



The Industrial Development Bank of Türkiye

IIF/TBB Türkiye Transition Finance Workshop

01 November 2022



Turkey's Most Sustainable Bank



Best Bank for Sustainable Development Turkey



Best Sustainable Practices in Banking



Honor Prize in Integrated Reporting

TSKB at a Glance

« Turkish pioneer in development banking and sustainability domains since the very early years of its foundation »
 « First and only privately owned development bank in Türkiye »

Our Mission is to focus on creating value for the inclusive and sustainable development of our country through the financing and consultancy solutions powered by our experience in development and investment banking as well as the visionary approach and well-established international collaboration initiatives we maintain.

Ratings	TSKB	Turkey
Fitch LTFC	B-	B
Moody's LTIR	B3	B3
SAHA Corporate Governance	9.59/10	

ISO 14001 Environmental Management System Standard, **since 2007**

ISO 14064 Carbon Management Certification, **since 2012**

ISO 45001 Occupational Health and Safety Management, **since 2021**

BORSA ISTANBUL SUSTAINABILITY Since 2015

SUSTAINALYTICS 13.6 Low Risk

CDP B Score

Sustainable Relationship with Stakeholders

- Long-lasting relationship with DFIs and FIs
- Ministry of Treasury and Finance
- DFI Mission Clubs
- Policy Makers
- Investors

“Knowledge Banking”

- A strong technical team:
 - Economic research
 - Engineers
 - Financial Analysts
- Constant investment for the capacity expansion
- Advisory and investment banking teams

Prudent Credit Risk Assessment

- Multi-disciplinary assessment during allocation



➤ Sustainability is Well Integrated into Our Business Model

Support for employment in Turkey;

- Encouraging women participation to the economy
- Providing financing to operational health and safety
- Supporting less developed regions



Financing to reduce energy dependency in Turkey

- Financing renewable energy projects;
- Energy and resource efficiency investments



Sustainability Reporting

- Integrated Report
- Climate Risks Report
- Impact & Allocation Report
- Carbon Disclosure Project
- Communication on Progress



