



# ***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 »

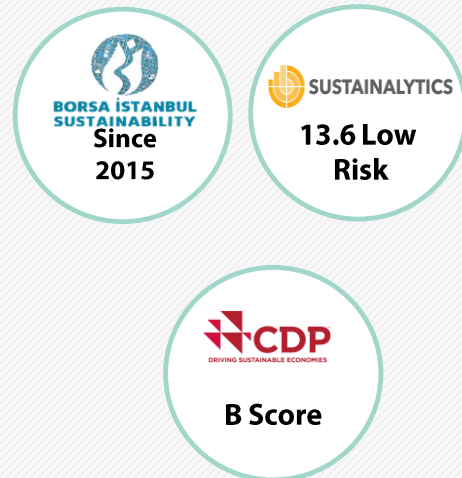
**Our Mission** is to focus on creating value for the inclusive and sustainable development of our country through the financing and consultancy solutions powered by our experience in development and investment banking as well as the visionary approach and well-established international collaboration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



## 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



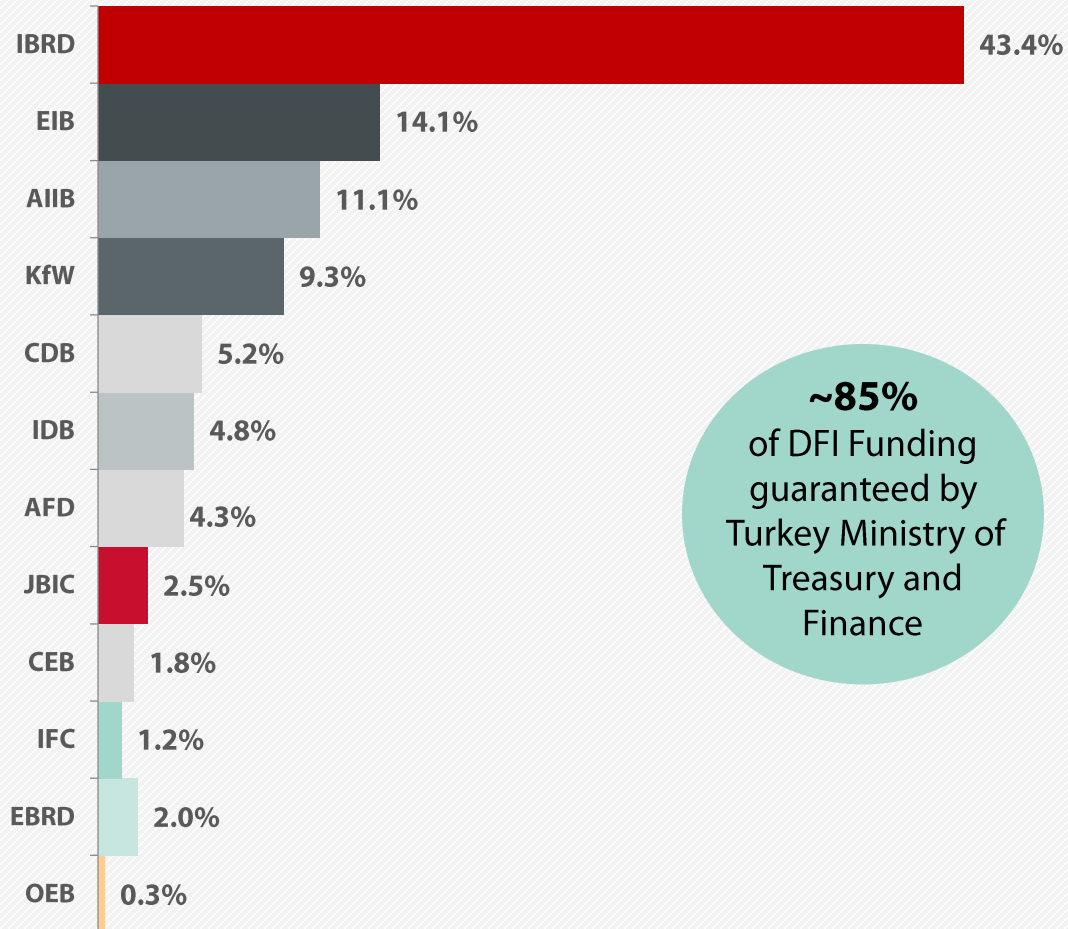
## Extend resources for UN Sustainable Development Goals

