for monitoring GHG emissions, and climate and early warning systems.
 - Sustainalytics considers the investments under this category to contribute to the decarbonization of the sectors in which these investments will be financed.
- Under the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, the Bank may finance or refinance the following projects:
 - Technologies and processes to: i) reduce virgin raw material use and increase secondary raw material use in various sectors; ii) improve product durability, reusability, upgradability and reparability with a measurable environmental impact; iii) increase recycled content in products while ensuring their performance and safety; and iv) enable remanufacturing and recycling. Repair, refurbish and remanufacturing of products, and circular design and production projects. TSKB has confirmed that products for use in the extraction of fossil fuels will be excluded. The Bank has further confirmed to exclude single-use plastic products and that refurbishment and repair activities will result in products being put back to their original use with minimal pre-processing.
 - Material recovery from separately collected waste.
 - Sustainalytics considers the investments under this category to contribute to the decarbonization of the sectors in which these investments will be financed.
- Under the Alternative Maritime Power category, TSKB may finance or refinance outlets, industrial stations and substations, electrical distribution and control systems for maritime vehicles and ports that may be used for all types of ships. Sustainalytics considers this to be in line with market practice.
- Under the Sustainable Water and Wastewater Management category, TSKB may finance or refinance the development, construction, operation and maintenance of sustainable water and wastewater management projects and facilities, including:
 - Water metering, collection, treatment and improvement systems to enhance energy efficiency and reduce water leakages.
 - Wastewater collection, treatment and reclamation systems, including centralized treatment systems to replace high emissions systems, such as decentralized systems and onsite sanitation.
 - Flood mitigating infrastructure supported by vulnerability assessments and adaptation plans to address risks identified in vulnerability assessment reports.
 - TSKB may also finance desalination plants powered by renewables or electricity with intensities below 100 gCO₂e/kWh. The Bank has confirmed that the projects will have appropriate waste management plans for brine disposal.
 - The Bank has further confirmed that equipment and systems that rely on fossil fuel and treatment of wastewater from fossil fuel operations (such as produced water from fracking) and hard-to-abate industries will be excluded.
 - Sustainalytics considers investment under this category to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, the Bank may finance the following projects:
 - Conservation and restoration of terrestrial and marine habitats and ecosystems. Sustainalytics considers this to be aligned with market practice.

- Soil remediation. TSKB has confirmed that contamination or negative externalities that come from the borrowers' own activities will not be financed. This is aligned with market practice
- Sustainable agriculture practices and climate smart farming certified under: i) EU Organic;¹⁴ ii) USDA Organic;¹⁵ iii) Turkish Good Agriculture Practices (GAP) certification;¹⁶ or iv) GlobalG.A.P.¹⁷ Sustainalytics recognizes that GlobalG.A.P addresses relevant sustainability issues in agricultural production, but notes that the scheme does not include sustainable land management practices¹⁸ as identified by other credible sustainable agriculture standards and organizations.¹⁹ In addition, GlobalG.A.P. criteria are based on internal self-assessments and corrective actions, and lacks rigorous guidance for tracking compliance and improvements over time. Sustainalytics notes that Turkish GAP follows similar criteria and standards as GlobalG.A.P., Therefore Sustainalytics considers the use of GlobalG.A.P. Integrated Farm Assurance - Crops Base and Turkish GAP to provide limited environmental benefit.
- Agroforestry projects owned by smallholder farmers that have a sustainable forest management plan. Sustainalytics considers this to be aligned with market practice.
- Sustainable forestry projects, such as permanent conservation and carbon sequestration plantations certified by Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) and using tree species that are well adapted to the site conditions. This is aligned with market practice.
- Commercial forestry projects managed by smallholder farmers with a sustainable forest management plan for at least 10 years. This is aligned with market practice,
- Under the Sustainable Food System category, TSKB may finance or refinance drip irrigation systems and sustainable packaging that uses wood fibre-based and recyclable materials. TSKB has confirmed that the inputs of sustainable packaging are sustainably sourced which are certified by schemes including FSC PEFC, Bonsucro, International Sustainability and Carbon Certification (ISCC Plus), Roundtable of Sustainable Biomaterials (RSB) and Round Table on Responsible Soy (RTRS). The Bank may also finance R&D and procurement of sustainable and biodegradable fertilizers certified by schemes such as IFOAM,²⁰ Friend of the Earth,²¹ International Fertilizer Association,²² or procured by sustainable agricultural farms certified by IFOAM or Farm Sustainability Assessment (Silver or above).²³ Sustainalytics considers this to be in line with market practice.
- Under the Access to Essential Services (Healthcare) category, TSKB may finance or refinance projects that support public, free and subsidized health and social care in Türkiye, which include the construction and equipment for hospitals, clinics and healthcare centres, acquisition of medical equipment, provision of diagnostic services, emergency medical response and disease control and programmes for the promotion of health and well-being. Sustainalytics notes that all eligible healthcare projects are accessible to the general population, including vulnerable groups such as the elderly, physically or mentally dependent persons and populations with limited access to essential services. Sustainalytics considers these expenditures to be socially impactful.
- Under the Access to Essential Services (Education) category, the Bank may finance or refinance projects to expand access to free and subsidized primary, secondary, adult and vocational education in Türkiye. This includes the construction of kindergartens, schools, university campus buildings and facilities at any public and non-profit universities, as well as student

