Sustainability Guidelines FOR THE BANKING SECTOR
Introduction to Sustainability Guidelines for the Banking Sector
The Sustainability Guidelines for the Banking Sector have been prepared by the Banks Association of Turkey (TBB) Sustainability Working Group as a guide which sets out good practices with which the banking and financial sector will contribute to sustainable development, and is intended for informative purposes only. The Board of Directors of TBB recommends that all member banks refer to this guidance to promote good practices in the sector.

Sustainability good practices for the banking and financial sector are structured as an informative guide within the framework of the basic sustainability principles of the banking sector, as set out below:

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Definitions of the terms used
PROJECT (OR INVESTMENT PROJECT):
An investment plan and/or fixed capital investment, regardless of its investment size, for expansion and/or development to expand existing production and services, or the establishment of activities for the production of goods and services subject to bank financing.

LOW RISK (CATEGORY C):
This risk level is assigned to activities with minimal or no environmental or social risk and/or impact.

MEDIUM RISK (CATEGORY B):
This risk level is assigned where there are a small number of projects or activities, which may have limited adverse environmental or social risks and/or impacts, are usually specific to the project or activity location, are largely reversible, and where mitigation measures are currently implemented.

HIGH RISK (CATEGORY A):
This risk level is assigned to projects/activities which may have serious negative environmental or social risks and/or effects of various irreversible or unprecedented dimensions, requiring a significant amount of effort and organization to manage.

ENVIRONMENTAL AND SOCIAL DUE DILIGENCE (AND/OR GAP ANALYSIS):
A study in which potential environmental and social risks which may arise from the project are systematically identified, measured and evaluated, taking into account local legislation and/or international standards and good practices. The study may be carried out for investments from scratch as well as for additional investments or ongoing investments.

ENVIRONMENTAL AND SOCIAL ACTION PLAN:
A plan which includes the basic actions to be taken in order to effectively and systematically manage the environmental and social impacts and risks determined in the Environmental and Social Due Diligence (or Gap Analysis) study.
ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN:
The management plan, which includes the measures determined in light of local legislation, international standards and good practices and the monitoring activities to be carried out in detail in order to prevent all environmental and social impacts that may be associated with the project, or to minimize them where it is not possible.

CUMULATIVE IMPACT:
The environmental and social effects that an action (project or project activity) has or will have in conjunction with other past, present, or future activities.

NATURAL RESOURCES:
All natural resources (metals, minerals, fuels, timber, fish, water, soil, clean air, biomass, biodiversity, sea, land, etc) which serve as economic inputs.

CARBON FOOTPRINT:
A measure of the direct and/or indirect damage caused by an individual, institution, community or activity to the environment in terms of the amount of carbon emitted through greenhouse gases. Greenhouse gases emitted into the atmosphere during transportation, heating, electricity consumption activities or by products purchased are measured in terms of the carbon dioxide emissions resulting from these activities. The Carbon Footprint is expressed in “units of carbon dioxide”.
Executive Summary

The Banking Sector Basic Sustainability Principles have been defined by taking into account the economic, environmental and social dimensions of development to guide the monitoring of these issues in the activities of banks. The Banking Sector Basic Sustainability Principles are aimed at helping banks manage the environmental and social predictability, transparency, and traceability of their activities in a more systematic manner. The basic principles of recommendations reached by this approach are summarized below:
Principle 1. ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ARISING FROM BANKING ACTIVITIES

1.a. Management of Environmental and Social Risks in Lending Activities (Banking Sector-External Effects)

- Ensuring that the investor company works in compliance with all environmental and social national laws, regulations and the requirements of international conventions to which Turkey is a party,
- Conducting environmental and social risk assessment for all investment projects examined for financing, regardless of the amount of the investment,
- Ensuring creation of necessary environmental and social action and management plans in order to identify, systematically manage and minimize environmental and social impacts which may arise within the scope of investment projects regarding which financing is planned,
- Including commitments on environmental and social issues within the loan terms.
1.b. Environmental and Social Risk Management in Banking Activities (Banking Sector-Internal Effects)

- Banks should develop a systematic structure to measure and reduce internal effects that may occur during the course of carrying out their activities. In this context,
- Establishing an organizational structure that can measure, report and manage internal effects in relation to environmental and social risk management within the bank,
- Determining items which add to the carbon footprint and the way to monitor consumption in all activity areas (including the Head Office, the Regional Directorate and the Branches),
- Establishing targets and strategies to prevent and minimize waste generation in all activities,
- Establishing and implementing action plans to reduce energy and resource consumption,
- Evaluating environmental and social factors in processes related to suppliers.

1.c. Considering Sustainability Parameters in Other Banking Products and Services

- Banks should carry out their activities in other banking products and services such as investment banking (public offering, fund and other corporate advisory services) and commercial and retail banking, within the framework of their own sustainability policies and approach to social responsibility, taking into account the parameters of sustainability.
Principle 2. CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

- Supporting access to economic resources through expansion of banking services among all segments of society,
- Supporting projects aimed at combating climate change, especially investments aimed at reducing carbon emissions,
- Supporting permanent and sustainable economic growth and employment with financial services provided to sectors and companies,
- Supporting the access of Small and Medium-Sized Enterprises (SMEs) to financial services including loans with favourable conditions, and supporting their integration into value chains and markets,
- Supporting technological breakthroughs, innovation and enterprises with innovation programs,
- Promoting sustainable production and consumption by raising awareness among individuals, institutions and stakeholders with sustainability reports.
Principle 3. CLIMATE CHANGE MANAGEMENT AND CLIMATE CHANGE ADAPTATION

- Periodically monitoring greenhouse gas emissions arising from internal activities, setting emission reduction targets and reporting performance periodically,
- Supporting climate change financing in line with current national strategies and action plans,
- Capacity building for evaluating and managing risks and opportunities arising from climate change,
- Conducting studies with an emphasis on physical climate risks in the environmental and social risk assessment process, or to develop/use alternative assessment tools as required,
- Evaluating operational risks arising from physical risks such as rise in sea levels and the frequency and effects of extreme weather events (heavy rainfall, flood, drought, hail storms, tornadoes, etc.) which will occur as a result of climate change in the short, medium and long term, and when necessary, to create action plans,
- In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), evaluating the financial risks and opportunities related to climate change, carrying out studies to integrate the physical and transition risks caused by climate change into risk management processes and transparently declaring and reporting the identified risks,
- Supporting efforts to spread awareness of combating climate change in society and to increase awareness.
Principle 4.
FINANCIAL HEALTH AND INCLUSION

• Conducting activities to promote equal access to financial services for all within the scope of reducing inequality, which is one of the most fundamental challenges to achieving sustainable development,

• Providing financial solutions in a manner which contributes to both the physical and financial freedom of the disabled, elderly and other individuals who have limited or no access to funding,

• Developing financial solutions to support access for all men and women, especially the poor and vulnerable, to financial services and economic resources, including microfinancing.