TSKB



Support transition to low carbon economy



Environmental & Social Risk Evaluation for all investment projects

Monitoring social impacts of financed investments

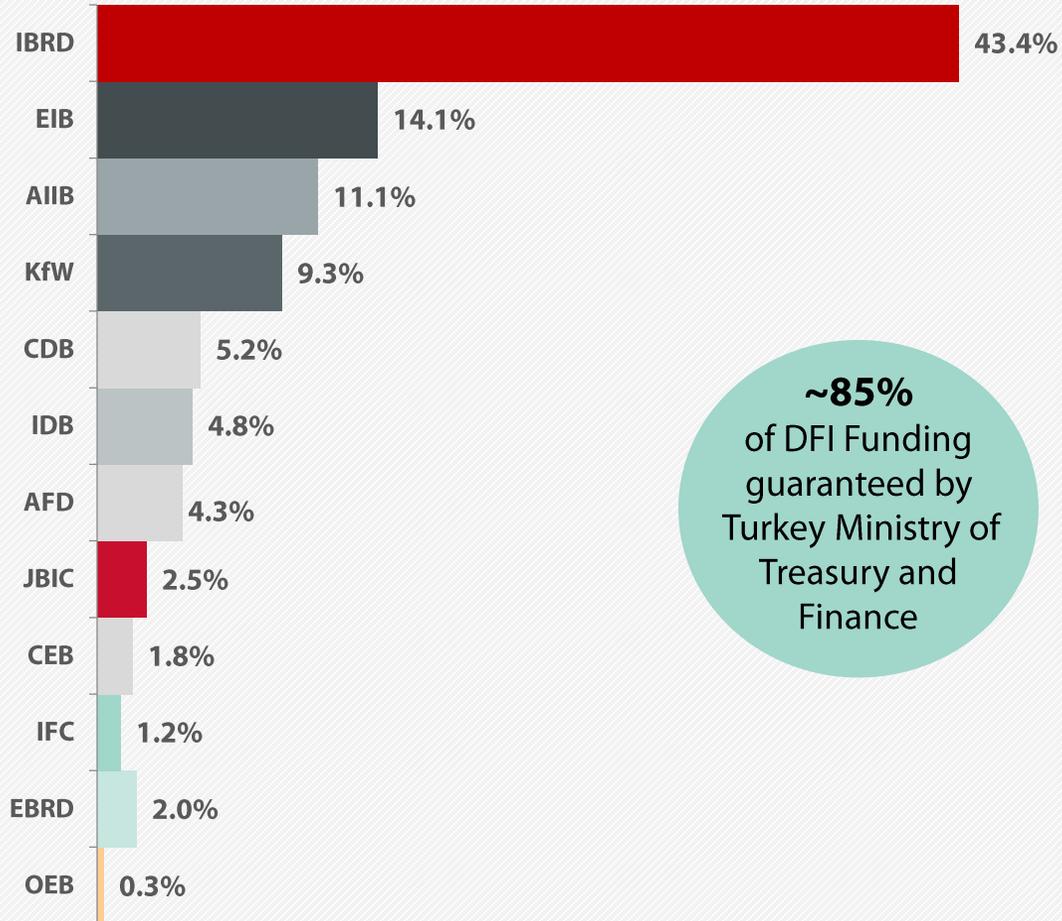


Extend resources for UN Sustainable Development Goals

- UN SDG Mapping Project
- UN SDG Loan Model
- Supporting 13 of UN SDGs

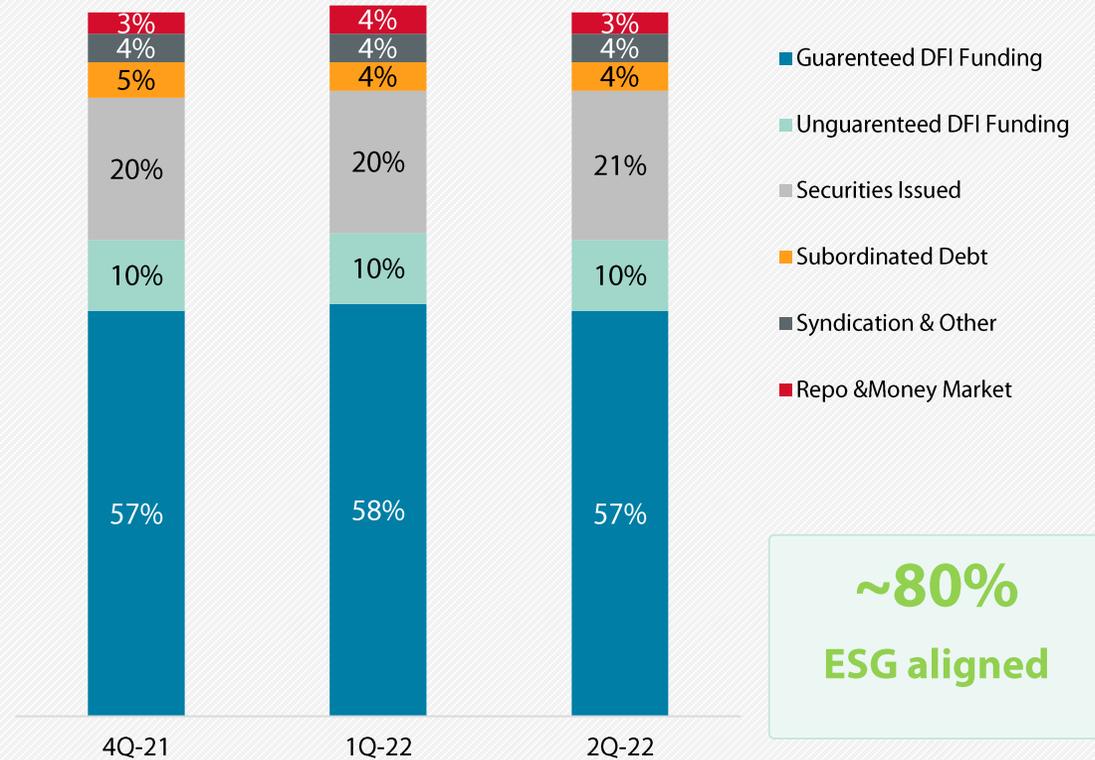
TSKB Long Term Funding Base

Outstanding DFI Funding Base – 2Q-22



~85%
of DFI Funding
guaranteed by
Turkey Ministry of
Treasury and
Finance

Funding / Total Liabilities (exc. Equity & Oth.) – USD mn



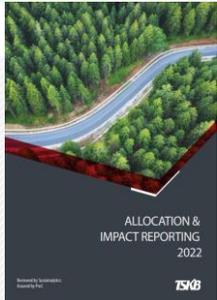
~80%
ESG aligned

Sustainable Finance Recent Developments



3rd Sustainable Eurobond Issuance

- USD 350 million
- Oversubscription of almost 6x
- 1/3 of allocated demand linked to ESG
- 0 new issue premium
- Price improvement of over 50 bps