¹⁴ EU Organic: https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en

¹⁵ USDA Organic: <https://www.usda.gov/topics/organic>

¹⁶ Turkish Good Agriculture Practices: <https://ekoinspekt.com.tr/en/good-agricultural-practices/>

¹⁷ GlobalG.A.P.: <https://www.globalgap.org/>

¹⁸ Examples of core indicators for sustainable land management are no-deforestation, natural ecosystem conversion, protected habitat, sustainable use, conservation and restoration of biodiversity practices.

¹⁹ Guidance on core indicators for agrifood systems – Measuring the private sector's contribution to the Sustainable Development Goals at:

<https://www.fao.org/3/cb6526en/cb6526en.pdf>

²⁰ IFOAM: <https://www.ifoam.bio/>

²¹ Friend of the Earth: <https://friendoftheearth.org/companies-and-certified-products-2/>

²² International Fertilizer Association: <https://www.fertilizer.org/about-ifa/>

²³ Farm Sustainability Assessment: <https://saiplatform.org/fsa/>

housing. Sustainalytics notes that these services will be accessible to the general population, including minority groups. Sustainalytics considers these expenditures to be socially impactful.

- Under the Employment Generation through SME Companies category, the Bank may finance or refinance loans to SMEs which: i) support employment of women and youth; or ii) are affected by natural disasters, including earthquakes, floods or pandemics, such as Covid-19. Sustainalytics notes that the Framework defines SMEs as companies with less than 250 employees and turnover or total assets equal to or below TRY 500 million (USD 15.5 million) Sustainalytics considers the expenditure to be socially impactful.
- Under the Disaster Relief category, TSKB may finance or refinance the following:
 - Loans for the reconstruction of basic infrastructure, such as housing, buildings, electricity transmission networks and water distribution networks in areas destroyed by natural disasters, specifically those affected by the earthquake of 6 February 2022.
 - Loans for commercial activities disrupted by pandemics or natural disasters, specifically those affected by the earthquake of 6 February 2022. TSKB has communicated to Sustainalytics that it will select companies that meet one of the following three criteria: i) companies with headquarters located in the earthquake-affected region; ii) companies whose projects are located in the earthquake-affected region; and iii) companies whose production facilities are located in the earthquake-affected region.
 - Sustainalytics notes that, as a development bank, TSKB offers favourable terms in the loans it provides, include the loans in this category. Sustainalytics also notes that such loans may be extended to larger corporates. Sustainalytics considers it good practice to prioritize financing for SMEs because they typically face greater challenges in accessing capital than larger companies. Therefore, Sustainalytics considers financing of loans to non-SMEs as business-as-usual lending and a deviation from what it considers good practice.
- Under Sustainable Food System, TSKB may finance projects intended for reducing and preventing food loss in the food value chain such as cold air units and frigorific vehicles wholly dedicated to transporting food, as well as smart storage systems. TSKB has confirmed to Sustainalytics that the vehicles financed under this category will comply with the local emissions standards. Sustainalytics considers the expenditure to be socially impactful.
- TSKB will exclude the following activities: i) production or trade of products which are illegal under Turkish laws or regulations, international agreements or subject to any international ban; ii) production or trade of products containing polychlorinated biphenyl (PCB); iii) production or trade of chemicals, pesticides, herbicides or any other harmful substance internationally banned; iv) production or trade of any internationally banned substance harmful to the terrestrial ozone layer; v) manufacture or trade involving wild fauna or flora, including any product covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); vi) cross-border movement of any forms of waste prohibited by Turkish law or international agreements; vii) production or trade of firearms and munitions; viii) production or trade of tobacco or tobacco products; ix) any undertakings involving gambling, casino operations or management, or the like; x) production or trade of any radioactive material; xi) production or trade of fibrous asbestos (does not apply to the use or procurement of cement slabs less than 20% of whose weight consists of non-fibrous or fibrous asbestos); xii) use of drift nets measuring more than 2,500 meters in length in sea fishing; xiii) any projects involving forced labour, child labour or children in potentially injurious or dangerous activities; xiv) any projects that restrict personal rights or violates human rights; xv) any projects involving commercial logging operations primary tropical rainforests; xvi) any activities prohibited by Turkish laws and regulations or by international agreements concerned with the protection of biodiversity resources or cultural heritage, as well as any projects located in any protected area, critical habitat area, natural or cultural heritage area, except where adequate compensatory or mitigatory measures can be taken; and xvii) any greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes.
- Project Evaluation and Selection:
 - TSKB has established the Technical Analysis Team, which will be responsible for the project evaluation and selection process in line with the eligibility criteria of the Framework. The