• Supporting development-oriented policies which promote production, job creation, enterprise, creativity and innovation, and encouraging formalization and growth of micro-, small- and medium- sized enterprises through access to financial services,

• To encourage banks to provide products and services to help customers reaching informed financial decisions and manage their finances,

• Providing financial literacy training.
Principle 5.
HUMAN RIGHTS AND EMPLOYEE RIGHTS

• Compliance with the principles of the Universal Declaration of Human Rights, the ILO Conventions ratified by Turkey and the legislation governing human rights and working life in Turkey,
• Ensuring equality of opportunity in human resource management processes, preventing discrimination in accordance with the principles established by the Universal Declaration of Human Rights and supporting diversity in this context,
• The inclusion of human rights and employee rights issues within the institution’s Environmental and Social Impact Assessment process (due diligence),
• Compliance with human rights and employee rights regulations, the establishment of practices to contribute to the Sustainable Development Goals, reports on sustainability and awareness-raising activities, and activities which encourage human rights and employee rights practices among all stakeholders.
Principle 6. INCLUSION AND EQUAL OPPORTUNITY

- Ensuring the principle of equality in all practices related to employees is included within the policies and strategies of financial institutions, and to roll out this principle throughout the institutions,
- Raising awareness of inclusion and equality of opportunity, as well as raising a consciousness of this issue,
- Encouraging integration with national and international initiatives operating in the field of gender equality,
- Carrying out activities through taking into account - active contribution to the Sustainable Development Goals that are focal point of inclusion and equal opportunity.
Principle 7. 
STAKEHOLDER ENGAGEMENT AND COMMUNICATION

• Ensuring communication with all stakeholders, especially employees,
• Transparent presentation of financial and sustainability activities to provide information to stakeholders,
• Encouraging participation in and compliance with international sustainability-related standards and initiatives such as the United Nations Environment Programme-Finance Initiative (UNEP FI), the United Nations Global Compact, the Carbon Disclosure Project and the Global Reporting Initiative (GRI).
• Sustainability performance reporting,
• Increasing awareness of and extending support to social responsibility issues through social responsibility projects.
Principle 8.
CORPORATE GOVERNANCE

- Targeting continuous and full compliance with the Corporate Governance Principles published by the Capital Markets Board (CMB),
- Following and reporting the basic principles (“Sustainability Principles Compliance Framework”) which are expected to be disclosed while conducting Environmental, Social and Corporate Governance activities of publicly held corporations within the scope of the Corporate Governance Communiqué,
- Review of the Corporate Governance performance by independent organizations,
- Establishing the appropriate governance structure for the full integration of the concept of sustainability into all operations of the bank.
Principle 9.
CORPORATE CAPACITY IMPROVEMENT

- Determining relevant roles and responsibilities in order to fulfil Sustainable Banking commitments,
- Preparing applicable training packages on Sustainable Banking issues and delivering training within this scope.
Principle 10.
MONITORING AND REPORTING

- Reporting activities within the scope of sustainability,
- Observing International Reporting Standards and developments in this area,
- Determination and monitoring of performance indicators,
- Ensuring - integration of performance indicators with bank’s performance management and management reporting processes,
- Disclosure of annual performance results.
Banking Sector Basic Sustainability Principles
Principle 1.
ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ARISING FROM BANKING ACTIVITIES

1.a. Management of Environmental and Social Risks in Lending Activities (Banking Sector-External Effects)\(^1\)

Failure to effectively assess and manage environmental and social impacts and risks in lending activities may lead to a loss of reputation and financial risks for both the banks and investor firms. Therefore, the appropriate evaluation and management of environmental and social impacts and risks are of the utmost importance, next to - financial, technical and economic issues stemming out of the credit evaluation processes.

It is recommended that banks determine the type of activities they will not finance under a “List of Unfunded or Prohibited Activities”, primarily in accordance with national legislation and international conventions to which Turkey is a party, as a supplement to the credit policy.

Banks should internalize the issue by incorporating the environmental and social risk assessment process into their credit policy and credit assessment processes. It is recommended that environmental and social risk assessment and management in lending activities are considered in two subsequent steps:

1. Banks should ensure that environmental and social impacts and risks arising from the current activities of the company designated to use the loan are well considered. In this context, the Bank should determine that the company applying for a loan from the bank meets the requirements arising out of relevant national legislation. Banks should establish their own assessment procedures within the framework of their environmental and social policies.

2. If the loan request is related to the financing of an investment, the environmental and social impacts, and potential risks which may arise from the investment project subject to financing are considered.

\(^1\) For additional information on this topic, refer to the “Environmental & Social Risk Management Manual” prepared by the European Bank for Reconstruction and Development (“EBRD”) (https://www.ebrd.com/who-we-are/our-values/environmental-emanual-risk.html)
well identified and managed. Environmental and social impacts and risks, regardless of the investment amount of the project, may vary depending on the relevant sector, the scale of the investment, the technology to be used, the location where the investment will be undertaken, its impact on natural resources, its proximity to residential areas, its proximity to sensitive and protected areas and the knowledge, the experience and approach of the management of the investor firm concerning environmental and social issues. Therefore, a special study may be required for each investment project.

In investment projects, potential environmental and social impacts should be evaluated in line with the environmental and social documentation of the project (and the findings of site visits to be conducted by the Bank and or its consultant if deemed necessary), especially studies prepared within the scope of the Environmental Impact Assessment (EIA) Regulation. In general terms, main issues to be evaluated are the assessment and management of environmental and social risks and their impacts, labour and working conditions, resource efficiency and steps taken to prevent pollution, public health and safety, security, public engagement and information disclosure, land acquisition and involuntary physical and economic resettlement, biodiversity conservation and sustainable management of natural resources, and cultural heritage. Recently, issues of

3) For additional information on the subject, refer to the “Sub-Sectoral Environmental and Social Guidelines” prepared by the EBRD and the “Environmental and Social Risk By Industry Sector” page in the FIRST (Financial Institutions: Resources Solutions and Tools) for Sustainability portal prepared under the leadership of IFC (http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector).
climate change, biodiversity\(^7,8\), and human rights have also been included in the agenda\(^9\).

Investment projects may be classified as Category A\(^10\) (High risk), Category B + (Medium-high risk), Category B- (Medium-low risk; these can also be classified as Category B) and Category C (Low risk)\(^11,12\). In this framework, the use of an “Environmental and Social Risk Assessment System Model” (or Tool) is recommended to be established by banks according to their own evaluations, regardless of the size of the investment amount. The aim here is to ensure that investor companies take necessary measures to prevent or, where not possible, minimize the impacts in line with the environmental and social risk category determined by using a standard model or tool.

In order to systematically manage environmental and social impacts, actions to be taken by the bank and the firm for each level of risk described above, as well as the management and monitoring plans to be prepared for the project, must be determined by the bank. The main issues that are required to be examined for each risk category and the actions proposed to be taken to guide banks are set out below\(^13\). Institutions which opt to apply only three category levels (A, B, C) may implement them by selecting whatever is appropriate from the action plans set out for B+ and B -.