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

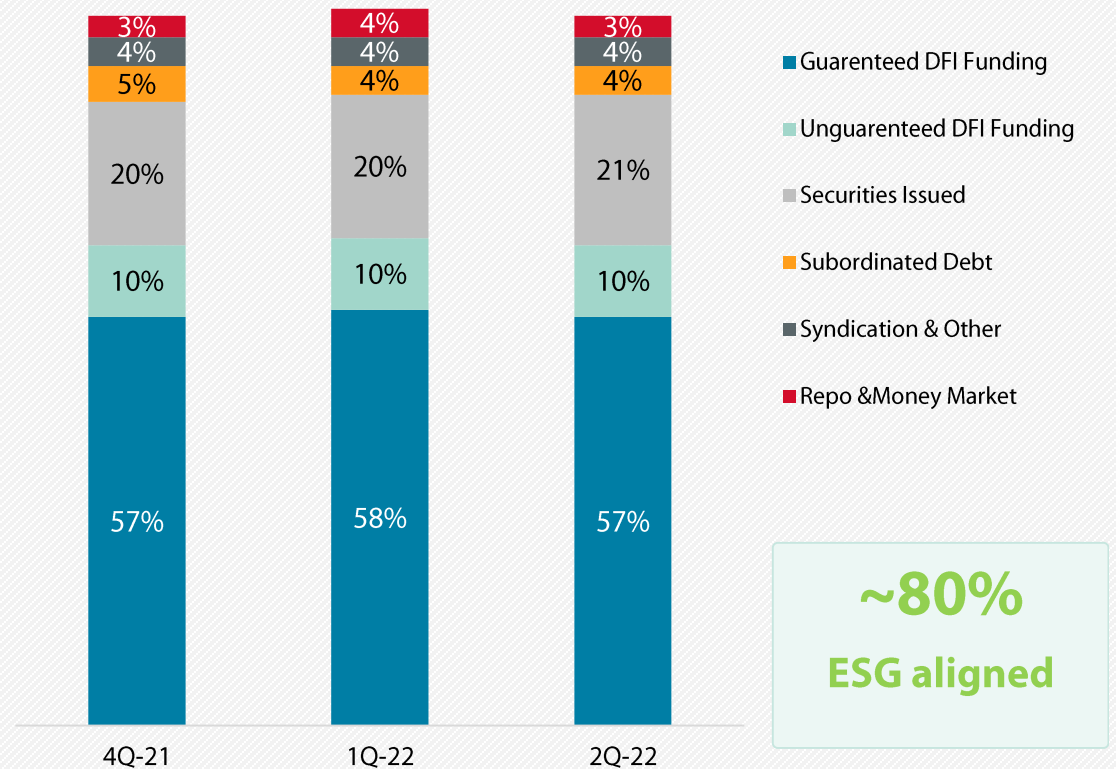


## TSKB Long Term Funding Base

Outstanding DFI Funding Base – 2Q-22



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

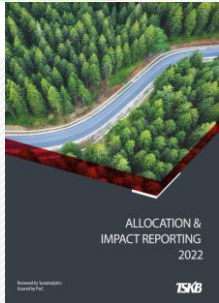


# Sustainable Finance Recent Developments



## 3<sup>rd</sup> 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



## 6<sup>th</sup> 