6th Allocation and Impact Reporting

- April 2022
- Reviewed by Sustainalytics
- Assured by PwC
- 2017 Tier II Sustainability Bond
- 2021 Sustainability Bond

Syndicated loan linked to sustainability KPIs

- USD 109 million
- 3 Sustainability KPIs
- 8 key relationships banks from 8 different countries

EBRD Loan Agreement

- EUR 53.5 million
- Turkey's first loan within the framework of *Green Economy Financing Facility*
- Technologies and services that boost green economy in Turkey
- Supported by the *Clean Technology Fund*.

IFC Loan Agreement

- USD 100 million
- Support investments in gender equality and financial inclusion



European Bank
for Reconstruction and Development



JBIC



IFC

International
Finance Corporation
WORLD BANK GROUP

JBIC Loan Agreement

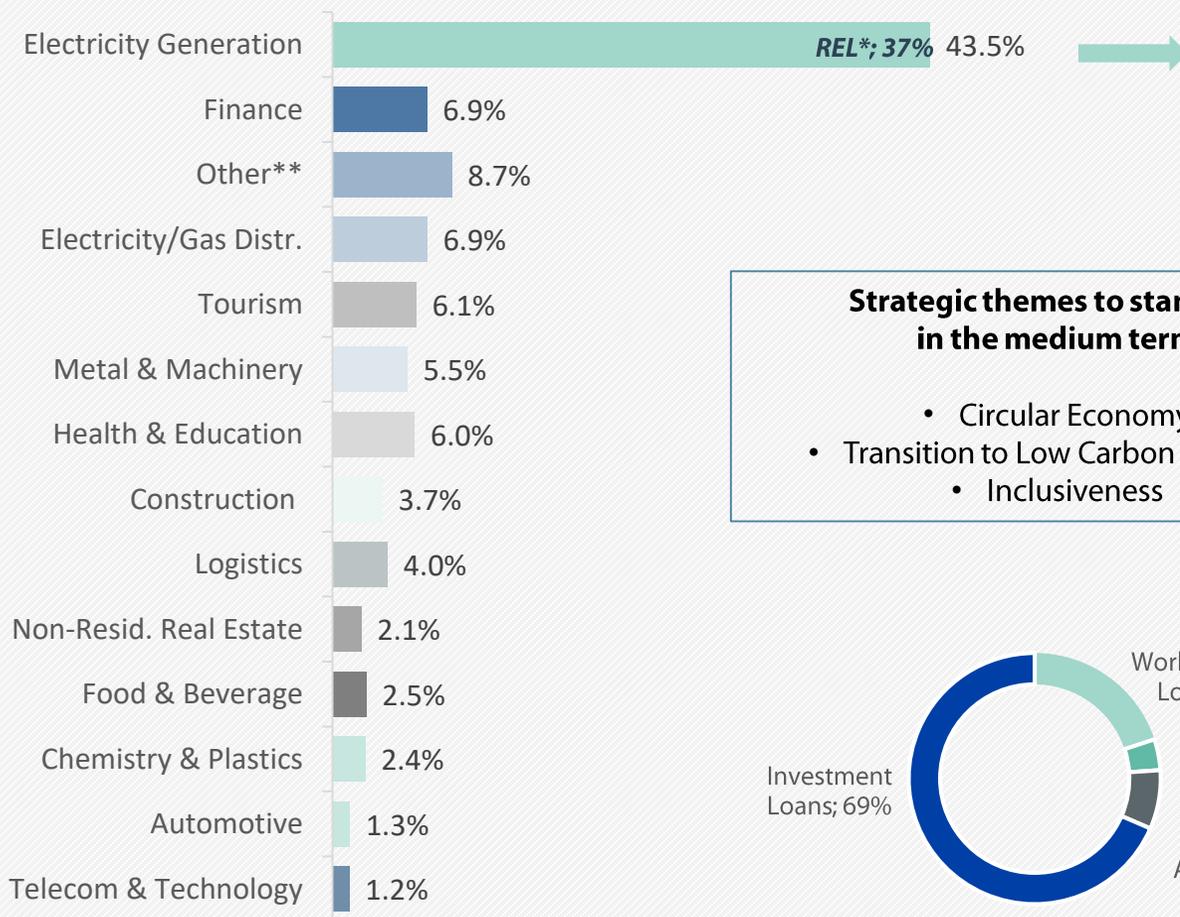
- USD 220 million
- Under the repayment guarantee of the Republic of Turkey Ministry of Treasury and Finance
- Support renewable energy and energy efficiency investments intended for reducing greenhouse gas emissions in Turkey.

