



CLIMATE CHANGE APPROACHES OF TURKISH BANKS



₺350

Executive Summary

This report covers how Turkey's 17 largest banks are dealing with 5 key themes relating to climate change. While climate policies introduced through the Paris Agreement and discussions around the "Green New Deal", including the European Green Deal, have been responded to by the finance sector in Turkey, progress is uneven and lacks standards, as each institution makes its own individual efforts. Moreover, things are not progressing fast enough to meet national climate targets. While 8 banks out of 17 banks stated that they will not finance new coal projects, it is noteworthy that this is not a majority. Almost half of the banks have made no information available in terms of their plans to become "carbon neutral" and/or "net zero", be they short-term or long-term targets. On the other hand, while "Sustainability Committees" established under various titles at almost every bank continue to work diligently in this area, it is clear that sustainability reports and information produced by banks refer to different metrics and lack consistency. This means that the steps being taken are institutional rather than sectoral. At the same time, there is not enough data on how the published reports and/or the information provided are audited.

Furthermore, while banks have declared targets around their carbon footprints and renewable energy investments, their long-term goals are not supported by short-term, mea-

asurable, comprehensive planning backed by a scientific approach.

The International Energy Agency (IEA) states that limiting the increase in the average surface temperature of the Earth to 1.5C by the end of the century can only be possible by abandoning the use of fossil fuels. The financial sector has played and will continue to play a critical role in addressing this issue by not financing fossil-fuel investments and increasing climate-friendly investments. That is why it is crucial for the Turkish banking sector to rapidly integrate this and other scientific findings into its sectoral policies.

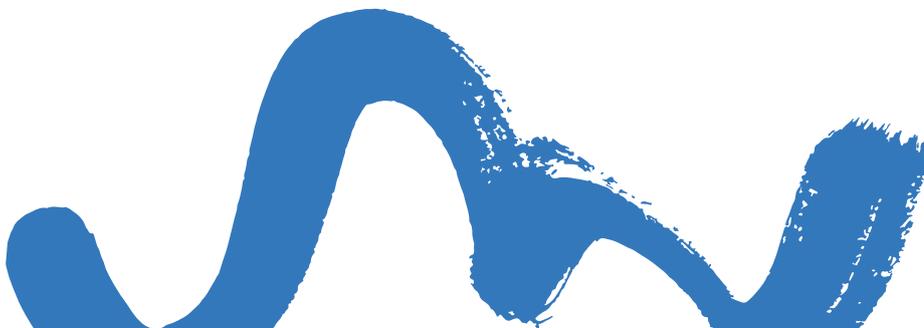
Introduction

The Turkish Grand National Assembly approved the Paris Agreement on October 6, 2021. The agreement brought together 192 of the 197 countries to the United Nations Framework Convention on Climate Change. Prior to this, the Turkish banking sector had been engaging in activity regarding climate change and environmental sensitivity since 2009. While the sustainability report published by Türkiye Sınai Kalkınma Bankası in 2009 was a first for the Turkish finance sector, Akbank published its first sustainability report in 2010 to emphasize environmental awareness and responsiveness, supporting internationally respected environmental initiatives such as the Carbon Disclosure Project (CDP).

This report evaluates the response of 11 private banks (Akbank, Denizbank, Garanti BBVA, HSBC, ICBC, ING, QNB Finansbank, Şekerbank, Türk Ekonomi Bankası, Türkiye İş Bankası, Yapı Kredi), 3 public banks (Halk Bank, Vakıfbank, Ziraat Bank) and 3 investment banks (Türk Eximbank, Türkiye Kalkınma ve Yatırım Bankası (TKYB), Türkiye Sınai Kalkınma Bankası /TSKB))¹ which account for 37.6%, 28.4% and 7.3% of the net loans provided by the Turkish banking sector, respectively, to the following five key climate and biodiversity-related themes:

- Level of interaction with fossil fuel assets/investments
- Target date for “Net Zero”
- Carbon footprint and target date for “Carbon Neutrality”
- Clean energy investments
- ESG (Environmental, Social, Governance) and similar ratings

This study evaluates the banks' annual reports, sustainability reports/presentations, Carbon Disclosure Project (CDP) Climate Change 2021 scores and Sustainalytics ESG scores.



Private Commercial Banks

Akbank

Akbank was licensed as a commercial bank in 1948. With more than 12.000 employees and 711 branches, AKBANK achieved TL 8,049 million net profit with 38.6% ROE and TL 850 billion asset size on a consolidated basis² and total net loans to clients were TL 457.17 billion. Akbank has been publishing sustainability reports annually since 2009 in accordance with the reporting standards and guidance provided by GRI (Global Reporting Initiative).

The Sustainability Committee, which was established in 2020, coordinates all sustainability efforts at the Bank and monitor the successful realization of relevant targets, which are approved by the board, include:

- Becoming a carbon-neutral bank through eliminating operational emissions by 2025;
- Decreasing the impact of loan portfolio on climate change until 2030;
- Mitigating climate-related risks and impact on portfolio

Permanent members of the Committee include Executive and Independent Members of the Board, CEO, CFO and Head of Investor

Relations and Sustainability. Committee convenes twice a year.

Level of Interactions with Fossil Fuel Assets/Investments

As of end 2020, the ratio of fossil fuel energy projects in Akbank's total project finance portfolio was 24%. The total project financing loan size Akbank provided to renewable energy projects of TL 74,194,000 (USD 10 million and above) reached TL 11,700,393,800 (1,577 million USD). Akbank provided financing only for renewable projects in 2020. At the end of the year, 2,697 MW of its energy portfolio were HEPP, 955 MW WPP, 320 MW GES, 181 MW SPP and 9 MW Biomass projects.

Akbank, added "coal-fired power plants" to its non-financing activities (exclusion) list.³

Target Date for Net Zero

Akbank committed to reduce lending portfolio regarding high climate change impact projects by 2030 and become net-zero bank by 2050.

Carbon Footprint and Target Date for Carbon Neutrality

Akbank aims to become carbon-neutral in operational emissions by 2025. By then 60% of the bank's electricity will be sourced from renewable resources (green electricity tariff).