Technical Analysis Team consists of members from the Engineering and Loan Analysis departments.

- The Bank has processes in place to identify and mitigate common environmental and social risks potentially associated with the eligible projects, including an environmental and social risk evaluation tool (ERET) derived from TSKB's Environmental and Social Impact Management Policy.²⁴ In addition, for companies in hard-to-abate sectors, TSKB requests an ISO 14064 certification,²⁵ a decarbonization plan and the company's annual procedures for emissions monitoring reporting and verification.
- Based on the presence of a dedicated team and the presence of environmental and social risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - TSKB's Financial Institutions and Investor Relations department will be responsible for the management of proceeds using a portfolio approach, and will track the proceeds using an eligible loan portfolio.
 - The Bank intends to allocate the net proceeds within 24 months of each issuance. Pending full allocation, proceeds will be placed in cash, cash equivalents and money market funds in the Bank's treasury liquidity portfolio.
 - Based on the use of a tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - TSKB will report annually on the allocation of net proceeds and corresponding impact in a dedicated report which will be published on its website until full allocation. The Bank has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity. For loans and other credit facilities, TSKB may choose to report directly and non-publicly to lenders or counterparties.
 - Allocation reporting will include: i) the size of the eligible loan portfolio; ii) the total amount of proceeds allocated; iii) the balance of unallocated proceeds; iv) the amount or percentage of new financing and refinancing; and v) the geographic allocation of assets per country.
 - Impact reporting may include: i) annual renewable energy installed capacity (MWh per year); ii) GHG emissions reduced or avoided (in tonnes per year); iii) the area reforested (in km²); iv) the number of loans to SMEs; and v) food waste reduced or avoided.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the TSKB Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

Alignment against the Climate Transition Finance Handbook 2023

Sustainalytics has assessed TSKB's alignment with the recommendations of the Climate Transition Finance Handbook (CTFH) and considers the Bank's transition strategy to be adequate overall. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics' Assessment	
Issuer's climate transition strategy and governance	<ul style="list-style-type: none"> • Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement • Relevant interim targets on the trajectory towards long-term goal 	<ul style="list-style-type: none"> ▪ TSKB has a transition plan underpinned by its commitment under its Net-Zero Banking Alliance (NZBA) membership since 2022. In line with this commitment, the Bank aims to achieve net zero by 2050. This overarching long-term target is supported by the following interim targets validated by the SBTi in July 2023:²⁶ <ul style="list-style-type: none"> ○ reduce absolute scope 1 GHG emissions 63% by 2035 from the 2021 base year. 	Aligned

²⁴ TSKB, "TSKB Environmental and Social Impact Management Policy", at: <https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy>

²⁵ ISO, " ISO 140064:2018", at: <https://www.iso.org/standard/66453.html>

²⁶ SBTi, "Türkiye Sinai Kalkınma Bankası A.Ş. (TSKB)", at: https://sciencebasedtargets.org/resources/files/Target-language-and-summary_TSKB.pdf