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

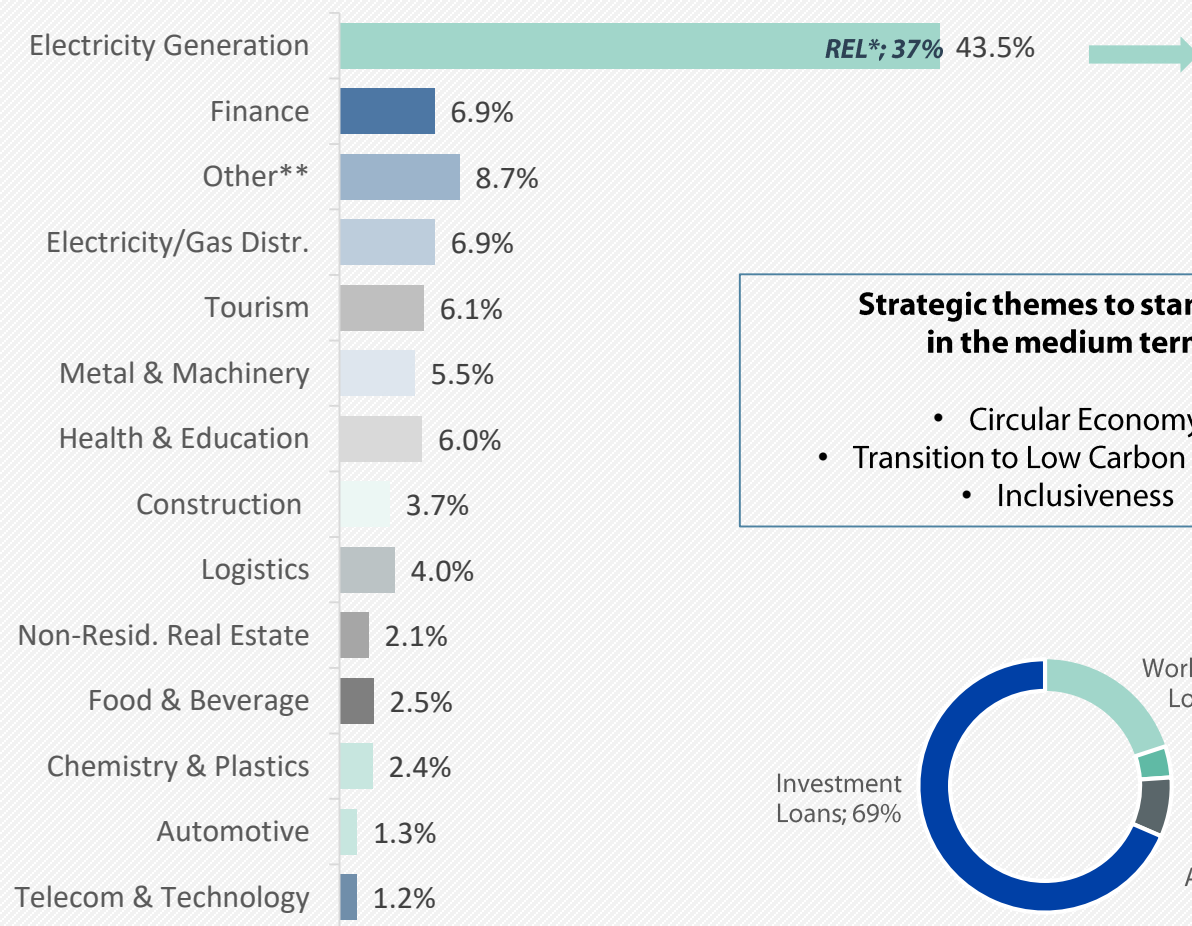
- USD 220 million
- Under the repayment guarantee of the Republic of Turkey Ministry of Treasury and Finance
- Support renewable energy and energy efficiency investments intended for reducing greenhouse gas emissions in Turkey.

## Sustainable Bilateral Loan Agreements

Bilateral funding agreements based on sustainability oriented foreign trade finance