Clean Energy Investments

AKBANK has participated in the Lender Con-

sortium involving six other banks to provide a 650 million USD loan facility to EnerjiSA Üretim to finance their sustainable renewable energy investments in 2020.

Akbank reduced its ESIA (Environmental Social Impact Assessment) limit to \$ 10 million for project finance Loans, in order to better manage the impact of projects it supports. TL 200 bn sustainable loan financing until 2030 is planned.

Additionally Akbank has decided to apply thorough ESG risk analyses on those “most carbon intensive sectors” (cement, machinery, automotive, textile, iron and steel, chemistry). During the last four years in green field energy investments, Akbank had only financed sustainable ones. Additionally, Akbank provided 17bn TL sustainable credit facility to projects in Turkey during the first half of 2021. As of end 2021, 30% of total borrowing were

from sustainable sources⁴. Recently, to support actions related to the EU’s “Green Deal” framework, Akbank introduced “Green Export Package” and “Low Carbon Transition Package” for Turkish industrial exporters.

ESG and similar ratings

Since 2010, Akbank has been rated by CDP. In 2021 the Bank’s CDP Climate Change Program score was “B-”, whereas rating varied between “D” and “B-” during those years.

In 2020 AKBANK has received “18 - Low ESG Risk” rating from Sustainalytics.⁵

Akbank is a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB).



DenizBank

Türkiye Denizcilik bankası started to operate in 1952 as a state-owned bank and privatized in 1997 and name was changed to DenizBank. Since August 2019 DenizBank has been operating under United Arab Emirates's ENBD Group.

With more than 14,000 employees and 712⁶ branches, DenizBank achieved TL 3.54 billion net profit and TL 395.88 billion asset size⁷ in 2021. Denizbank serves 15.5 million customers. Denizbank Sustainability Management System (SMS) Project was initiated in December 2020 and was completed at the end of 2021. DenizBank's sustainability operations and objectives are under the supervision of the Sustainability Committee. The Bank's Sustainability Policy and Exclusion List (areas prohibited for financing) were approved by the committee and the Board of Directors, and are available on the company website.

It is shared that DenizBank's first Sustainability Report is to be available soon. The Sustainability Initiative is also to be implemented by the working group under the Sustainability Committee, composed of 65 members from 25 different divisions of the Bank.

Level of Interactions with Fossil Fuel Assets/Investments

Co-firing of biomass with fossil fuels, peat or hazardous waste (including waste wood that has been treated with wood preservation chemicals), sourcing of biomass from primary moist tropical forests or from natural forests projects will not be eligible to receive investment loans .

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

Information is not available

Clean Energy Investments

As of Fiscal Year 2021, the renewable energy portfolio exposure is USD 467 mn and total installed capacity is 876 MW.

ESG and similar ratings

Denizbank has not been rated by CDP and Sustainalytics. There is no ESG or similar note available.

Garanti BBVA

Garanti BBVA was established in 1946. Since 2011, Spanish Bank Banco Bilbao Vizcaya Argentaria S.A. (BBVA) became a strategic partner currently having 85.97% shares.

With 18,354 employees and 863 branches serving 21 million customers, Garanti BBVA achieved TL 13.07 billion net profit with 22.2% RoE and nearly TL 953.3 billion consolidated asset size⁸ and total loans (cash and non-cash) to clients were TL 712.2 billion in 2021.

Garanti BBVA has been publishing sustainability reports annually since 2010.

At the Bank, the Sustainability Committee chaired by a Board Member is the highest-level of governance for sustainability issues since 2010. The Committee is responsible for;

- Formally reviewing and approving the activities related to sustainable and responsible banking
- Monitoring the progress to provide input to all sustainability efforts
- Reviewing and taking decisions on recommendations raised by the Sustainability Team

The Sustainability Committee approved and initiated several sustainability policies and

solutions such as Sustainability Policy & Strategy, Climate Change Action Plan, prioritizing renewable investments, increasing the scope of the Bank's E&S Impact Assessment Model, announcing a science-based targets etc. Permanent members of the Committee include Chairperson from the Board of Directors, CEO, Executive Vice President(EVP) of Corporate and Investment Banking(CIB), and 4 EVPs⁹ and Chief Credit Risk Officer. It has met a total of 27 times to date since its inception in 2010.

Level of Interactions with Fossil Fuel Assets/Investments

Garanti BBVA reaffirms its commitment to climate change and announces that it will stop financing new coal plants and coal mining in March 2021¹⁰. By 2040 at the latest all coal exposures, including Public Finance (PF) loans, will be closed.

Target Date for Net Zero

Garanti BBVA is a signatory to the Science Based Target Initiatives (SBTI) since 2016 and announced its goal to cut carbon emissions by 29 percent by 2025 and 71 percent by 2035, in line with the Science Based Target Initiative which is promoted by the CDP.

Garanti BBVA committed to aligning their lending and investment portfolios with net zero emissions by 2050.

Carbon Footprint and Target Date for Carbon Neutrality

Garanti BBVA is currently carbon-neutral. In 2020, 73 GWh of electricity needed for 809 branches and 46 buildings were totally provided from renewable energy, reducing its absolute carbon emissions by 75% compared to the reference year (2012) and purchased carbon credits to neutralize its remaining emissions and has become a carbon-neutral Bank.

Clean Energy Investments

All project finance cases -applied on the projects exceeding the limit- are subject to Bank's E&S Loan Policies and Ecuador Principals& ESIAM¹¹.

Garanti BBVA has participated in the Lender Consortium involving six other banks¹² to provide a 650 million USD loan facility to EnerjiSA Üretim to finance their sustainable renewable energy investments in 2020. The Bank is offering easy & fast financing for clients rooftop solar investments through Shopping Loan Mechanism. In April 2021, The Bank provided TL 811 million loan to Galata Wind project. Since 2017, "Green Auto Loan " program is active and TL 34.7 million was disbursed as of end 2020 for purchasing of hybrid and electrical vehicles. As of end of 2021;

- USD 5.6 billion Renewable Energy financing (2,553MW wind, 3,014MW HEPP, 337MW geothermal, 326 MW solar and 58 MW biomass installed capacity)

- 7.2 million Ton CO2 total amount of avoided emissions in 2020

ESG and similar ratings

Garanti BBVA has been responding to CDP Climate Change since 2009 and publicly shares all its reports. Garanti BBVA achieved a "B" score in 2021.