	<ul style="list-style-type: none"> • Governance of transition strategy 	<ul style="list-style-type: none"> ○ continue active annual sourcing of 100% renewable electricity through 2030. ○ reduce GHG emissions from its electricity generation project finance portfolio by 85.6% per kWh by 2035 from the 2021 base year, with an interim target of reducing 73.6% by 2030 from the same base year. ○ reduce GHG emissions from commercial real estate within its corporate loan portfolio by 71% per square meter by 2035, from the 2021 base year, with an interim target of reducing 53% by 2030 from the same base year. ○ reduce GHG emissions from the electricity generation sector within its corporate loan portfolio by 85.7% per kWh by 2035 from the 2021 base year, with an interim target of reducing 73.7% by 2030 from the same base year. ○ align the scope 1 and 2 temperature score of its portfolio by loan value with the temperature score of the Bank's other long-term corporate loan portfolio, reducing it from 3.20°C in 2021 to 2.74°C by 2027. In addition, align the scope 1, 2 and 3 temperature score of its portfolio by loan value with the temperature score of the Bank's other long-term corporate loan portfolio, reducing it from 3.20°C in 2021 to 2.82°C by 2027. ○ align the scope 1 and 2 temperature score of its portfolio by invested value with the temperature score of the Bank's corporate bond portfolio, reducing it from 2.57°C in 2021 to 2.31°C by 2027. In addition, align the scope 1, 2 and 3 temperature score of its portfolio by invested value with the temperature score of the Bank's corporate bond portfolio, reducing it from 2.86°C in 2021 to 2.59°C by 2027. 	
		<ul style="list-style-type: none"> ▪ The Bank's strategy for achieving its climate targets includes:^{27,28} <ul style="list-style-type: none"> ○ Phasing out financing of greenfield and brownfield coal-fired power plants and coal mining investments by 2035. ○ Engaging customers to adopt decarbonization plans and sustainability practices, and support their decarbonization through thematic lending and investment banking services. ○ Adopting a financing approach that leverages green building certifications and prioritizes energy-efficient buildings over conventional buildings. ○ Increasing investment in green finance to USD 8 billion or more by 2030 and link 60% of its loan portfolio to climate- and environment-focused SDGs. ▪ The Bank's Sustainability Committee oversees TSKB's overall sustainability programme. The committee is composed of four board members, plus the Bank's CEO and two executive vice presidents, one of whom is the sustainability leader of the Bank. The committee directs and coordinates all activities related to sustainability and receives reports from the Sustainability Management Committee regarding the Bank's sustainability initiatives.²⁹ ▪ At the operating level, the Bank has a Sustainability Management Committee, comprising the CEO, EVPs 	

²⁷ SBTi, "Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)", at: https://sciencebasedtargets.org/resources/files/Target-language-and-summary_TSKB.pdf

²⁸ TSKB, "TSKB, "Sustainable Finance Framework", (2024), at: <https://www.tskb.com.tr/en/financial-institutions/publications>

²⁹ Ibid.

		<p>directly related to sustainability, various department heads and the head of Climate Change and Sustainability Management. The Sustainability Management Committee meets every two months and directs the dissemination of sustainability activities and their integration into the Bank's business processes. Members of the Sustainability Management Committee have clear and measurable annual targets in relation to their sustainability roles. Their performance is evaluated against these targets and reflected in their annual performance scorecards.³⁰</p>	
Business model environmental materiality	<ul style="list-style-type: none"> Transition trajectory should be relevant to the environmentally material parts of the issuer's business model 	<ul style="list-style-type: none"> TSKB's transition plan addresses financed emissions from its core business of providing financing to businesses mainly in Türkiye. In particular, the Bank's SBTi-validated scope 3 targets cover 53% of the emissions from its investment and lending portfolio as of 2021.³¹ The loan selection process for borrowers in hard-to-abate and carbon-intensive sectors involves assessing the borrower's emissions against sectoral emission reduction roadmaps for the relevant country, if available. The Bank also evaluates the borrower's decarbonization plan, which must include a transition strategy aligned with science-based pathways or net-zero targets, long-term decarbonization targets aligned with the Paris Agreement, and short- to medium-term targets leading to the long-term goals, supported by measurable, publicly disclosed metrics. Additionally, TSKB may use benchmarks from TPI and SBTi during the evaluation.³² 	Aligned
Climate transition strategy to be 'science-based' including targets and pathways	<ul style="list-style-type: none"> Transition strategy should reference science-based targets and transition pathways 	<ul style="list-style-type: none"> TSKB set its targets for scope 1 emissions and renewable electricity following the SBTi's 1.5°C scenario; the Bank's targets for financed emissions relating to corporate loans for the commercial real estate and electricity generation sectors as well as project finance for electricity generation have been validated by SBTi. Sustainalytics notes that the SBTi does not validate targets for these sectors under the 1.5°C scenario. 	Aligned
Implementation transparency	<ul style="list-style-type: none"> Disclosure of capex and opex plans Intended climate-related outcomes and impacts from these expenditures 	<ul style="list-style-type: none"> TSKB has disclosed that starting in 2024, it will report on its climate-related targets and activities following the IFRS S1 and S2 standards,³³ including its performance and progress against these targets. The report will be incorporated into the Bank's integrated annual report. The standards also require entities to disclose how climate-transition plans and activities will be resourced as well as the capital expenditure, financing or investment allocated towards climate-related risks and opportunities 	Aligned