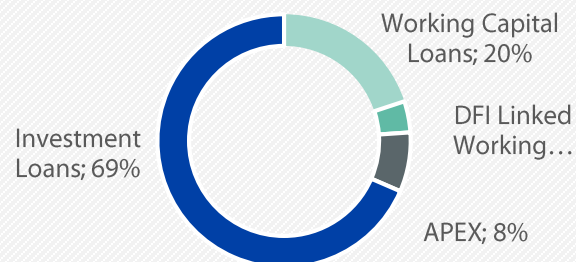
# TSKB Lending Portfolio

Loans by sector 2Q-22



## Strategic themes to stand out in the medium term

- Circular Economy
- Transition to Low Carbon Economy
- Inclusiveness



88% of which is Renewable Energy, where 90% benefits from Feed in Tariff



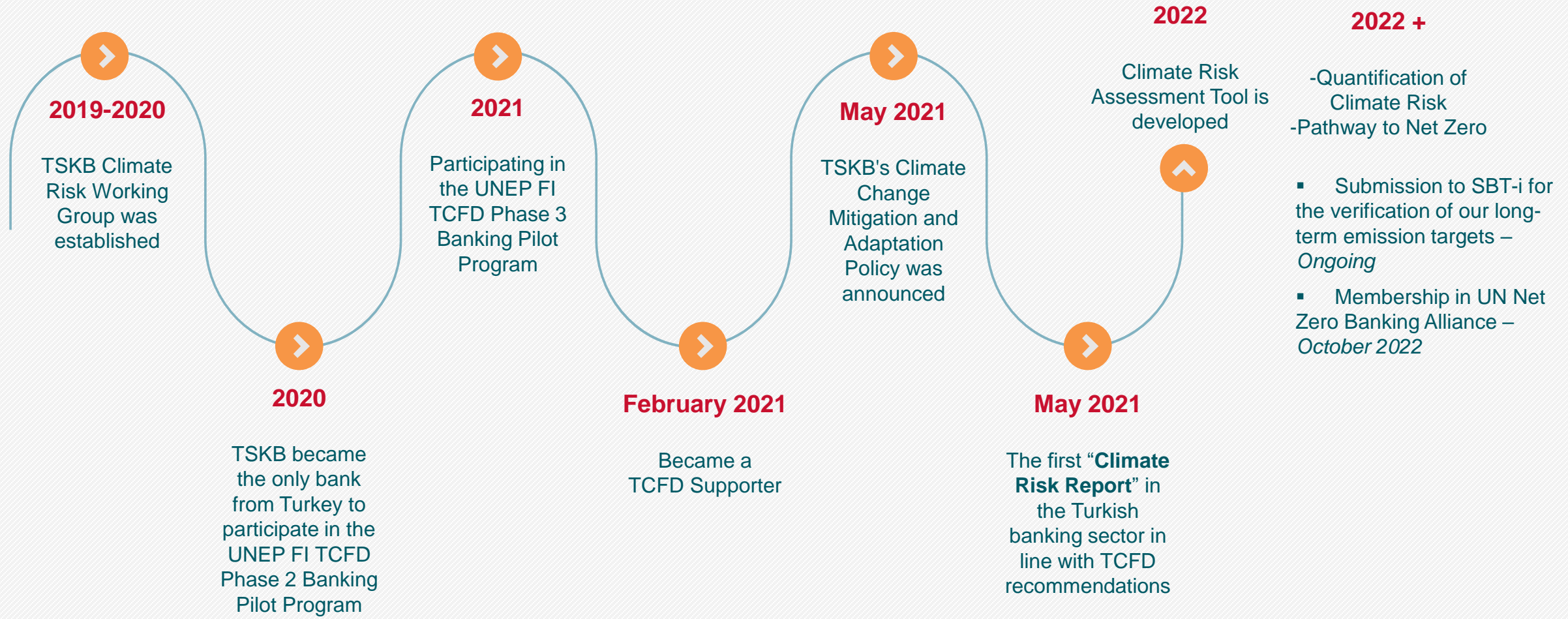
## SDG-Linked Loans Account for Nearly 93% of the Portfolio



\* 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.

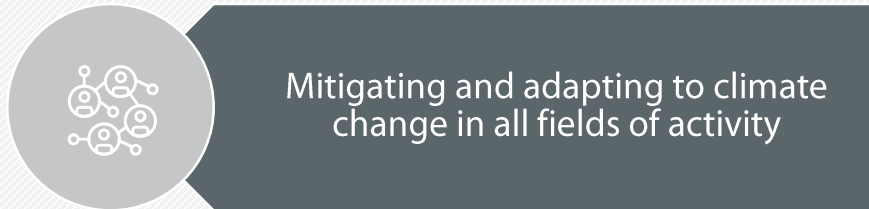




## Climate Change Mitigation and Adaptation Policy

- 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



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

**Table 13. Heat Map Risk Categorization**

Positive Impact	Blue
No Impact	Grey
Low Impact	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..*