In 2021 Garanti BBVA has received "22.73 - Medium ESG Risk" rating from Sustainalytics¹³. Garanti BBVA is included in the Emerging Markets category of the Dow Jones Sustainability Index for the seventh consecutive year, Dow Jones Sustainability Index since 2015 and qualified for BIST Sustainability Index since 2014. Since 2019 Garanti BBVA is a member of Net Zero Banking Alliance and the Principles for Responsible Banking (PRB) of the United Nations Environment Programme Finance Initiative (UNEP FI).

Garanti BBVA has become the first Turkish signatory to the United Nations Net Zero Banking Association (UN NZBA).

HSBC

HSBC Turkey has been operating in Turkey since 1990. With more 1,873 employees and 70¹⁴ branches, HSBC achieved TL 950.9 million net consolidated profit and nearly TL 75.73 billion asset size¹⁵ and total net loans to Clients were TL 29.77 billion.

Level of Interactions with Fossil Fuel Assets/Investments

In line with the climate change resolution, the Bank published our thermal coal phase-out policy.

It also included a commitment to publish a policy to phase out the financing of coal-fired power and thermal coal mining, by 2030 in the EU/OECD, and 2040 in all other markets.

Target Date for Net Zero

HSBC Group is aiming to be net zero by 2050 and to achieve this target between USD 750 billion to USD 1,000 billion customer financing is planned.

Carbon Footprint and Target Date for Carbon Neutrality

HSBC has been implementing carbon footprint reduction projects and the Group's target is to be a carbon-free corporation by 2030.

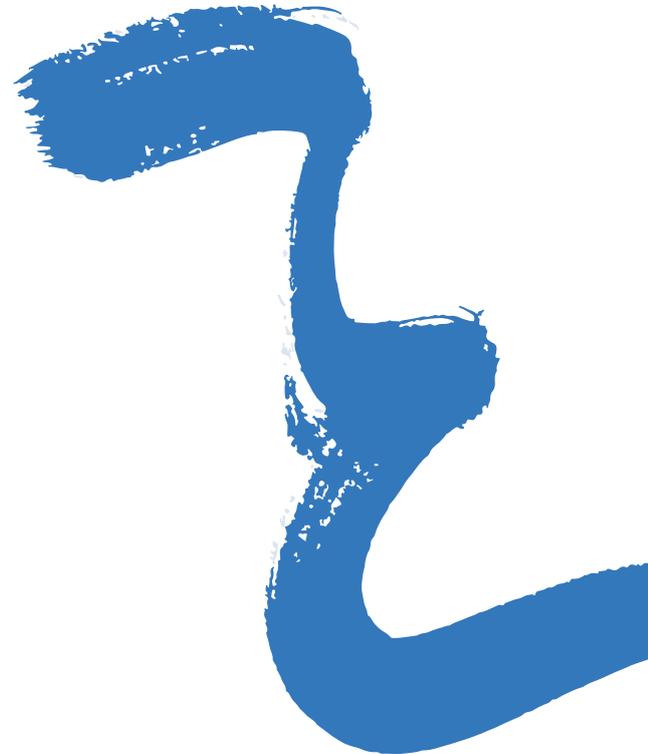
The group aims to reduce energy consumption by 50% by 2030, against a 2019 baseline.

Clean Energy Investments

HSBC has participated in the Lender Consortium involving six other banks to provide a 650 million USD loan facility to EnerjiSA Üretim to finance their sustainable renewable energy investments in 2020.

ESG and similar ratings

HSBC Turkey has not been rated by CDP and Sustainalytics. There is no ESG or similar note available.



ICBC

ICBC Turkey, which started to provide services in the Turkish market on May 22, 2015. Before the acquisition the bank's name was Tekstilbank which was founded in 1986. With 706¹⁶ employees and 39¹⁷ branches, ICBC achieved TL 115.9 million net profit with 8.39% ROE and TL 39.1 billion asset size¹⁸ and total net loans to Clients were TL 21.6 billion.

ICBC has not publishing sustainability reports and no mention in their 2021 annual report

Level of Interactions with Fossil Fuel Assets/Investments

Information is not available

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

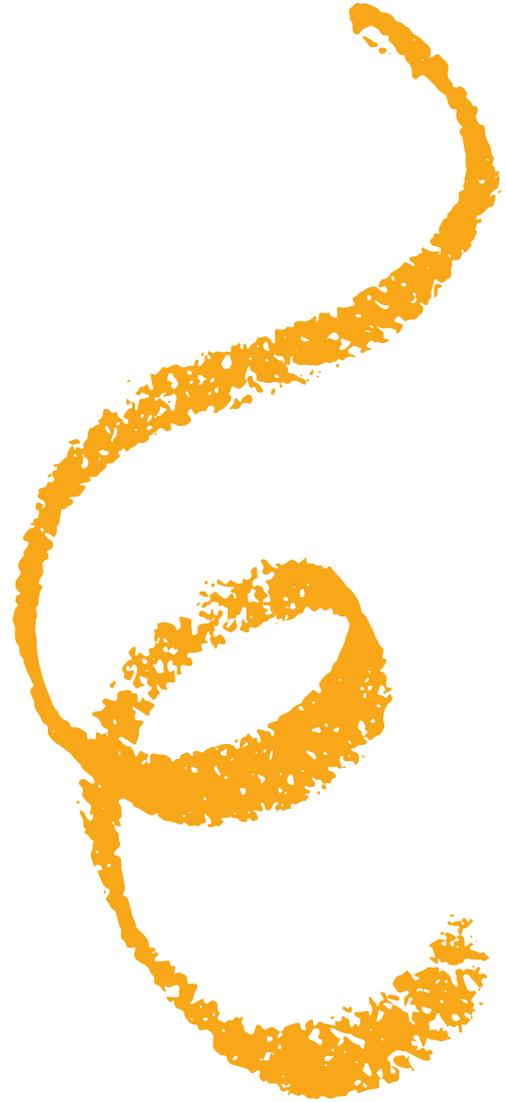
Information is not available

Temiz Enerji Yatırımları

As of 2021 year-end, 5 of the 17 projects financed were renewable energy projects (30% of the total portfolio).