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8) For risks and opportunities presented to the financial sector by biodiversity, refer to the “Biodiversity Opportunities and Risks for the Financial Sector” document (https://www.dnb.nl/binaries/Biodiversity%20opportunities%20risks%20for%20the%20financial%20sector_tcm46-389029.pdf)
12) Supranational financial institutions such as the World Bank, IFC, EBRD and banks which adopt the Equator Principles use the environmental and social risk classification described above and defined by the letters A, B, and C.
**Category C (Low risk):**
- Environmental and social risks and impacts related to the investment project are limited and no special measures are required.
- Loans may be made available on the condition that the company holds all kinds of permits and licenses as required in accordance with relevant national legislation.
- When lending is extended to firms holding provisional permits or licenses, their compliance with the terms of such permits or licenses should be monitored.

**Category B- (Medium-low risk):**
- The company must possess all kinds of permits and licenses required in accordance with national legislation.
- When lending is extended to firms holding provisional permits or licenses, their compliance with the terms of such permits and licenses should be monitored.
- Steps should be taken to ensure that the firm has sufficient capacity to manage environmental and social impacts and risks.
- In order to manage the risks identified for the project, the company may be required to prepare risk-specific management plans.

**Category B+ (Medium-high risk):**
- The company must possess all kinds of permits and licenses required in accordance with relevant national legislation.
- For the project, it is recommended that an Environmental and Social Risk Assessment or a comprehensive Environmental and Social Due Diligence Study should be prepared in line with international standards\(^{14}\).
- An Environmental and Social Action Plan should be established to manage the risks identified for the project.
- Depending on the extent of the risks identified for the project, the company may be asked to provide risk-specific management plans (Biodiversity Management Plan, Cumulative Impact Analysis and Management Plan, Stakeholder Engagement Plan, Land Acqui-

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14) For example, World Bank (WB) Environmental and Social Standards, IFC Performance Standards and EBRD Performance Requirements

- If the bank does not have an environmental and social specialist, it is recommended that the Environmental and Social Action Plan requirements are regularly monitored by an independent consultant and reported to the bank during the development and implementation phases of the project in line with the time intervals to be determined by the bank.
- Steps must be taken to ensure that the firm has sufficient capacity to manage environmental and social impacts.

**Category A (High risk):**
- Within the framework of the sector and capacity of the Company, the Company must possess all kinds of permits and licenses required by the relevant national legislation.
- When lending is extended to firms holding provisional permits or licenses, their compliance with terms of the permits or licences should be monitored.
- For the project, an Environmental and Social Risk Assessment should be prepared by taking into account international standards.
- An Environmental and Social Action Plan should be established to manage the risks identified for the project.
- It is recommended that the Environmental and Social Action Plan requirements are regularly monitored by an independent consultant and reported to the bank during the development and implementation phases of the project and according to the time intervals to be determined by the bank.
• It must be ensured that the firm has sufficient capacity to manage environmental and social impacts.

Banks will ensure that environmental and social action and management plans to be prepared and implemented within the environmental and social risk category resulting from analysis of environmental and social risks are included as a provision in the loan agreement.

Regular monitoring of companies by banks regarding specified environmental and social actions will increase the environmental and social performance of projects.

1.b. Environmental and Social Risk Management in Banking Activities (Banking Sector-Internal Effects)

Banks should develop a systematic structure for measuring and reducing the internal effects which may occur while performing all their activities. The following steps are considered to be helpful for banks in reducing their potential internal impacts.

• Creating an organizational structure which can measure, manage and report possible internal effects in the bank,
• Determination of items subject to the carbon footprint and to the way to follow up consumption in all areas of activity (including the Head Office, Regional Directorate and Branches),
• Establishing targets and strategies for preventing and minimizing waste generation\(^\text{15}\) in all activities,
• Establishing and implementing an action plan to reduce consumption of energy and resources,
• Additionally, performing an assessment of environmental and social factors in processes related to suppliers.

1.c. Consideration of Sustainability Parameters in Other Banking Products and Services

It is recommended that banks implementing the Banking Sector Basic Principles of Sustainability consider and apply the sustainability parameters specified in this Guide in other banking products and services such as investment banking (public offering, investment funds and other corporate advisory services) and commercial and retail banking other than lending activities.

In cases where environmental and social risk categorization as set out in section 1.a and the processes described in detail above cannot progress but can be evaluated within the scope of principle 1.c, each bank could carry out its activities by observing the sustainability parameters within the framework of its own sustainability policy and social responsibility parameters.
Principle 2.
CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

The “Sustainable Development Goals”\textsuperscript{16} adopted by member countries in 2015 in the United Nations General Assembly consist of 17 main goals and 169 targets to be achieved by 2030.

The cooperation and good governance of all stakeholders, including governments and the private sector, are vital in achieving these goals, in which sustainable development is addressed with its interconnected economic, social and environmental dimensions.

Through lending, one of their main areas of activity, banks are important economic actors which support development and contribute to the resilience of the economic system by mediating the efficient transfer of financial resources to those in need. In this context, it is crucial that banks participate in the activities and practices which contribute to achieving the Sustainable Development Goals due to their sectoral responsibilities.

The following examples can be given among the activities and practices where banks can contribute on the basis of Sustainable Development Goals:

\textsuperscript{16} The Sustainable Development Goals can be examined in detail on the United Nations Turkey page (https://turkey.un.org/tr/sdgs)
Goal 1:
To end poverty in all its forms everywhere
• To help all segments of society access economic resources by expanding banking services,
• Supporting efforts to address poverty through lending opportunities such as micro-financing aimed at small entrepreneurs and women.
Goal 2:
To end hunger, achieve food security, improved nutrition and promote sustainable agriculture
• To increase productivity and support food security by strengthening financial, digital and agricultural literacy through financial services for families living out of agriculture, animal husbandry and fishing,
• Within the scope of sustainable agriculture practices supporting access to financial resources and information with financial and advisory services,
• Supporting agriculture by mediating national and international resources for investments aimed at increasing agricultural production capacity.
Goal 3:
To ensure healthy lives and promote well-being for all ages
• To support protection of individuals from financial risks through enhancing financial literacy practices.
Goal 4:
To ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all
• Supporting education and related employment opportunities through implementing enterprise training programs for different segments of society,
• Providing lifelong learning opportunities through implementing training programs for employees.
Goal 5:
To achieve gender equality and empower all women and girls
• Strengthening gender equality through training and financing services for women entrepreneurs,
• Supporting gender equality with best practices in the workplace.
Goal 6: To ensure availability and sustainable management of water and sanitation for all

- Supporting projects in areas such as sustainable water use, water efficiency and the circular economy with investment loans,
- Supporting sustainable water use with best practices in the workplace and training for employees.

Goal 7: To ensure access to affordable, reliable, sustainable, and modern energy for all

- Supporting renewable energy and energy efficiency projects with investment loans,
- Encouraging transformation into renewable energy with lending policies in the fossil fuel sector,
- Supporting energy efficiency with practices in the workplace and training for employees.