Sustainable Bilateral Loan Agreements

Bilateral funding agreements based on sustainability oriented foreign trade finance

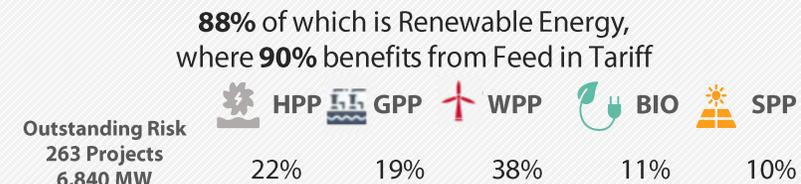
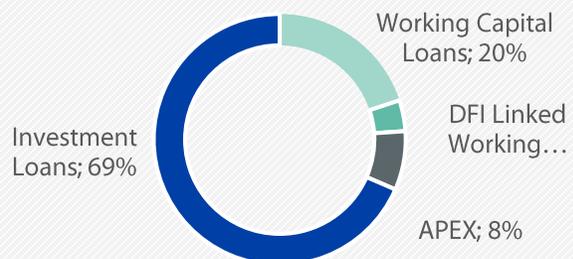
TSKB Lending Portfolio

Loans by sector 2Q-22



Strategic themes to stand out in the medium term

- Circular Economy
- Transition to Low Carbon Economy
- Inclusiveness

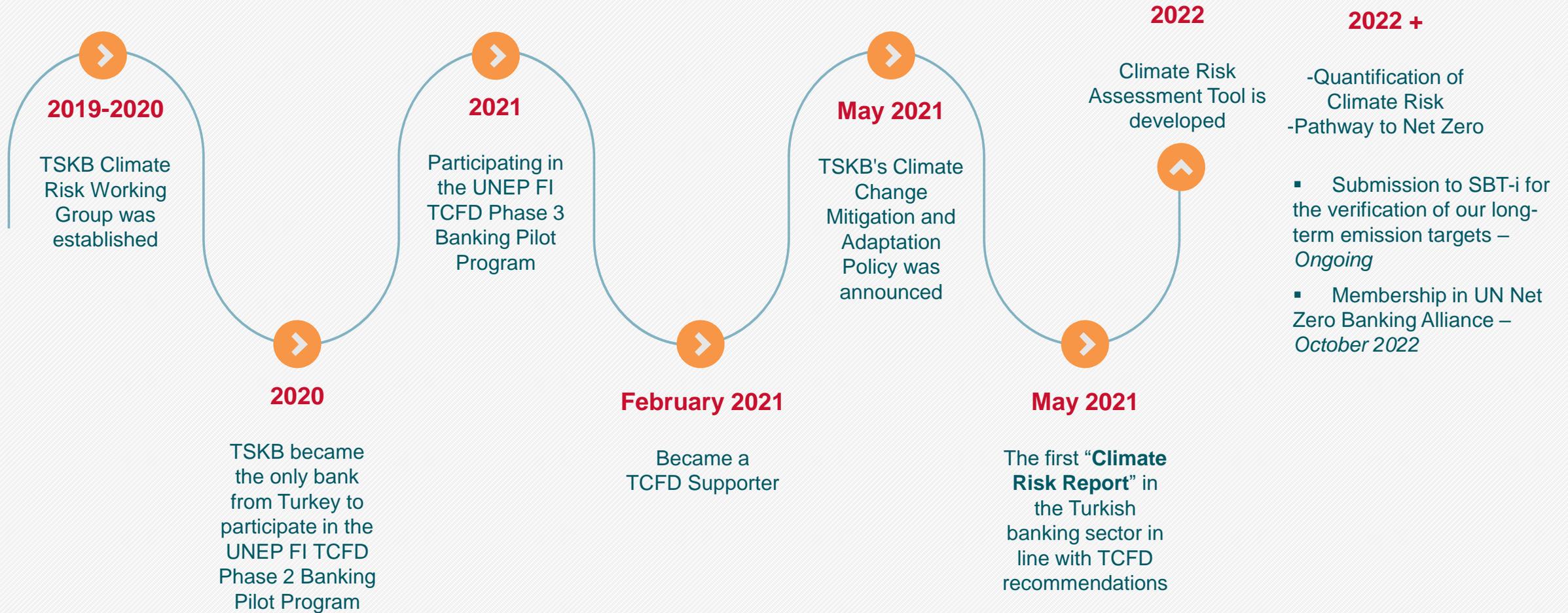


SDG-Linked Loans Account for Nearly 93% of the Portfolio



* Renewable Energy Loans
 ** Textile, retail and others

TSKB's Journey on Climate Risks



TSKB's Strategy on Combating Climate Change

Priority issues are monitored by the senior management within the framework of our Bank's governance structure, and relevant control mechanisms are activated when necessary.

TSKB addresses its actions and targets for mitigating and adapting to climate change in 3 main pillars within the scope of its Sustainability Strategy:



Supporting Turkey's sustainable development model



Playing an active role in tackling climate change



Contributing to Turkey's industrial transition to a low-carbon economy

Material Issue	Relevant Stakeholders (Internal / External)	Materiality Strategy	SDGs	Bank's Relevant Strategy Focus
Combating climate change	TSKB Management / the Customers, Development Finance Institutions, NGOs and the Media	Combating climate change and transition to a low carbon economy are key issues for TSKB. Our Bank, which carries out pioneering work on combating climate change, renewable energy and energy efficiency, works in cooperation with its clients on the management of the risks arising from climate change.	   	Support for combating the climate change and the transition to a low carbon economy
Diversification and development of products for environmental and social development	TSKB Management / Finance Institutions, Development Finance Institutions, Customers, Industry Representatives	The diversification and development of the themed loans offered by our Bank in accordance with its core mission serves many material issues, including resource diversity, client satisfaction, and collaborations with financial institutions.	   	Creation of development projects and support for the SDGs directly and indirectly