ESG and similar ratings

ICBC Turkey has not been rated by CDP and Sustainalytics. There is no ESG or similar note available.





ING Group stepped into the Turkish market in December 2007 by purchasing 100% of the shares of Oyakbank from Oyak Group.

With more than 3,705 employees and 207¹⁹ branches, ING achieved TL 1.59 billion profit and nearly TL 88.6 billion asset size²⁰ and total loans to Clients were TL 53.6 billion.

Level of Interactions with Fossil Fuel Assets/Investments

ING Group decided not to provide dedicated financing for new oil and gas fields, and to reduce Group's exposure to coal power generation to close to zero by 2025.

Target Date for Net Zero

ING Group aims to reach net zero emission by 2050.

Carbon Footprint and Target Date for Carbon Neutrality

The Bank supplies nearly 80 percent of the energy and consumes, from the renewable energy sources, and aims to guarantee supply of the entire electric energy by means of an internationally-recognized certificate.

Clean Energy Investments

ING has participated in the Lender Consortium involving six other banks to provide a 650

million USD loan facility to EnerjiSA Üretim to finance their sustainable renewable energy investments in 2020.

ESG and similar ratings

ING Turkey has not been rated by CDP and Sustainalytics. There is no ESG or similar note available..



İş Bankası

İş Bankası was licensed as the first national commercial bank after the establishment of the Republic of Turkey in 1924. With more than 22,802 employees and 1,184²¹ branches, and serving more than 21 million customers, İş Bankası achieved TL 13.5 billion net profit with 34.6% ROE and nearly TL 1,007 billion asset size on a consolidated basis²² and total net loans to Clients were TL 493.4 billion.

İş Bankası has been publishing sustainability reports annually since 2012 and in 2019 İş Bankası started to report within the scope of the Carbon Disclosure Project (CDP) Climate Change Program,

At İş Bankası, the Board of Directors is the highest-level of governance for sustainability issues. The Sustainability Committee who works as a sub committee under the Board of Directors in 2021, has been overseeing and coordinating all sustainability efforts of the Sustainability Working Group and monitor the successful realization of relevant targets, which are approved by the board, include:

- To focus on ESG issues
- To steer İş Bankası's sustainability initiatives and represents the Bank in sustainability communication including stakeholder engagement
- To set principles to perform the action

plans that are required for the elimination of findings detected during the aforementioned audits

- At least once in a year, to review all of the indicated policies²³ in accordance with the requirements and changing operating conditions, submit required revisions and amendments
- To ensure sustainability issues are embedded in business decisions and there is appropriate flow of information across all divisions
- To decrease the impact of loan portfolio on climate change to become carbon neutral until 2035
- To mitigate climate-related risks and impact on portfolio

Permanent members of the Committee include Chairperson of the Board of Directors and has two additional Board members as well as seven Deputy Chief Executives.

İş Bankası's Climate Change Risk Taxonomy, Climate Change Risk Policy, Methodology and Principles Regarding the Measurement and Management of Climate Change Risk and Climate Change Risk RACI Matrix have been established by the Committee, approved by the Board and came into effect in March 2021.

Level of Interactions with Fossil Fuel Assets/Investments

"Loans for financing greenfield investments

of coal- and natural gas-fired thermal power plants” has been added to the Exclusion List at the end of 2020, and “new coal mine investments” and “gold mining activities using cyanide” in 2021.

İş Bankası plans to integrate climate change risk into its risk appetite framework, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transport, cement production, etc. Bank’s risk profile and any breaches in the risk appetite or risk tolerance limits will be monitored by the Risk Management Division and the Chief Risk Officer (CRO).

Target Date for Net Zero

İş Bankası aims to reach net zero emission by 2050.

Carbon Footprint and Target Date for Carbon Neutrality

The bank aims to become a carbon-neutral bank by eliminating operational emissions by 38% by 2025, by 65% by 2030, and by 100% by 2035. As of end 2020 through emission reduction strategy, the share of electricity sourced from renewable energy reached to 84%.

Clean Energy Investments

As of the end of 2020, the share of renewable energy financing in İş Bankası's total energy production projects portfolio was 69.5% (3,815 million USD), and the share of renewable energy financing in the total financing was 7.5%. With 45 projects financed by İş Bankası (356 million USD), the amount of clean energy pro-

duced in 2020 is 24.9 million MWh. The total installed power of renewable energy projects financed by İş Bankası in 2020 was 1,950 MW, the total installed power to date reached 9,170 MW.

As of the end of 2021, the share of renewable energy financing -in power generation projects portfolio- was 71%.

Potential ESG risks of all new investments above 10 million USD at İş Bankası are evaluated with reference to national legislation and national and international regulations such as IFC (International Finance Corporation) Performance Standards, EBRD (European Bank for Reconstruction and Development) Performance Requirements and Equator Principles.

ESG and similar ratings

İş Bankası has been disclosing its climate-related efforts through the Carbon Disclosure Project Climate Change Program since 2019. In 2021 the Bank’s CDP Climate Change Program score was “B” whereas it was “C” in 2019.

In 2020 İş Bankası has received “18.6 - Low ESG Risk” rating from Sustainalytics²⁴.

Signing the UNEP FI Principles for Responsible Banking in 2020 and being a member of UNEP FI, İş Bankası has started portfolio impact analysis. In addition, the Bank maintains its cooperation in UNEP FI sub-working groups as well.

İş Bankası is also signatory to the United Nations Net Zero Banking Association (UN NZBA).

Şekerbank

Şekerbank was originally established in 1953. With more than 3,462 employees and 238²⁵ branches, the Bank achieved TL 430.7 million net profit with 14.7% consolidated ROE and nearly TL 12.19 billion asset size²⁶ and total gross loans to Clients were TL 20.69 billion²⁷.