Goal 8: To promot inclusive and sustainable economic growth, full and productive employment and decent working conditions for all

- Supporting permanent and sustainable economic growth and employment with financial services provided to sectors and companies,
- Supporting productivity growth through consultancy services provided to companies,
- Supporting local and regional projects that promote employment through investment loans,
- Supporting investments in sustainable tourism,
- Strengthening capacities of financial institutions by promoting access to banking services for all segments of society,
- To encourage other stakeholders through fully protecting employee rights through workplace best practices.
Goal 9:
To build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
- Supporting infrastructure projects and projects supporting sustainable industrialization through investment loans,
- Supporting SMEs’ access to financial services including loans with favourable terms and supporting their integration into value chains and markets,
- Supporting technological breakthroughs, innovation and entrepreneurs through innovation programs.

Goal 10:
To reduce income inequality within and among countries
- Supporting activities that reduce inequalities within the country through investment loans in regional development projects,
- Contributing to national development by supporting the economy and sectors through financial resources.

Goal 11:
To make cities and human settlements inclusive, safe, resilient, and sustainable
- Supporting sustainable urbanization, waste management and habitat improvement projects through investment loans and public sector collaborations.

Goal 12:
To ensure sustainable consumption and production patterns
- Promoting sustainable production and consumption by raising awareness among individuals, institutions and stakeholders through sustainability reports,
- Supporting sustainable consumption and sustainable waste management with training for employees in the field of sustainable development and workplace best practices.
Goal 13:
To take urgent action to combat climate change and its impacts
- Supporting projects aimed at combating climate change and climate change adaptation, especially through investments reducing carbon emissions,
- Supporting efforts to combat climate change with lending policies,
- Developing institutional capacity to raise stakeholder awareness in climate change.

Goal 14:
To conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Prevention of water pollution and supporting projects protecting marine and coastal ecosystems and biodiversity through investment loans,
- Supporting water pollution prevention through workplace best practices and training for employees.

Goal 15:
To protect, restore and promote sustainable use of terrestrial ecosystems, sustainable management of forests, combat desertification, halt and reverse land degradation and halt biodiversity loss
- Supporting projects that promote conservation and sustainable use of biodiversity and land ecosystems through investment loans.

Goal 16:
To promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels
- Promoting national and international peace through policies and practices that prevent laundering of criminal proceeds or mediation in the financing of terrorism.

Goal 17:
To strengthen means of implementation and revitalize global partnership for sustainable development
- Supporting long-term financial sustainability of companies and other institutions through cooperation with national and international organizations.
 Principle 3. 
CLIMATE CHANGE MANAGEMENT AND CLIMATE CHANGE ADAPTATION

Global climate change, associated with the increase in the concentration of greenhouse gases in the atmosphere resulting from human activities since the industrial revolution, is considered as one of the biggest threats to the future of humanity, with environmental, social and economic dimensions. Scientific studies indicate that climate change will have different consequences for each region in our country in parallel with the world; average temperatures in Turkey are expected to increase, deteriorating water resources significantly, cause losses in agricultural productivity, rising sea levels and an increased frequency and impact of floods, forest fires, drought and desertification, having devastating effects on biodiversity17. Given that production and trade will be negatively affected by climate change, banks will inevitably be exposed to financial risks due to the institutions they finance.

The Paris Agreement, signed during the United Nations Framework Convention on Climate Conference 21 (COP 21) and - entered into force on 4 November 2016, is an important milestone in the global climate change management and adaptation. In seeking to prevent the destructive effects of climate change, Paris Agreement aims to keep the rise in global average temperatures by 2100 to as low as 2°C compared to the pre-industrial period, and to limit the rise to 1.5°C if possible. The agreement is also considered to be an important opportunity to leave a more sustainable and healthier world to future generations within the framework of the 2030 Sustainable Development Goals18.

Turkey signed the Paris Agreement on 22 April 2016, but has not yet ratified it. However, Turkey shared the Intended Nationally Determined Contribution (INDC) target19 set for 30 September 2015 as part of its emissions reduction strategy. The document aims to achieve “a reduction in greenhouse gas emissions by up to 21 per cent from the base scenario (business as usual) level by 2030.” The issue of climate change adaptation is also included in important national strategies and action plans such as

17) For detailed information on the subject (http://climatechange.boun.edu.tr/iklim-degisikliginin-turkiyeve-etkileri/)
18) For detailed information on the subject (https://www.kureselamaclar.org/)
19) For detailed information on the subject (https://iklim.csb.gov.tr/paris-anlasmasi-i-98587)

There is a need for a rapid and comprehensive process of transformation in agriculture, energy, industry, transportation, waste management and cities in adapting to climate change. This situation requires cooperation at a global level that also includes working with financial institutions. To ensure an effective climate change adaptation the strategy, banks should aim to reduce the use of natural resources (such as electricity, water and natural gas), the amount of waste produced and greenhouse gas emissions - as much as possible. In this context, banks must first adopt efficient use of resources and the “Zero Waste” approach (preventing or minimizing waste generation, establishing effective collection systems and recycling / recovery of wastes). In addition, it is recommended that greenhouse gas emissions resulting from bank activities are periodically monitored, emission reduction targets are established, and their reduction performances are periodically reported. Banks may also consider the option of establishing an ISO 14064 Greenhouse Gas Calculation and Verification Management System to reduce greenhouse gas emissions.

In addition to the management of internal effects, banks are advised to consider the following issues in climate change management and adaptation;

- Supporting climate change financing in line with current national strategies and action plans,
- Capacity building for evaluating, managing risks and opportunities arising from climate change,
- Conducting research especially for- inclusion of physical climate risks in the environmental and social risk assessment processes or development/use of alternative assessment tools as needed,
- Assessment of operational risks arising from physical risks such as rising sea levels and the increased frequency and effects of ex-

\(^{20}\) For detailed information on the subject [https://webdosya.csb.gov.tr/db/iklim/editordosya/uyum_stratejisi_eylem_plani_TR.pdf]
\(^{21}\) For detailed information on the subject [http://www.sp.gov.tr/tr/stratejik-plan/s/1814/Sanayi+ve+Teknoloji+Bakanligi+2019-2023]
\(^{22}\) For detailed information on the subject [https://enerji.gov.tr/bilgi-merkezi-enerji-verimliligi-ulusal-enerji-verimliligi-eylem-plani]
treme weather events resulting from climate change in the short-, medium- and long- term, and the creation of action plans,

- In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)\textsuperscript{23}, evaluating financial risks and opportunities related to climate change, carrying out studies to integrate physical and transition risks arising from climate change into risk management processes and transparently declaring / reporting the identified risks,

- Monitoring the work of national and international initiatives on climate change management and adaptation, especially the UN-EP-FI\textsuperscript{24},

- Supporting efforts to enhance awareness regarding climate change in society

\textsuperscript{23} For detailed information (\url{https://www.fsb-tcfd.org/publications/final-recommendations-report/})
\textsuperscript{24} For detailed information (\url{https://www.unepfi.org/})
Principle 4.
FINANCIAL HEALTH AND INCLUSION

Carrying out activities to promote equal access to financial services for all is an integral part of the efforts to reduce inequalities, which is one of the main focal points of sustainable development.

Financial inclusion and access to finance includes ensuring that individuals and businesses have access to useful and appropriate financial products and services to meet their needs, which are presented responsibly and sustainably.