Management of the bank's environmental and social impacts	TSKB Management / Development Finance Institutions, NGOs and the Media	In line with its sustainable development mission, it is vital for our Bank to measure and manage every impact created. We manage all kinds of environmental and social impacts arising from our operations, even the minor ones, by using international management systems. We also adopt pioneering practices in the industry regarding the management of indirect environmental and social impacts and risks of the projects it finances.	    	Support for combating the climate change and the transition to a low carbon economy

As one of TSKB's main strategic focus areas, mitigating and adapting to climate change directly and indirectly affects other strategic focus areas.



Climate Change Mitigation and Adaptation Policy

- TSKB sets out the scope and principles of the strategy to combat against climate change in the “[Climate Change Mitigation and Adaptation Policy](#)”

Focal Points of the Policy



Mitigating and adapting to climate change in all fields of activity



Evaluating and managing the environmental and social impacts of all investment and working capital loans



Supporting SBTi, setting targets and implementing necessary actions to reduce GHG emissions in line with the long-term goals of the Paris Agreement.



Integrating physical and transition risks arising from climate change into the Bank's risk management system



Transparently sharing objectives and impacts regarding mitigating and adapting to climate change



Supporting the TCFD and aiming to report in line with TCFD recommendations

TSKB Heat Map and Climate Risk Evaluation Tool

- TSKB climate-related risk assessment, so far being handled within the ERET Model, with a separate model in detail and to create loan-specific action plans by evaluations within the framework of physical and transition risks (CRET).
- TSKB developed the **Climate Risks Evaluation Tool** in 2022.
- The Heat Map constitutes the basis for the Assessment Tool.
- With CRET, TSKB addresses different climate scenarios for both physical and transition risks; aiming to systematically internalize climate risk assessment scoring into project evaluation, decision making, risk management and monitoring processes of the Bank.
- TSKB plans to integrate the evaluation results into its internal rating model.

