

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Turkey



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1. Country progress summary – Turkey



SBN Member: [Banking Regulation and Supervision Agency \(BRSA\)](#) (member since 2015)

SBN Working Group: none

Key policy document:

- ☐ Sustainability Guidelines for the Banking Sector (Banks Association of Turkey - BAT, 2014)

Key milestones since 2018 SBN Report:

- ☐ As of 2018, 21 banks out of 53, which account for 86% of total assets in the Turkish banking sector have developed a sustainability policy or environmental and social policy document. 14 banks (80% of the sector) have sustainability reporting practices in different forms, such as a sustainability report, integrated report, or Carbon Disclosure Project (CDP). 15 banks (62% of the sector) have reportedly put in place environmental and social risk management systems at various levels of sophistication and scope. In addition, many banks and leasing companies are developing dedicated green financial products.
- ☐ BRSA raised the loan-to-value (LTV) ratio in housing loans for housing with good energy performance in 2019.

SBN and IFC role: IFC has provided technical input to BAT's guidelines. Through SBN, BRSA has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

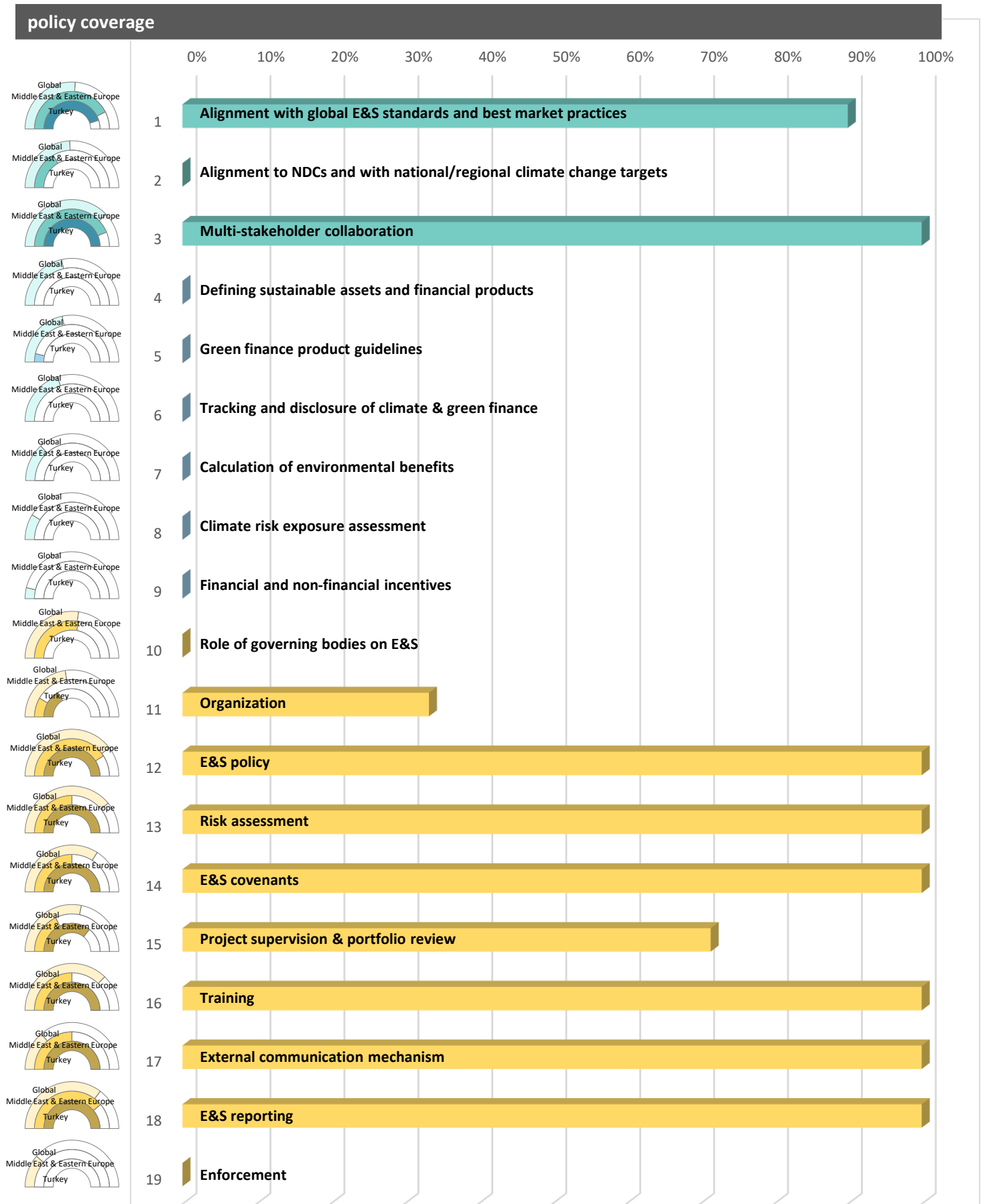


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

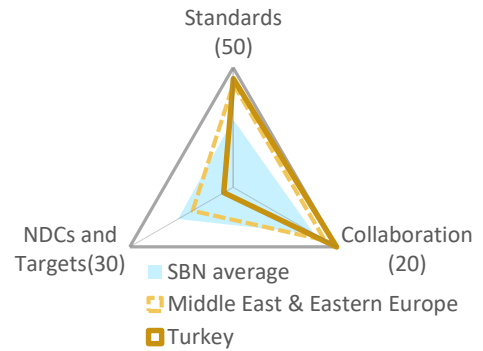
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