Financial access brings ease to everyday life for many and helps families and businesses plan their lives and activities, whether in respect to their long-term goals or unexpected emergencies. Individuals are more likely to use financial services to build and expand businesses, invest in education and/or health care services, manage risks and for solutions that can improve the overall quality of their lives.

According to UN 2017 data, about 2 billion adults worldwide were living outside the official financial system. Exclusion from financial services is highest among the poor, and particularly in developing countries, including those living in rural areas which make up the bulk of those living in poverty globally. This situation hinders people’s ability to protect themselves in times of crisis and inhibits their ability to invest in the future. In addition to this data, more than 200 million small and medium-sized enterprises in emerging markets do not have access to finance, limiting their scope for development25.

Financial inclusion is a facilitator and accelerator of economic growth, job creation and development. Affordable access to and the use of financial services helps families and small business owners generate income, manage irregular cash flows, invest in opportunities, strengthen resilience to setbacks and escape poverty.

Approximately half of the people living in the world who do not use banking services include women and poor individuals living in rural areas, or those outside of the workforce26.

25) For detailed information refer to (https://www.unsgsa.org/financial-inclusion)
Considering all these figures, the following issues can be addressed when considering financial health and inclusion solutions:

- Providing financial solutions in a manner which contributes to both the physical and financial freedom of the disabled, elderly and other individuals with difficulty in accessing finance
- Developing financial solutions to ensure that all men and women, especially the poor and vulnerable, have equal rights in access to financial services and economic resources, including microfinance,
- Supporting development-oriented policies which support production, job creation, enterprise, creativity and innovation, and encouraging the formalization and growth of micro-, small- and medium- sized enterprises through access to financial services,
- The provision of products and services by banks to help customers make informed financial decisions and manage their finances,
- Providing financial literacy training.
Principle 5.
HUMAN RIGHTS AND EMPLOYEE RIGHTS

TBB members consider compliance with the Universal Declaration of Human Rights, the ILO Conventions\(^{27}\) and legislation regulating human rights and working life in Turkey, as well as contributing to the goals of human rights and labour rights within the scope of the Sustainable Development Goals\(^{28}\) as a permanent goal at the heart of their work.

- The following issues can be addressed on human rights and employee rights, whereby necessary regulations can be drawn up and policy and internal processes can be established by the member banks;
- The creation and implementation of a Corporate Human Rights and Employee Rights Policy to contribute to - goals of human - and labour rights within the framework of Sustainable Development Goals as well as compliance with the Universal Declaration of Human Rights, the ILO Conventions, and relevant legislation regulating human rights and working life in Turkey.
- Clear definitions of the roles and responsibilities within the bank related to implementation of this policy,
- Carrying out awareness-raising activities on human rights and employee rights issues; providing general training and necessary technical training to the staff responsible from implementation,
- Creating and commissioning a “grievances and disputes handling mechanism” structure to deal with employee complaints,
- Ensuring equal opportunity in human resource management processes, preventing discrimination in accordance with the principles established by the Universal Declaration of Human Rights and supporting diversity in this context,

\(^{27}\) For additional information on this issue, please refer to the “ILO agreements signed by Turkey” page on the ILO website (https://www.ilo.org/ankara/conventions-ratified-by-turkey/lang--tr/index.htm)

• Effective implementation of relevant regulatory requirements in all processes, especially Labour Law, Occupational Health and Safety Law, and Personal Data Protection Law,
• Including human rights and employee rights issues in the Environmental and Social Impact Assessment process of the institution and, in this context, avoiding business relationships, or mediation of such services, with customers and other stakeholders who are in violation of human rights or employee rights,
• Compliance with human rights and employee rights regulations, the implementation of practices to contribute to the Sustainable Development Goals, reporting on sustainability and awareness-raising activities and engaging in activities that promote human rights and employee rights practices of all stakeholders,
• Carrying out awareness-raising activities that emphasize the importance of human rights in all service providers and encouraging compliance with labour law among suppliers,
• Ensuring that all employees are provided with training on human rights, regardless of whether they are bank employees or employees of an external company serving on the individual bank campus.
Principle 6.
INCLUSION AND EQUAL OPPORTUNITY

As elsewhere in the world, women’s empowerment in Turkey is critical to ensure sustainable development\(^{29}\). Reducing gender inequality and promoting active participation of women in economic life are important factors in the formation of fairer societies. Addressing inequality in income distribution resulting from gender inequality will remain among the most important agenda items in the coming years\(^{30}\).

In this context, institutions can create internal policies by putting in place the measures necessary to create a working environment with a strategy that embraces inclusion and equal opportunity as an indicator of the importance given to gender equality and women’s empowerment. Moreover, in addition to contributing to economic growth through a strategy of inclusion and equality of opportunity, institutions will be able to encourage their employees to respect different ideas and diversity. In order to support inclusion and equal opportunity through various practices, the principle of equality for its employees in fringe benefits and practices can be rolled out within the institution and a culture of inclusion can be supported by an equal pay policy. In addition, by transparently sharing policies and procedures to prevent discrimination and harassment among all its employees, the Bank can ensure that the measures in place are accessible, while a complaints mechanism can be put in place ensuring that complaints are heard.

Institutions can analyse and monitor various dimensions such as gender, age, education level and carry out studies for these groups. In this context, training programs can be organized to ensure that principles of gender equality and inclusion are adopted by all employees. At the same time, women leadership and mentoring activities can be provided for female employees.


Raising awareness on gender equality and inclusion among employees as well as supporting initiatives to increase awareness on this issue among stakeholders will contribute to increasing efforts regarding equal opportunity and women’s empowerment, and may form a basis for development of various financial products, incentives, and certification studies at the national level.

In order to roll out the work being conducted in the field of gender and equal opportunity for the entire sector, interaction with national and international initiatives in this field and membership in these initiatives may be beneficial. Some of these initiatives are listed below:

One of the most important global initiatives in the private sector that aims to empower women to take part in economic life in all sectors and at all levels is the Women Empowerment Principles - WEPs\(^{31}\) Platform.

The WEPs Platform was set up in 2010 in partnership with the UN Global Compact and the United Nations Gender Equality and Women’s Empowerment Unit (UN Women), and presents private sector with key points to be taken into account to achieve gender equality in workplaces, markets and society in general. The Women Empowerment Principles require business leaders to provide a clear commitment to the 7 principles for creating company policies that will advance gender equality.

To promote women’s employment, the Equal Opportunity Model (FEM)\(^{32}\) Certification Program was developed under the leadership of KAGİDER (Women Entrepreneurs Association of Turkey), with technical support of the World Bank and the cooperation of independent auditors. After undergoing an independent evaluation process, institutions found to qualify for the Equality of Opportunity Certificate were able to register their sensitivity on the issues of gender equality and women’s empowerment in employment in national and international public through their structures, actions, and employment realisations.