³⁰ TSKB, "TSKB, "Sustainable Finance Framework", (2024), at: <https://www.tskb.com.tr/en/financial-institutions/publications>

³¹ SBTi, "Targets Dashboard", at: <https://sciencebasedtargets.org/target-dashboard>

³² TSKB, "TSKB, "Sustainable Finance Framework", (2024), at: <https://www.tskb.com.tr/en/financial-institutions/publications>

³³ IFRS, "ISSB issues inaugural global sustainability disclosure standards", (2023), at: <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>

Section 2: Sustainability Strategy of TSKB

Contribution to TSKB's sustainability and transition strategy

TSKB has established overarching climate transition objectives that focus on three key environmental areas: i) decarbonization of lending activities; ii) supporting clients' transition through advisory services; and iii) participation in international sustainability initiatives.³⁴

TSKB has established targets related to scope 1 emissions and renewable electricity based on the SBTi's 1.5°C trajectory, as well as sector-specific financed emissions reduction targets, which were validated by the SBTi in June 2023. The Bank's current targets are: i) reducing absolute scope 1 GHG emissions by 63% by 2035 from the 2021 base year; ii) achieving 100% renewable electricity sourcing by 2030; iii) reducing emissions from the project finance portfolio for electricity generation by 85.6% per kWh by 2035 from the 2021 base year; iv) reducing emissions from the commercial real estate sector corporate loan portfolio by 71% per m² by 2035 from the 2021 base year; v) reducing GHG emissions from the electricity generation sector corporate loan portfolio by 85.7% per kWh by 2035 from the 2021 base year; vi) aligning the scope 1 and 2 temperature score of its portfolio by loan value with the temperature score of the Bank's other long-term corporate loan portfolio, reducing it from 3.20°C in 2021 to 2.74°C by 2027; vii) aligning the scope 1, 2 and 3 temperature score of its portfolio by invested value with the temperature score of the Bank's corporate bond portfolio, reducing it from 2.57°C in 2021 to 2.31°C by 2027; viii) aligning the scope 1 and 2 temperature score of its portfolio by invested value with the temperature score of the Bank's corporate bond portfolio, reducing it from 2.86°C in 2021 to 2.59°C by 2027.³⁵

To achieve these targets, TSKB aims to invest at least USD 8 billion in financing activities that promote sustainable development³⁶ by 2030 and increase this amount to USD 10 billion once it has met 40% of the initial target.³⁷ The Bank also aims to have 60% of its portfolio linked to climate- and environment-related expenditures by 2025. In addition, in 2021, TSKB excluded new greenfield coal-fired thermal power plants or coal mining investments for electricity generation purposes from its financing in line with its commitment to phase out coal from its portfolio by 2038. Furthermore, the Bank plans to support its clients' transition by offering technical advisory services for thematic loans and sustainability-linked financing as well as investment banking services.³⁸

TSKB became a signatory to the UN Global Compact in 2009 and has reported its progress on the Ten Principles on human rights, labour, environment and anti-corruption in an annual progress report.^{39,40} The Bank also joined Principles of Responsible Banking in 2019 through which it committed to report on its sustainability impact.⁴¹ TSKB also became a signatory to the Net-Zero Banking Alliance (NZBA) in 2022 and is developing targets for financed emissions in line with the Bank's 2050 net zero emissions commitment.⁴² In addition to these initiatives, TSKB reports its progress on its transition strategy in its allocation and impact reporting,⁴³ Integrated Annual Report⁴⁴, CDP Report⁴⁵ and Climate Risk Report.^{46,47}