The main governance unit is the Sustainable Banking Committee whose members include the independent member of the Board, General Manager and also Executive Vice President of Strategy. The Committee establishes sustainability strategies and policies in economic, social and environmental fields, as well as monitors performance by integrating these strategies and policies into the Bank's operations.

While Şekerbank has been publishing sustainability reports prepared according to GRI standards since 2014, an Integrated Report was presented in 2021.

Level of Interactions with Fossil Fuel Assets/Investments

Data on Şekerbank's energy sector loan portfolio could not be reached. Bank historically has been focusing on agriculture and SME financing.

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

Within the scope of combating climate change, Şekerbank has been measuring the carbon footprint resulting from its own activities since 2010. Based on its 2018 results, the Bank aims to reduce its carbon emission rate by 5% until 2023 within the scope of CDP

Clean Energy Investments

The Bank is active in roof-top solar, energy efficiency and L.E.D. lighting projects and proposing specific loan packages to SMES and consumers.

ESG and similar ratings

Şekerbank has been rated by CDP since 2010 and scores varied between "A-" and "D". In 2021 Şekerbank received "B". Sustainalytics ESG rating is not available.

Şekerbank is a founding signatory of Net Zero Banking Alliance and the Principles for Responsible Banking (PRB) of the United Nations Environment Programme Finance Initiative (UNEP FI).

QNB Finansbank

Finansbank A.Ş was founded on October 26, 1987 and acquired by National Bank of Greece (NBG), in 2006. The Bank's name was changed to QNB Finansbank in October 2016 after it was acquired by QNB Group of U.A.E.

With more than 10,887 employees and 445²⁸ branches, QNB Finansbank achieved TL 3.93 billion net profit²⁹ and nearly TL 425.67 billion asset size³⁰ and total net loans to Clients were TL 240.76 billion.

The Bank has been publishing annual sustainability reports annually since 2018. Last one was published for the year 2020..

Sustainability Committee (SC) is responsible for the general oversight of sustainability strategy and performance, including informing and updating Board of Directors and Corporate Governance Committee on sustainability related matters.

Level of Interactions with Fossil Fuel Assets/Investments

QNB Finansbank announced its commitment not to finance new coal investments in June 2022³¹.

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

In 2020, QNB Finansbank procured circa 23% of its electricity consumption from renewable sources. No specific target for future reduction was published yet.

Clean Energy Investments

QNB Finansbank concluded a EUR 25 million facility with the Proparco, a subsidiary of the French Development Bank, with a maturity of 6 years. Funds were allocated to agricultural needs of the Bank's SME customers with a commitment to energy efficiency. Total Value of Renewable Energy Portfolio was TL 890.6 million as of end 2020.

ESG and similar ratings

Since QNB acquired it, the Bank responded for the first time to CDP rating in 2021 and received a "C" score.

In 2021 QNB Finansbank has received "31.7 - High ESG Risk" rating from Sustainalytics³².

Türk Ekonomi Bankası (TEB)

Türk Ekonomi Bankası (TEB) commenced banking operations in 1927. Since 2005, TEB has been operating as a strategic partner of BNP PARIBAS. TEB's total assets reached TL 227.1 billion as of the end of March 2022. With more than 8,572 employees and 455³³ branches, TEB achieved TL 2.08 billion net profit and total net loans to Clients reached TL 108.4 billion³⁴.

Between 2013 and 2017 TEB published bi-annual sustainability reports. Since 2017 no report has been published.

Level of Interactions with Fossil Fuel Assets/Investments

Information is not available

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

Information is not available

Clean Energy Investments

TEB has participated in the Lender Consortium involving six other banks to provide a 650 million USD loan facility to EnerjiSA Üretim to

finance their sustainable renewable energy investments in 2020.

ESG and similar ratings

The Bank has not been rated by CDP and Sustainalytics. There is no ESG or similar note available.



Yapı Kredi Bankası

Yapı Kredi Bankası (YKB) was established in 1948. YKB is the 3rd largest private bank in Turkey with total assets worth TL 780.8 billion as of the end of 2021. With more than 16,426 employees and 804³⁵ branches, YKB achieved TL 10.5 billion net profit with 19.6% RoATE³⁶ and nearly TL 780.8 billion asset size³⁷ and total net loans to Clients were TL 403.1 billion.

YKB has been publishing sustainability reports annually since 2011. Yapı Kredi published its first Sustainability Report in compliance with the GRI G4 standards in 2015 and the last report was published in 2019. Since 2019, Yapı Kredi has been sharing its sustainability performance through its integrated annual report, which includes both financial and non-financial data. YKB has been publishing CDP reports since 2016.

At YKB, the Sustainability Committee chaired by a Board Member is the highest-level of governance for sustainability issues. The Committee is responsible for;

- Integrating sustainability in business processes and for monitoring
- Assessing and guiding sustainability per-

formance of YKB regularly,

- Setting up strategies/defining targets with regards to reduction of emissions

The permanent members of the Committee include a Board Member (Committee Chairman) and 11 senior executives. The Committee convenes 4 times a year and reports to the Executive Committee and the Board of Directors.

Level of Interactions with Fossil Fuel Assets/Investments

YKB announced that it will reject all credit applications related to new coal fired power plants and coal mining facilities in 2021i.³⁸ Potential ESG risks of all new investments above 10 million USD and above at YKB are evaluated within the scope of the Environmental and Social Risk Assessment (ESRA) system

Target Date for Net Zero

As a part of Koç Group, YKB commits to its goal of being net zero by 2050 in line with Koç Group. With the project initiated within the framework of the Carbon Transformation Program of its main shareholder Koç Holding, it has calculated the emissions arising from its loan portfolio and continues to work on setting reduction targets for these emissions. In line with these targets, it aims to reveal its strategy for the transformation of its loan portfolio.

In July 2021, Yapı Kredi joined the Science Based Targets Initiative's Business Ambition for

1.5°C platform and became the first Turkish company to commit to setting emission reduction targets to limit global warming to 1.5°C.