The “Equality at Work Platform” was created under the leadership of the Ministry of Family and Social Policies and in cooperation with the World Economic Forum. In order to narrow down the economic partici-

\(^{31}\) For detailed information on the subject, please refer to the Women’s Empowerment Principles. (https://www.weps.org/)

\(^{32}\) The website below provides detailed explanations of the KAGİDER Equal Opportunity Model (FEM) certificate. (https://www.kagider.org/kurumsal/projeler-etkinlikler/projeler/lists/projeler/%C4%B1rsat-e%C5%9Fiti%C4%9F-modeli)
pation and equal opportunities gap faced by women, the “Declaration of Equality at Work”, consisting of 11 Principles, was prepared and submitted for institutions to sign. By signing these principles, institutions provided a commitment to gender equality in the workplace.

In addition, while ensuring coordination of processes and initiatives for all employees or all external stakeholders in the fields of inclusion and equal opportunity, by focusing on the above-listed approaches, institutions will be able to actively contribute to the Sustainable Development Goals that focus on a responsible and sustainable development approach to reducing inequality.

33) Additional information on the subject, “WDI: SDG Goals and Targets”, including contributions and targets that can be provided to the Sustainable Development Goals prepared by the World Bank (WB) can be examined on the website (https://datatopics.worldbank.org/sdgs/sdg-goals-targets.html)
Principle 7.  
STAKEHOLDER ENGAGEMENT AND COMMUNICATION

It is essential that sustainability related activities are conducted by taking into account the needs and expectations of all internal and external stakeholders, including employees, customers, the community, public institutions, shareholders, subsidiaries, suppliers, and non-governmental organizations.

Transparent and two-way communication with stakeholders should be established in order to determine these needs and priorities; to identify any deficiencies requiring development and to conduct sustainability activities in this direction.

A bank’s stakeholders include, but are not limited to, the groups listed below. It is recommended that banks develop appropriate stakeholder communication strategies34 to address these groups and to establish and announce communication channels:

- Shareholders
- Employees
- Subsidiaries and affiliates
- Government and public institutions
- Regulatory authorities
- International financial institutions
- The Media
- Customers
- Trade unions and employee organizations
- Non-governmental organizations
- National and international initiatives, sector associations
- Suppliers and support service providers
- Universities and think tanks
- Investors
- Rating agencies

34) The “Communication Strategies” document prepared by the (EPA) offers additional information.  (http://www.epa.gov/superfund/community/pdfs/toolkit/comstrats.pdf)
It is recommended that stakeholder engagement is dealt as a component in the planning and execution of the bank’s sustainability activities. Stakeholder opinion can be consulted in the areas deemed necessary during determination of priority issues of the bank, in associating sustainability priorities with strategies, in developing policies and procedures for the relevant processes, projects and activities.

To ensure effective stakeholder engagement, it is important to clearly define which stakeholders are communicated with, for what purpose, for which subject and how often the communication is projected to take place. In order to determine the stakeholder groups and decide on their level of priority for the bank, a range of criteria such as the knowledge and experience of the relevant stakeholder on the subject, the extent to which they are affected by the bank’s activities, their current communication status with the bank and their expectations from this communication are taken into consideration. Another factor to be considered in this context is to distinguish the stakeholders who are directly and indirectly affected by the bank’s activities. Considering the level of priority of stakeholders may change over time for the bank, this process may be repeated at regular intervals as applicable. At the same time, priority level of the stakeholders may vary, especially on the issues whereby stakeholders’ views are sought. It is important to consider all of these variables while determining the title and priority levels which subsequently forms the subject of stakeholder engagement.

After determining the topic/theme and the priority stakeholders, the communication methods most appropriate for each stakeholder group are selected. Open and transparent communication channels are to be defined to facilitate stakeholder engagement. In addition, for the process to proceed efficiently, suggestions, determinations, complaints and criticisms can be addressed.


received from stakeholders are to be appropriately evaluated by the relevant staff of the bank, and feedback is to be provided to stakeholders regarding the results of the stakeholder communication activities, and the improvements or actions taken.

Publications such as sustainability reports, integrated reports or integrated annual reports are among the important tools used to share the actions taken by the bank with its stakeholders on important issues identified through the stakeholder engagement processes. Information on reporting is set out within the scope of “Monitoring and Reporting” principle in this Guide.

In addition to ensuring continuous and transparent communication with stakeholders, it is also important that this communication is monitored at regular intervals. In this context, some performance criteria can be determined to assess whether or not the stakeholder engagement process is working efficiently. Moreover, it is recommended that the following issues are followed in order to monitor the change in perception of stakeholders regarding the bank’s sustainability performance over time:

• Issues which stakeholders focus on and/or criticize,
• Grading and ranking results as a result of evaluations carried out into the institution with regard to sustainability
• The inclusion of sustainability issues in the institution’s internal and external communication.

Another important dimension of stakeholder communication is the relations and cooperation carried out with national and international initiatives. Such collaborations and memberships will be beneficial in terms of disseminating studies and good practices in the field of sustainability in the sector. Some of these initiatives are listed below:

• United Nations Environment Programme - Finance Initiative (UNEP FI)
• United Nations Principles for Responsible Banking (UN PRB)
• United Nations Principles for Responsible Investment (UN PRI)
• United Nations Global Compact
• World Business Council for Sustainable Development
• The Equator Principles
• Global Reporting Initiative (GRI)
• International Integrated Reporting Committee (IIRC)
• Integrated Reporting Türkiye (ERTA)
• Carbon Disclosure Project (CDP)
• Corporate Governance Association of Turkey
• Business Council for Sustainable Development Turkey (BCSD)
• The Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats (TEMA)
• World Wildlife Fund (WWF)
• Women’s Empowerment Principles (WEPs)
• Banks Association of Turkey Sustainability Working Group
• UN Sustainable Development Solutions Network (SDSN)

The bank should also be observed to engage in activities aimed at informing the public about sustainability, raising awareness and offering encouragement to other institutions. Such activities could include training, seminars, conferences for the sector\(^\text{37}\) or social responsibility projects carried out for a wider outreach.

\(^{37}\) For additional information, refer to “Setting up a Multi-Stakeholder Panel as a Tool for Effective Stakeholder Dialogue” prepared by the UN Global Compact. (http://www.unglobalcompact.org/docs/issues_doc/human_rights/Resources/Stakeholder_Panels_Good_Practice_Note.pdf)
Principle 8.
CORPORATE GOVERNANCE

The framework addressed by corporate governance, which had until recently been defined as a set of rules and principles for managers responsible for the management of the capital provided by investors, such that they would manage the company in an accountable, transparent, fair and responsible manner for these investors, has now become inclusive of all stakeholders. In this age where companies have more accountability to stakeholders than ever before, environmental and socially responsible activities have gained priority for companies, while the need to determine an approach to corporate governance by taking all stakeholders into consideration has emerged, and corporate governance has become one of the main components of sustainability.

The implementation of an accountable, transparent, fair and responsible management approach, which is one of the principles of corporate governance, by all functions of a company will mean the company is managed in accordance with sustainability principles.