TSKB's Sustainability Committee oversees the Bank's sustainability strategy, vision and targets. The committee is formed by four board members, plus the CEO and two executive vice presidents, one of whom is the sustainability leader of the Bank. TSKB's Sustainability Management Committee (SMC) meets every two months to monitor the integration of the Bank's sustainability activities into different business processes. The SMC has 14 representatives, namely the CEO, the executive vice presidents directly related to sustainability,

³⁴ TSKB, "Sustainable Finance Framework", (2024), at: <https://www.tskb.com.tr/en/financial-institutions/publications>

³⁵ SBTi, "Türkiye Sinai Kalkınma Bankası A.Ş. (TSKB)", at: https://sciencebasedtargets.org/resources/files/Target-language-and-summary_TSKB.pdf

³⁶ TSKB uses an internal loan classification system where the Bank links the loans to a theme based on the SDGs.

³⁷ TSKB, "Sustainable Finance Framework", (2024), at: <https://www.tskb.com.tr/en/financial-institutions/publications>

³⁸ SBTi, "Türkiye Sinai Kalkınma Bankası A.Ş. (TSKB)", at: https://sciencebasedtargets.org/resources/files/Target-language-and-summary_TSKB.pdf

³⁹ TSKB, "Integrated Annual Report 2022", at: <https://www.tskb.com.tr/uploads/file/tskb-2022-integrated-annual-report.pdf>

⁴⁰ UN Global Compact, "Turkiye Sinai Kalkinma Bankasi (TSKB)", at: <https://unglobalcompact.org/what-is-gc/participants/11678-Turkiye-Sinai-Kalkinma-Bankasi-TSKB->

⁴¹ TSKB, "Integrated Annual Report 2022", at: <https://www.tskb.com.tr/uploads/file/tskb-2022-integrated-annual-report.pdf>

⁴² Ibid.

⁴³ TSKB, "ALLOCATION & IMPACT REPORTING 2022", at: <https://www.tskb.com.tr/uploads/file/impact-report-2022.pdf>

⁴⁴ TSKB, "Integrated Annual Report 2022", at: <https://www.tskb.com.tr/uploads/file/tskb-2022-integrated-annual-report.pdf>

⁴⁵ CDP, "T.SINAİ KALKINMA BANKASI A.Ş. - Climate Change 2023", at: <https://tskb.com.tr/uploads/file/cdp-2023-report.pdf>

⁴⁶ TSKB, "Climate Risk Report on Task Force on Climate-related Financial Disclosures (TCFD)", (2021), at:

<https://www.tskb.com.tr/uploads/file/c89603dc730c21781a2270736ed07a84-1678113082719.pdf>

⁴⁷ TSKB, "Sustainable Finance Framework", (2024), at: [link]

and the heads of the sustainability working groups. TSKB has also established seven sustainability working groups which execute the Bank's sustainability strategy.⁴⁸

Sustainalytics is of the opinion that the TSKB Sustainable Financing Framework is aligned with the Bank's overall sustainability and transition strategies and initiatives, and will further the Bank's actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that TSKB is not directly accountable for the environmental and social risks associated with the transactions financed but notes that the Bank is exposed to some key risks, including environmental and social risks associate to lending activities, occupational health and safety (OHS), business ethics, and predatory lending