Carbon Footprint and Target Date for Carbon Neutrality

In 2021, Yapı Kredi started working towards the goal of reducing Scope 1 and Scope 2 absolute carbon emissions (compared to the base year 2019) by 76% by 2030 and 100% by 2035. The target year for carbon neutrality is 2022 for emissions from operational activities.

In 2021, YKB procured 33,668 MWh of its total electricity needed at all service points from renewable energy sources, resulting in a CO₂ reduction of approximately 16 thousand tons. In addition, the transition to energy efficient lighting systems and energy efficiency practices saved 869 tons of CO₂.

Clean Energy Investments

Yapı Kredi's renewable energy financing volume amounted to USD 1.9 billion by the end of 2021, with renewable energy projects accounting for 42% of the project finance energy portfolio.

YKB offers financial solutions through products and services such as sustainability-related loans, renewable energy and energy efficiency loans, Clean Energy Variable Fund, Nature-Friendly Mortgage and Nature-Friendly Auto loans.

Within the scope of the cooperation with Arçelik Solar Energy, Yapı Kredi Leasing offered consumers the opportunity to purchase rooftop solar energy systems in installments of up to 18 months. By the end of 2021, total financed renewable energy investments established through Yapı Kredi Leasing reached 563 mwh of installed capacity.

ESG and similar ratings

In 2020, the Bank's CDP Climate Change Program was rated "B" and it has received "17.1 - Low ESG Risk" rating from Sustainalytics³⁹.

YKB has been included in the "BIST Sustainability Index" since 2014 and in the "FTSE4Good Emerging Markets Index" since 2017.

Yapı Kredi became one of the founding signatories of the Principles for Responsible Banking (PRB) of the United Nations Environment Programme Finance Initiative (UNEP FI) in 2019.

PUBLIC BANKS

Türkiye Halk Bankası (Halkbank)

Halkbank was established in 1938. Currently majority shares belong to Türkiye Wealth Fund (87.7%).

With more than 23.379 employees and 1028⁴⁰ branches, THB achieved TL 1.5 billion net profit with 3.5% RoE and nearly TL 901.2 billion asset size⁴¹ and total net loans to Clients were TL 730.5 billion.

Halkbank has been publishing annual sustainability reports, CDP reports since 2013 and carbon foot-print reports since 2014.

"Sustainability Committee" was created within the Board of Directors to maintain the Bank's sustainability efforts with a transparent management approach. The Sustainability Committee is a subsidiary of the Board of Directors to coordinate Halkbank's priorities and activities related to sustainability.

Level of Interactions with Fossil Fuel Assets/Investments

As the Bank focuses mainly on SME and con-

sumer lending, only 7% of the total loan portfolio was used for energy projects. No specific data is available for fossil fuel assets/investments and Bank's policies regarding those..

Target Date for Net Zero

Halkbank joined the United Nations Net-Zero Banking Association (UN NZBA). Within the scope of cooperation with the Union, it has committed to align its entire loan and investment portfolio with the net zero emission target by 2050.

Carbon Footprint and Target Date for Carbon Neutrality

In 2021, 812 tons CO₂e emission was calculated from the Bank's overall operations and neutralized through purchasing carbon credit in PAS 2060 standards. Effectively the Bank was carbon neutral as of end 2021.

Clean Energy Investments

2021 yılında toplam 301,49 MW kurulu güce sahip 25 yenilenebilir santral projesine 654 milyon TL kaynak sağlanmıştır.

ESG and similar ratings

Halkbank has been responding to CDP Climate Change since 2012 and publicly shares all its reports. 2021 score was "B".

In 2021 Halkbank has received "36.5 - High ESG Risk" rating from Sustainalytics⁴².

Türkiye Vakıflar Bankası (Vakıfbank)

Vakıfbank was first established and operational in 1954. Currently majority shares belong to Türkiye Wealth Fund (64.8%).

Vakıfbank's total assets worth TL 1007.2 billion as of the end of 2021. With 16,748⁴³ employees and 937⁴⁴ branches, VB achieved TL 5,198 million net profit and total net loans to Clients were TL 573.7 billion.

In 2016, Vakıfbank published its first sustainability report. The integration into decision-making processes and management of sustainability is the responsibility of the Sustainability Committee, which is the high level decision making and responsible authority at the Bank. The Sustainability Committee chaired by the General Manager consists of one independent Board Member, 8 Executive EVPs and 5 Heads of the related departments.

All project finance loan applications with a loan demand of more than USD 20 million are subject to the scope of the Environmental and Social Risk Management System (ESMS) process to the lending decision mechanism during the loan evaluation phase.

Level of Interactions with Fossil Fuel Assets/Investments

As of the end of 2020, the cash amount of project loans related to the cement, energy, iron and steel sectors is TL 16 billion and it is 5.14% of the commercial loans portfolio of the Bank. No specific data is available for fossil fuel assets/investments and Bank's policies regarding those.

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

In 2020, Vakıfbank purchased 55,000 Verified Carbon Units generated from clean energy sources and became a carbon negative company by offsetting more than all of their greenhouse gas emissions calculated for 2019.

Clean Energy Investments

In 2019, Vakıfbank provided financial support of over TL 1.3 billion to 37 renewable energy projects. In 2020 twenty eight renewable energy and energy efficiency projects amounting TL 2.1 billion were financed.

ESG and similar ratings

Vakıfbank has been responding to CDP Climate Change since 2015 and publicly shares all its reports. 2021 score was "B".

In 2021 Vakıfbank has received "19.8 - Low ESG Risk" rating from Sustainalytics⁴⁵.

Ziraat Bankası

Ziraat Bankası was established in 1863 as the first National Bank. It is the largest bank in Turkey whose shares belong to Türkiye Wealth Fund (100%).

As of the end of 2021, with more than 24,607 employees and 1,752⁴⁶ branches, ZB achieved TL 6.29 billion net profit with 6.9% ROE⁴⁷ and nearly TL 1,371 billion asset size⁴⁸ and total net loans to Clients were TL 763 billion.

Ziraat Bankası has been publishing an annual sustainability report since 2013. Starting from 2019 sustainability report has been integrated with annual report.