The factors to be addressed in shaping corporate governance practices include, but are not limited to, are as follows:

- Board structure
- Independent members
- Differentiation between the Chairman of the Board of Directors and the General Manager
- Financial rights of the managers
- Audit mechanisms
- Governance of business ethics, anti-bribery and anti-corruption and conflict of interest issues

It is recommended that activities related to corporate governance are implemented through internationally accepted standards, and with continuous improvement of corporate governance practices undertaken through closely following international regulations and good practices\(^{38}\).

In this context, the OECD Corporate Governance Principles\textsuperscript{39} can be taken as an international and valid reference point. At the same time, local legislation needs to be harmonized in this area. Accordingly, banks should aim for continuous and complete compliance with the corporate governance regulations published by the Banking Regulatory and Supervisory Agency (BRSA)\textsuperscript{40} and the Capital Markets Board (CMB)\textsuperscript{41}. It is recommended that the corporate governance performance is reviewed by independent institutions in order to provide a basis for the development of good practice examples by going beyond compliance with the legislation.

The “Sustainability Principles Compliance Framework”\textsuperscript{42} announced by the CMB within the scope of the Corporate Governance Communiqué sets out the basic principles expected to be disclosed by public partnerships while conducting their Environmental, Social and Corporate Governance activities, and these principles must be followed and reported with the principle of “comply or explain”.

Establishing an appropriate governance structure\textsuperscript{43} is critical for the full integration of the concept of sustainability into all operations of the bank. It is important that the duties, roles and responsibilities regarding all issues related to sustainability are determined within the corporate governance structure of the bank, with established audit mechanisms; with internal and external reporting being part of the corporate governance process. It is recommended that ownership is determined at the highest level in sustainability management, with the establishment of specific structuring that will handle sustainability related issues within the organization.

Within the scope of sustainability activities, targets should be set, performance indicators should be determined and regular reporting should be encouraged. The targets set should be relevant to areas of improvement on issues important to the bank and its stakeholders, with stakeholder analysis performed if necessary, and the goals set should be consistent with the bank’s vision and strategies. In addition, considerations of sustainability

\textsuperscript{39) http://www.oecd.org/corporate/principles-corporate-governance/}
\textsuperscript{40) https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=10750&MevzuatTur=7&MevzuatTertip=5}
\textsuperscript{41) https://www.spk.gov.tr/Sayfa/Index/10/0}
\textsuperscript{42) https://www.spk.gov.tr/Duyuru/Goster/20201002/0}
\textsuperscript{43) https://corpgov.law.harvard.edu/2016/09/08/principles-of-corporate-governance/}
should also be taken into account when determining the bank’s vision and strategies.
Principle 9.
CORPORATE CAPACITY IMPROVEMENT

Capacity building is a process that includes all of the improvement process carried out by the bank regarding its policy, corporate structure, its systems, and its human resources to develop and operate a sustainable management strategy in the best way possible. In this sense, capacity building covers the bank’s entire corporate, organizational, technological, resource and human capacity. Training opportunities provided by the national and international initiatives communicated in capacity building activities should be evaluated.

Building institutional and sectoral capacity should be among the main objectives of every bank in order to ensure that concept of sustainability is internalized/owned by both the bank’s employees and stakeholders to identify, evaluate, and manage environmental and social risks; and to fully integrate environmental and social factors into bank processes and decision-making mechanisms. Activities in this direction can be followed through internal capacity building and external capacity building.

Internal Capacity Building
To ensure that the bank carries out its activities in line with the principles of sustainability, to fully and accurately understand and manage its environmental and social impacts, and for the concept of sustainability to be internalized/owned by all employees, employees are to be provided


45) For additional information on the subject, e-learning services that can be provided by institutions such as UMT, World Bank, IFC, UNEP FI can be accessed. (https://www.tbb.org.tr/tr/fga/fabrikalar/egitim/, https://egitimportal.tbb.org.tr/, https://olc.worldbank.org/, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/tools+for+clients, https://www.unepfi.org/training/training/)
with the necessary awareness\(^{46}\) and training in this area. The recommended steps to be taken in this direction are set out below:

**Awareness Raising Activities**

The aim of awareness raising activities is to ensure that all employees gain a basic understanding of the importance of sustainability concept in the activities of the bank. The understanding of sustainability will thus be spread to the base and internalized. The activities to be held should target all levels of the bank, conveying all dimensions of sustainability concept.

Consequently, activities should take into account issues such as governance, inclusion, communication with stakeholders, monitoring and reporting, as well as environmental and social impacts.

Emphasis should be placed on the importance of identifying and managing environmental and social impacts and observing sustainability principles in products and services in relation to the bank’s risk and reputation management.

**Training**

The fulfilment of sustainable banking principles requires information and training which goes beyond basic awareness. Such training should be designed and detailed on the basis of duties and responsibilities\(^{47}\).

In other words, training should be provided for all employees involved in the governance structure as detailed in the “corporate governance” section of this Guide in line with the responsibilities they undertake.

Environmental and Social Impact Assessment (ESIA) and risk management issues should be considered as a top priority in internal bank training on these issues. All relevant employees, including sales and marketing staff, must receive training on the ESIA model which the bank has implemented. The scope of the training includes, but is not limited to, the following headings:

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• Details of the ESIA model and how to implement it
• Examples of Applications
• Internal and external resources which can be applied in the implementation of the model

As part of the training, employees should be assigned specialists whom they can contact during the implementation of the ESIA model.

In addition to the ESIA model, all employees of the bank should be aware of the basic components of the sustainability concept. Hence, information should be provided concerning the main principles set out in this Guide, and the importance of these principles in terms of sustainability are to be clearly conveyed. The subjects to be covered include governance, communication and stakeholder contribution, sustainable products and services.

**Measurement and Feedback**

A fundamental principle of sustainable banking is that all efforts carried out on its behalf must be quantified and that internal and external feedback must be provided based on the results of such measurement. In parallel with this, employees should be regularly kept informed about implemented sustainability-related systems, the activities and the results. This supports one-to-one participation of the employees.

**External Capacity Building**

Banks recognize both benefits and necessity of fostering an awareness of sustainability throughout their sector, among their customers and the general public. Subsequently, awareness raising and training activities targeting the sector may be provided as a whole as well as for customers specifically. In these activities, cooperation with third parties such as international organizations, public institutions, non-governmental organizations and development institutions could be sought in order to support the exchange of ideas and versatility.

**Information Sharing and Collaboration**

TBB member banks are to share information and cooperate with both internal and external stakeholders. Institutions which invest in information sharing and cooperation will improve their products and services, and increase their performance in this area.
Principle 10. MONITORING AND REPORTING

Sustainability activities are expected to be communicated to all stakeholders at regular intervals. Reporting on sustainability performance is followed by all stakeholders with different perspectives depending on their interests. For example, while the amount of global investment which takes into account sustainability criteria is increasing day by day, reporting is one of the most important tools which enables investors to monitor sustainability performance of companies. As a result, it is incumbent upon banks to share their activities in the area of sustainability with their internal and external stakeholders on a regular and periodic basis. It is recommended that reporting is carried out on an annual basis, taking into account good practices and ensuring that stakeholder expectations are met with up-to-date information to the greatest extent possible. The frequency of the reporting, the standards of the reporting to be followed and the method to share the reports should be clearly determined and announced.