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

- TSKB has an environmental and social impact management system (ERET) which applies to all financing proposals irrespective of sector or loan size.⁴⁹ The ERET aligns with the Equator Principles⁵⁰ and classifies potential investments into three risk categories based on their environmental and social (E&S) impact.⁵¹ The respective category is determined through an assessment on the management of impact related to waste, emissions and noise, as well as all stakeholders and land acquisition processes, such as stakeholder participation activities, complaint mechanisms, and physical and economic displacement. The Bank monitors its customers' E&S impact by procuring and assessing customers' E&S management plans for the financed projects.⁵² In addition, TSKB uses a climate risk evaluation tool to assess climate-related risks in the pre-allocation stage and a portfolio heat map to monitor the climate vulnerability of its loan portfolio.⁵³
- Regarding OHS related to the financed projects, Türkiye has ratified the ILO Occupational Safety and Health Convention of 1981.⁵⁴ In addition, the Bank's ERET system includes an assessment of potential OHS risks and requires borrowers to create management plans for the applicable risks as a condition to the loan agreement.
- Regarding predatory lending, TSKB follows Turkish laws and regulations, including the Law on Consumer Protection^{55,56} and the Banking Law No. 5411,⁵⁷ among others, which require transparent disclosure of information on the benefits and risks of products and services offered to banking customers, and the protection of rights and interests of banking customers.
- With respect to business ethics, TSKB's Anti-Bribery and Anti-Corruption Policy⁵⁸ outlines the Bank's procedures to prevent, detect, manage and mitigate unethical business practices related to political donations, gifts and hospitality, abuse of title and duty, and facilitation payments. The Bank also has an anti-bribery and anti-corruption programme which includes a whistleblower mechanism involving different departments.^{59,60}

⁴⁸ TSKB, "Sustainability Committee", at: <https://www.tskb.com.tr/en/services/sustainable-banking/strategy-and-management/the-sustainability-committee>

⁴⁹ TSKB, "Sustainable Finance Framework", (2024), at: [link]

⁵⁰ Equator Principles, "The Equator Principles" at: <https://equator-principles.com/>

⁵¹ TSKB, "TSKB Environmental and Social Impact Management Policy", at: <https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy>

⁵² TSKB, "TSKB Environmental and Social Impact Management Policy", at: <https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy>

⁵³ TSKB, "Sustainable Finance Framework", (2024), at: [link]

⁵⁴ International Labour Organization, "Occupational Safety and Health Convention 1981", at:

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C155

⁵⁵ Government of Türkiye, Ministry of Trade, "Law on Consumer Protection", (2013), at:

<https://ticaret.gov.tr/data/5d42a9b313b87632542a2dae/LAW%20ON%20CONSUMER%20PROTECTION.pdf>

⁵⁶ Moroğlu Arseven, "The Regulation amending the Regulation on Consumer Loan Agreements has been Published", (2022), at:

https://www.morogluarseven.com/news-and-publications/the-regulation-amending-the-regulation-on-consumer-loan-agreements-has-beenpublished/?utm_source=mondaq&utm_medium=syndication&utm_term=Finance-and-Banking&utm_content=articleoriginal&utm_campaign=article

⁵⁷ Government of Türkiye, "Banking Law No. 5411", (2008), at: <http://www.lawsturkey.com/law/banking-law-5411>

⁵⁸ TSKB, "TSKB Anti-Bribery and Anti-Corruption Policy", at:

<https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-anti-bribery-and-anti-corruption-policy>

⁵⁹ TSKB, "Anti-Bribery and Anti-Corruption Programme", at: <https://tskb.com.tr/uploads/file/e09b9e4d7a12ba1d8c65b1321ffa33ec-1658315587891.pdf>

⁶⁰ TSKB, Business Ethics, Anti-Bribery and Anti-Corruption 2023", at: <https://www.tskb.com.tr/uploads/file/2023-results.pdf>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TSKB 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 use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused on below where the impact is specifically relevant in the local context.

Impact of investments in renewable energy in Türkiye

In 2021, Türkiye's GHG emissions amounted to approximately 564.4 MtCO₂e, a 7.7% increase from 2020 and 157.1% from 1990.⁶¹ In absolute GHG emissions, Türkiye was the world's 20th largest emitter in 2018, and is forecasted to continuously increase its emissions at least until 2028.⁶² Despite the anticipated growth in GHG emissions, Türkiye aims to reduce GHG emissions by 41% compared to its business-as-usual emissions scenario by 2030.⁶³ The country's energy sector, whose emissions have increased by 188% from 1990 to 2021, is critical in achieving Türkiye's emission reduction targets. The sector accounted for the largest share of Türkiye's emissions (71.3%) in 2021, excluding land use, land-use change and forestry.⁶⁴ To achieve its targets, Türkiye has developed national climate and energy policies, such as the Türkiye National Energy Plan and the Türkiye Hydrogen Technologies Strategy and Its Roadmap.^{65,66} Türkiye's 2022-2035 National Energy Plan aims to contribute to regional and global energy security, as well as increase the share of domestic and renewable energy in electricity production.⁶⁷ As of 2022, renewables made up 54% of Türkiye's installed capacity for electricity generation, with hydropower, wind, solar, geothermal and biomass each accounting for 30.9%, 10.9%, 8.8%, 1.6% and 1.8%, respectively.⁶⁸ By 2035, Türkiye aims to increase the share of installed capacity from renewables to 64.7% by 2035.^{69,70} The Turkish government estimates that the country will need to invest USD 5.3 to USD 7 billion annually between 2019 and 2030 in order to achieve this goal.⁷¹