Level of Interactions with Fossil Fuel Assets/Investments

Although Ziraat Bankası states that a specific attention is given to the environment during loan assessments, there is no specific data available for fossil fuel assets/investments and Bank's policies regarding those.

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

Information is not available

Clean Energy Investments

Information is not available

ESG and similar ratings

The Bank has not been rated by CDP and Sustainalytics. There is no ESG or similar note available.



INVESTMENT BANKS

Turk Eximbank

Turk Eximbank was established in 1987 as a state-owned investment bank to support the Turkish export sector. Turk Eximbank is the export credit agency in Turkey with total assets worth TL 204.23 billion as of the end of 2020. With 20⁴⁹ branches under three regional offices, the Bank achieved TL 1.51 billion net profit and total net loans to Clients were TL 178.25 billion (USD 45.64 billion including USD 17.14 billion TL risk insurance for exports).

Level of Interactions with Fossil Fuel Assets/Investments

Information is not available

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

Information is not available

Clean Energy Investments

Information is not available

ESG and similar ratings

In 2021 the Bank has received “13.7” - Low ESG Risk” rating from Sustainalytics⁵⁰. CDP rating does not exist.



Türkiye Kalkınma ve Yatırım Bankası (TKYB)

TKYB was originally established in 1975. TKYB achieved TL 501.8 million net profit and nearly TL 28 billion asset size⁵¹ and total net loans to Clients were TL 20.25 billion.

The Bank has not been publishing a separate sustainability report; presents its sustainability performance with the Integrated Report.

The General Manager assumes the presidency of the Sustainability Committee, which was established in 2020, and an independent Member of the Board of Directors is included in order to carry out steering and oversight duties more effectively.

Level of Interactions with Fossil Fuel Assets/Investments

Information is not available

Target Date for Net Zero

Information is not available

Carbon Footprint and Target Date for Carbon Neutrality

Information is not available

Clean Energy Investments

Following funds were obtained from various international finance institutions:

- GREEN III Loan agreement of 170 million USD with the Japanese Bank for International Cooperation (JBIC)
- In addition to the loan agreement signed with the Asian Infrastructure Investment Bank (AIIB) in 2019; 100 million USD of financing was provided for the financing of renewable energy and energy efficiency projects with the Additional Financing Agreement signed in 2021
- A loan agreement of 150 million USD was signed with the World Bank in December 2021 to be used in the financing of geothermal energy projects.

ESG and similar ratings

The Bank has been reporting to CDP Climate Change Programme since 2016, and 2021 rating was “B”.

In 2021 TKYB has received “11 - Low ESG Risk” rating from Sustainalytics⁵².

TKYB is one of the founding signatories of the Principles for Responsible Banking of UNEP FI and joining sub-working groups as well. The Bank was the first institution in Turkey to sign the The Operating Principles for Impact Management led by the International Finance Corporation (IFC).

Türkiye Sınai Kalkınma Bankası (TSKB)

TSKB was established in 1950. With 361 employees and 2⁵³ branches, TSKB achieved TL 1.09 billion net profit with 16.7% RoE and nearly TL 84.1 billion asset size⁵⁴ and total loans to Clients were TL 63.9 billion.

TSKB published its first sustainability report in 2009. In 2013 the Bank published a sustainability report qualifying for GRI A+ certification. As of 2015, the sustainability report has been published in GRI G4 format. Since 2016 TSKB has been sharing its financial and sustainability performance with its stakeholders via its Integrated Report.

All sustainability works across our Bank are managed by the Sustainability Committee, which was established in 2014 and consists of 3 Board Members, CEO and 2 Executive Vice Presidents as of 2021.

The Committee is responsible for the coordination of the activities and business plans created in line with our sustainability strategy vision and targets. With the participation of our Bank's CEO as a committee member, the Sustainability Committee evolved into a structure which would manage all targets and

strategies under a macro perspective.

Level of Interactions with Fossil Fuel Assets/Investments

TSKB declares that it will not finance new coal-fired thermal power plant and coal mining investments for electricity generation purposes in accordance with its Climate Change Mitigation and Adaptation Policy.

Target Date for Net Zero

By the end of 2023, using Climate Risks Assessment Tool the Bank is expected to declare a time table to divest its loan portfolio for Zero Emission.

Carbon Footprint and Target Date for Carbon Neutrality

Since 2009, TSKB has been offsetting its Scope 2 emissions by exclusively using renewable energy and will maintain this practice. TSKB neutralized its greenhouse gas emissions (Scope 1 and Scope 3) in 2020 with carbon credits obtained from a wind power plant that has Gold Standard certification.

Clean Energy Investments

Especially in the last 20 years, the Bank has prioritized environmental sustainability projects, and has supported approximately 400 renewable energy power plants and around 150 energy and resource efficiency projects. The renewable energy power plants financed by TSKB today are corresponding to 15% of Türkiye's installed power (8.239 MW) in this field.

The share of sustainability-themed loans in the total loan portfolio is 74%, and the total shares of Renewable Energy, Energy Efficiency, Resource Efficiency and Environment-focused loans are 49%, 50% and 53% for 2018, 2019 and 2020 respectively.

Within the scope of Sustainable Development Goals (SDGs) mentioned in the United Nations Global Compact signed in 2010, TSKB aims to provide USD 8 billion of SDG-linked financing between 2021 and 2030 where USD 3.5 billion and above is planned between 2021 and 2025.

ESG and similar ratings

TSKB initiated the carbon neutral banking practice in 2008 and published the first CDP Climate Change Report in 2013. The Bank shares all its reports publicly. Its scores have varied between “C” and “B”; the 2021 score was “B”.

In 2021 TSKB has received “13.6 - Low ESG Risk” rating from Sustainalytics⁵⁵.

It became a signatory both to the Science-Based Targets Initiative (SBTi) and IDFC Climate Declaration in 2015 and to the UNEP FI Principles for Responsible Banking in 2019.

During the Finance in Common Summit in 2020, it became a signatory to Sustainable and Resilient Global Recovery and Biodiversity Declarations.