Climate Risks Evaluation Tool (CRET)

- Scoring of physical and transition risks
- Integrated into credit evaluation and allocation processes and started to be submitted to the Credit Committee in 2022.

Table 12. TSKB Heat Map

Sector and Subsector		Physical Risk	Transition Risks
Renewable Electricity Generation	WPP	High	Low
	SPP	Low	Moderate
	GPP	Low	Moderate
	BPP	Moderate	Moderate
	BES	Low	Low
Non-Renewable Electricity Generation		High	High
Electricity Power Distribution		High	Moderate
Natural Gas Distribution		Moderate	Low
Agriculture and Livestock		High	Moderate
Manufacturing Industry	Automotive	Moderate	High
	Textiles	Moderate	Moderate
	Iron & Steel	Moderate	High
	Cement	Moderate	High
	Petrochemistry	Moderate	High
	Chemistry	Moderate	High
	Packaging	Moderate	High
	Paper and Forestry Products	High	Moderate
	Food and Beverages	Moderate	Moderate
	Service Sector		
Health	Moderate	Low	
Training & Education	Low	High	
Logistics	Moderate	Moderate	
Infrastructure (Port Management)	Moderate	Low	
Real Estate Development Commercial (Office, Shopping Mall)	Moderate	Low	
Tourism	Moderate	Low	
Finance		Low	Low
Construction and Contracting			
Contracting	Moderate	Low	
Other Construction Materials, Cable Manufacturing, Other Construction	Low	Low	
Retail		Low	Low
Telecommunications/Media/IT		Moderate	Low

Table 13. Heat Map Risk Categorization

Positive Impact	Blue
No Impact	Grey
Low Impact	Light Green
Moderate Impact	Orange
High Impact	Red

➤ Sustainability and Climate-related Targets

Within the scope of its commitment to support SDGs:



TSKB aims to provide **USD 8 billion** of SDG-linked financing **between 2021 and 2030**.



To that end, TSKB aims to provide SDG-linked funds worth **USD 3.5 billion and above between 2021 and 2025**.

Within the framework of 2021-2025 road map:



TSKB intends to keep the ratio of SDG-linked loans in the total portfolio at the level of **90%** and above 2021 and 2025



TSKB aims the ratio of loans contributing to climate and environment-focused SDGs within the total loan portfolio to be at the level of **%60**

Targets linked to the transition to a low-carbon economy:



TSKB declares that it will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes.



TSKB intends to **limit the share** of power plants generating Electricity from non-renewable sources within the Bank's entire loan portfolio to **5%**.



In between 2021 and 2023, the **integration of climate risks during loan evaluation, internal rating stage, loan allocation and monitoring processes** will be finalized.

➤ GHG Reduction Targets of TSKB

TSKB has set its science-based reduction targets for GHGs from its operational activities by taking the year 2020 as the reference. These targets comply with the goal of the Paris Agreement to limit the rise in temperature to 1.5 °C.



TSKB undertakes to reduce its **Scope 1** emissions
%42 by 2030 and
%63 by 2035



Since **2009**, TSKB has been offsetting its **Scope 2** emissions by exclusively using renewable energy and will maintain this practice.

Regarding the financed emissions (Scope 3)

TSKB will continue to work on developing methodologies to systematically measure and monitor the greenhouse gas emissions of the companies operating in carbon intensive sectors in its loan portfolio.

TSKB aims to share its Science-Based targets for the relevant carbon-intensive sectors, taking into account the up-to-date guidance frameworks of PCAF and SBTi for the financed emissions.

Long-term Emissions Targets

- Started to include “financed emissions” into the emission calculation and verification processes
 - Carbon intensive sectors – Non-renewable power generation, cement and iron-steel
 - 7.5% of our loan portfolio which represent 70% of our financed emissions
- Submission to SBT-i for the verification of our long-term emission targets – *Ongoing*
- Membership in UN Net Zero Banking Alliance – Oct.2022



Thank you..