Banks must identify key performance indicators (KPIs) specific to their institutions to measure and track sustainability performance, view their progress on a periodic basis and communicate this information to their stakeholders. In addition, with the aim of promoting positive performance, the KPIs should be associated with the performance of employees in the relevant position.

In addition, Principle 7, entitled “Sustainability Principles Compliance Framework”48 announced by the Capital Markets Board (CMB) within the scope of the Corporate Governance Communiqué sets forth the basic principles expected to be disclosed by public partnerships while conducting Environmental, Social and Corporate Governance activities. These principles should be followed and reported with the principle of “comply or explain”.

Indicators which can be determined may be targets for reduction related to direct / indirect impacts (carbon emission arising from lending activities or operations, resource consumption, etc.) arising from activities, as well as criteria which include indirect effects such as the number of

48) For additional information (https://www.spk.gov.tr/Duyuru/Goster/20201002/0)
sustainable products and services developed, good practices for employee rights and satisfaction, institutions/initiatives targeted as members or signatories. They could also be criteria which include indirect effects, such as the number of people impacted within the scope of social responsibility projects (for example, employment created or young population trained). It would be beneficial to reveal the global impact created by the activities with the contribution of the Sustainable Development Objectives. Reporting to internal stakeholders should be carried out in a manner which guides the internal decision-making processes of the relevant institution. In this context, key performance indicators should be integrated with the performance management of the bank and management reporting processes.

A measurable inclusion in reporting a positive impact created for society and the reduction of negative impacts would be seen as a good practice that stands out internationally. This approach would promote a culture of transparency, showcase differences created through activities and demonstrate how this difference is created.

Preferably, the reporting made to external stakeholders should meet internationally recognized standards. In this way, monitoring and improvement of the sustainability performance can be implemented according to international standards and a template can be adopted to allow data comparison shared among institutions. Although reporting in the field of sustainability is mostly conducted on a voluntary basis, there are a number of generally accepted international standards such as:

**Global Reporting Initiative (GRI):** The GRI provides a comprehensive framework for sustainability reporting. Additionally, industry-specific additions have been developed. As a result of the latest revisions, a set of criteria referred to as the GRI Standards was published in 2016.

**International Integrated Reporting Council (IIRC):** Integrated reporting has emerged as a form of reporting to present the short- and long-term value creation methods and future approaches of institutions by ad-

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49) For additional information on the subject, the relevant section can be viewed on the Global Reporting Initiative website (https://www.globalreporting.org/standards/gri-standards-download-center/)
dressing environmental, social and governance issues and financial issues under a holistic perspective. The content of integrated reporting is includes information on the value created by the company using financial and non-financial capital items, the type of value it aims to create in the future, its strategic structure, its style of management of risks and opportunities and its business model. Integrated reporting, the expected result of the approach to managing all capital elements under a holistic approach, is much more than just an aggregation of the financial and non-financial data of an organization. A framework document detailing integrated thinking and integrated reporting has been published by the IIRC in order to guide organizations50.

**Communication on Progress (COP)**: The COP is a notification to stakeholders concerning the progress achieved in the implementation of the ten principles of the UN Global Compact and, when possible, on the progress made in supporting UN goals through partnerships.

**Carbon Disclosure Project (CDP) Reporting**: CDP is an internationally recognized global initiative in reporting the way climate change risks are managed by companies. Through the CDP reporting platform, companies report to investors on the way they use natural resources and natural capital, the way their activities affect the reproduction of limited resources, the way they manage risks and opportunities in this area, and their actions and targets to reduce greenhouse gas emissions. Moreover, companies are encouraged to establish emission reduction targets in line with the global target set out in the light of scientific studies on climate change, through the Science-Based Targets Initiative announced in cooperation with the CDP53. Starting with the “climate change” program, the CDP also provides the opportunity to report through the “water” and “forest” programs.

50) For additional information on the subject, the relevant section can be viewed on the International Integrated Reporting Council website ([https://integratedreporting.org/resource/international-ir-framework/](https://integratedreporting.org/resource/international-ir-framework/))

51) For additional information on the subject, the relevant section can be viewed on the UN Global Compact website. ([http://www.unglobalcompact.org/COP/making_progress/index.html](http://www.unglobalcompact.org/COP/making_progress/index.html))

52) For additional information on the subject, the relevant section can be viewed on the CDP website. ([https://www.cdp.net/en/info/about-us/what-we-do/](https://www.cdp.net/en/info/about-us/what-we-do/))

53) For additional information, the relevant section can be viewed on the SBT website. ([https://sciencebasedtargets.org/](https://sciencebasedtargets.org/))
Sustainability reporting may come within the scope of the Annual Report or in a separate structure the relevant bank will create itself. In this case, consistency and continuity between periods are to be ensured. In this manner, the reporting format is to be created and standardized by taking into account the sustainability goals and performance criteria.

The report should not only cover all of the activities of the organization that are important in terms of sustainability during the reporting period, but also include results of the targets set at the end of the previous period and the projected targets for the next period.

The reporting content may include the following including the topics set out in this Guide:

- The principles and policies of the institution for sustainability in areas such as ethics, human rights, corporate governance, environmental and social issues, climate change,
- Short-, medium- and long-term action plans for the integration of environmental and social issues into all activities, products and services,
- Internal sustainability management structure, areas of responsibility, audit structure, and other governance details,
- Information on the institution’s handling of risks and opportunities related to sustainability and climate change and the management style,
- Current status on the integration of sustainability-related criteria into processes, operations and sectoral services (such as environmental and social risk assessment systems, products and services with positive environmental and social impacts, and responsible banking activities),
- Information on environmental impacts, including carbon emissions, use of resources, especially energy and water, and amounts of waste and recycling in the course of the organization’s own activities;
  1. Volumetric data
  2. Comparative periodic development
  3. Reduction targets and recorded performance for targets
- Providing Sustainable Development Goals the institution contributes to or is focused on through its activities,
• Detailed up-to-date status on the Environmental and Social Management System applied in credit processes,
• Activities carried out to integrate the sustainability approach into purchasing activities and supply chain communication,
• Information on the human resources of the institution, especially employee satisfaction and rights,
• Communication studies conducted with internal and external stakeholders,
• Information regarding collaborations established in the field of sustainability, supported initiatives and projects carried out,
• Data on the environmental and social positive impact created by social responsibility activities and projects.

It is essential that a prioritization analysis is conducted, setting out the findings to be obtained from the stakeholder engagement process in order to determine the content of the report. It is recommended that this analysis is conducted by taking into account the issues included under the principle of “Stakeholder Engagement and Communication”. Any issue which affects stakeholder decisions, activities, behaviours and / or the bank itself, or has the potential to do so, is to be considered as a “priority” issue for the Bank and included in the sustainability report. All reports are to be audited with the bank’s internal control mechanisms. On the other hand, it is recommended that the source data of the report is verified by independent third parties in order to confirm its reliability.

It is essential that reports on sustainability are made publicly accessible to all stakeholders.
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