Conclusion

Framing climate change as a "future issue" as opposed to the key issue of the day, and assuming that it will only affect certain sectors or communities, minimizes the gravity of the issue. Climate change has the potential to affect not just a certain sector or community, but individuals and business practices across all sectors. The financial sector has played and will continue to play a critical role in addressing this multi-layered issue, particularly by not financing non-climate investments and increasing climate-friendly investments. Therefore, it is critically important for the financial sector to analyze the major issues it prioritizes and to change its business practices in the face of climate change, taking into account the communities at risk. Ultimately, it must take appropriate action before it is too late.

This report on the climate practices of Turkey's 17 largest banks demonstrates that the Turkish banking sector still has long way to go to fully address the risk posed by climate change..

While 8 out of 17 banks stated that they will not finance new coal projects, it is noteworthy that this is not a majority. On the other hand, while "Sustainability Committees" established under various titles at almost every bank continue to work diligently in this area, it is clear that sustainability reports and information produced by banks refer to different metrics and lack consistency. This means that the

steps being taken are institutional rather than sectoral. At the same time, there is not enough data on how the published reports and/or the information provided are audited.

Furthermore, while banks have declared targets around their carbon footprints and renewable energy investments, their long-term ambitions are not supported by short-term, measurable and all-encompassing plans that are commensurate with a science-based approach.

In order to raise awareness around these issues, 350 Turkey launched the "Smoke-Free Money Zone" campaign in March 2022 to push banks to stop financing coal. Our primary demand is that banks announce that they will cease their involvement in the financing of investments in fossil fuels, especially coal.

Following this, we expect them to terminate any existing fossil fuel investments, to announce target dates for zero emissions, and to publish all their measurable and auditable long-term and short-term plans.

Headline: Banks committed not to finance coal projects

Akbank

Garanti BBVA

HSBC Group

ING Group

İş Bankası

QNB Finansbank

Yapı Kredi Bankası

Türkiye Sınai Kalkınma Bankası

Headline: Net Zero and/or Carbon Neutrality Targets

Banka	Net Zero Target	Carbon Neutrality Target
Akbank	2050	2025 (in operational emissions)
DenizBank	Information is not available	Information is not available
Garanti BBVA	2050	carbon-neutral already
HSBC	2050	2030
ICBC	Information is not available	Information is not available
ING	2050	Information is not available
İş Bankası	2050	2035
Şekerbank	Information is not available	Information is not available
QNB Finansbank	Information is not available	Information is not available
Türk Ekonomi Bankası	Information is not available	Information is not available
Yapı Kredi Bankası	2050	2022 (In operational emissions)
Halkbank	2050	carbon-neutral already
Vakıfbank	Information is not available	carbon-neutral already
Ziraat Bankası	Information is not available	Information is not available
Türk Eximbank	Information is not available	Information is not available
Türkiye Kalkınma ve Yatırım Bankası	Information is not available	Information is not available
Türkiye Sınai Kalkınma Bankası	Expected to declare	carbon-neutral already

References

- ¹ As of September 30, 2021. Source: Banks Association of Turkey
- ² As of end March 2022.
- ³ <https://www.aa.com.tr/tr/sirkethaberleri/finans/ak-bank-sendikasyonunu-yuzde-100-un-uzerinde-yeniledi/664022>
- ⁴ 1.7 bn USD
- ⁵ Company ESG Risk Ratings – Sustainalytics
- ⁶ As of end 2021
- ⁷ As of end March 2021.
- ⁸ As of end March 2022.
- ⁹ EVP: Executive Vice President
- ¹⁰ <https://www.aa.com.tr/tr/sirkethaberleri/finans/garanti-bbva-komuru-finanse-etmeyecek/663398>
- ¹¹ ESIAM: Environmental & Social Impact Assessment Model
- ¹² Akbank, Garanti BBVA, İş Bankası, HSBC, ING, TEB, İşbank AG
- ¹³ Company ESG Risk Ratings – Sustainalytics
- ¹⁴ As of end 2021
- ¹⁵ As of end 2021.
- ¹⁶ As of end March 2022.
- ¹⁷ As of end 2021
- ¹⁸ As of end 2021.
- ¹⁹ As of end 2021
- ²⁰ As of end 2021.
- ²¹ As of end March 2022
- ²² As of end March 2022.
- ²³ <https://www.isbank.com.tr/en/about-us/our-policies>
- ²⁴ Company ESG Risk Ratings – Sustainalytics
- ²⁵ As of end March 2022
- ²⁶ Audited. As of end 2022.
- ²⁷ As of end 2022
- ²⁸ As of end 2021
- ²⁹ As of end 2021
- ³⁰ As of end March 2022.
- ³¹ <https://www.aa.com.tr/tr/sirkethaberleri/finans/qnb-finansbank-surdurulebilirlik-yolculuguna-cocuklarla-devam-ediyor/673333>
- ³² Company ESG Risk Ratings – Sustainalytics
- ³³ As of end 2021
- ³⁴ As of end 2021
- ³⁵ As of end 2021
- ³⁶ Return on average tangible equity
- ³⁷ As of end March 2022.
- ³⁸ <https://www.aa.com.tr/tr/sirkethaberleri/finans/yapi-kredi-komur-yakitli-termik-santralleri-ve-komur-madenciligini-finanse-etmeyecek/665254>
- ³⁹ Company ESG Risk Ratings – Sustainalytics
- ⁴⁰ As of end 2021
- ⁴¹ As of end 2021
- ⁴² Company ESG Risk Ratings – Sustainalytics
- ⁴³ As of end 2021
- ⁴⁴ As of end March 2022
- ⁴⁵ Company ESG Risk Ratings – Sustainalytics
- ⁴⁶ As of end 2021
- ⁴⁷ Average total assets and average shareholders' equity represent weekly averages

⁴⁸As of end 2021.

⁴⁹As of end 2021

⁵⁰Company ESG Risk Ratings – Sustainalytics

⁵¹As of end March 2022.

⁵²Company ESG Risk Ratings – Sustainalytics

⁵³As of end 2021

⁵⁴As of end March 2022.

⁵⁵Company ESG Risk Ratings – Sustainalytics

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This report was prepared with the contributions of Serhat Cantopal.

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