Based on the above, Sustainalytics is of the opinion that TSKB's financing of renewable energy projects is expected to contribute positively to Türkiye's goals on renewable electricity, and more broadly to the country's transition to a low-carbon economy.

Contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
--------------------------	-----	------------

⁶¹ Turkish Statistical Institute, "Turkish Greenhouse Gas Inventory 1990-2021", (2023), at:

<https://enerji.gov.tr/Media/Dizin/EVCED/tr/%C3%87evreVe%C4%B0oklim/%C4%B0klimDe%C4%9Fi%C5%9Fikli%C4%9Fi/Uluslararas%C4%B1EmisyonEvnanteri/Belgeler/Ek-1.pdf>

⁶² Carbon Brief, "The Carbon Brief Profile: Turkey", (2018), at: <https://www.carbonbrief.org/carbon-brief-profile-turkey>

⁶³ Climate Action Tracker, "Türkiye", (2023), at: <https://climateactiontracker.org/countries/turkey/targets/>

⁶⁴ Turkish Statistical Institute, "Turkish Greenhouse Gas Inventory 1990-2021", (2023), at:

<https://enerji.gov.tr/Media/Dizin/EVCED/tr/%C3%87evreVe%C4%B0oklim/%C4%B0klimDe%C4%9Fi%C5%9Fikli%C4%9Fi/Uluslararas%C4%B1EmisyonEvnanteri/Belgeler/Ek-1.pdf>

⁶⁵ Government of Türkiye, Ministry of Energy and Natural Resources, "Türkiye National Energy Plan", (2022), at:

https://enerji.gov.tr/Media/ElGM/tr/Raporlar/TUEP/T%C3%BCrkiye_National_Energy_Plan.pdf

⁶⁶ Government of Türkiye, Ministry of Energy and Natural Resources, "Türkiye Hydrogen Technologies Strategy and Its Roadmap", (2023), at:

<https://enerji.gov.tr/announcements-detail?id=20349>

⁶⁷ Government of Türkiye, Ministry of Foreign Affairs, "Türkiye's International Energy Strategy", at: <https://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

⁶⁸ UNFCCC, "Republic of Türkiye Updated First Nationally Determined Contribution", at: https://unfccc.int/sites/default/files/NDC/2023-04/T%C3%9CRK%C4%BOYE_UPDATED_1st_NDC_EN.pdf

⁶⁹ Ibid.

⁷⁰ Government of Türkiye, Ministry of Energy and Natural Resources, "Türkiye National Energy Plan", (2022), at:

https://enerji.gov.tr/Media/ElGM/tr/Raporlar/TUEP/T%C3%BCrkiye_National_Energy_Plan.pdf

⁷¹ Shura, "Financing the Energy Transition in Turkey", (2019), at:

https://www.shura.org.tr/wp-content/uploads/2019/10/Financing_the_Energy_Transition_in_Turkey_Executive_Summary.pdf?_ga=2.198476841.762103424.1667371630-1005410882.1667282016

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
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
Green Buildings	11. Sustainable Cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
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
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.1 Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries
Alternative Maritime Power	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
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
Environmentally Sustainable Management of Living Natural Resources & Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Access to Essential Services (Healthcare)	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services (Education)	4. Quality Education	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
Employment Generation through SME Companies	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 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
Sustainable Infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Disaster Relief	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Sustainable Food System	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

Conclusion

TSKB has developed the TSKB Sustainable Finance Framework under which it may issue sustainability bonds, loans and private placements to finance projects intended to support Türkiye's transition to a low-carbon economy and socio-economic development. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The TSKB Sustainable Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the TSKB Sustainable Finance Framework is aligned with the overall sustainability strategy of TSKB and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that TSKB 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 TSKB is well positioned to issue sustainability bonds and that the TSKB Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an "expert opinion" or "negative assurance letter" as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers' names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.