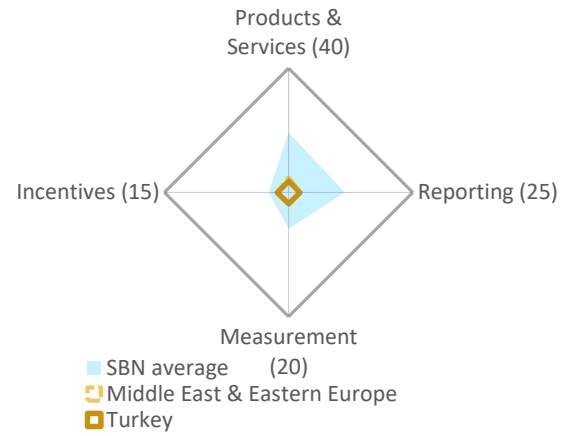
3. Policy coverage developed

Pillar I: Strategic Alignment



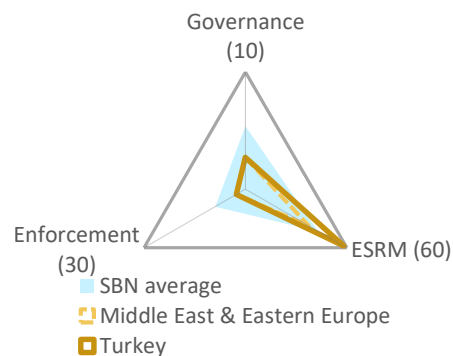
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	<p>The Guidelines encourage banks to meet international standards of E&S policy design and make many references to good practice in areas such as target setting, risk management, and reporting.</p> <p>They encourage banks to go beyond regulatory norms for high E&S risk projects; to be transparent in their external communication; and to publish externally verified E&S policies and results.</p>	<p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 13 & 17</p> <p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 14</p>
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	-	-
Multi-stakeholder collaboration		
Indicator 3	<p>Turkey’s Banking Regulation and Supervision Agency (BRSA) promotes collaboration and knowledge sharing on sustainable finance between banks, public bodies, international organizations, and NGOs.</p> <p>The Guidelines also recommend collaboration with external stakeholders as a route to knowledge transfer and capacity building.</p>	<p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 16</p>

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
<i>Indicator 4, 5</i>	-	-
Climate and green investment reporting		
<i>Indicator 6</i>	-	-
Measurement		
<i>Indicator 7, 8</i>	-	-
Incentives		
<i>Indicator 9</i>	-	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10, 11	<p><u>Organization</u></p> <p>The Guidelines emphasize that responsibility for meeting sustainable finance objectives should be assigned to specific, appropriate personnel.</p>	Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 14, paragraph 6
E&S risk management		
Indicator 12 - 17	<p><u>E&S policy</u></p> <p>The framework asks FIs to formalize an E&S or ESG policy and encourages them to go beyond E&S requirements in local laws and regulations. It asks FIs to set E&S or ESG objectives and targets. It also requires FIs to publicly disclose their E&S policy and its governance.</p> <p><u>E&S assessment</u></p> <p>The Guidelines suggest a three-tier categorization of projects' E&S risks, with A representing the highest risk. They also require banks to monitor clients' risk management of category A or B projects, and to include environmental and social-issue commitments in lending terms when needed. The framework requires FI to carry out appropriate E&S due diligence at transaction level and at client level. It encourages FIs to categorize projects and clients according to their level of E&S risk and to undertake site visits for high-risk transactions. It also invites FIs to engage with clients to implement mitigation measures for negative E&S impacts.</p> <p><u>E&S covenants</u></p> <p>For all projects related to services defined in the framework, FIs must include several commitments and obligations in their contracts with clients, including E&S clauses.</p> <p><u>Project supervision & portfolio review</u></p> <p>When supervising projects, the Guidelines encourage banks to assess E&S risks and arrange site visits when necessary. FIs should develop processes to manage E&S risk during supervision.</p> <p><u>Training</u></p> <p>The Guidelines describe the types and contents of training that could be provided and the targeted employees. Training of key roles is highlighted, such as front officers and E&S experts.</p>	<p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 13 & 17</p> <p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 7 (1.a 1., 1.a 2.), page 8 and page 9 (2.)]</p> <p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 7 (1.a 1 & 1.a2) & page 8</p> <p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 9 (2)</p> <p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 7 & 8</p> <p>Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 15 & 16</p>

Pillar III: ESG Integration (cont.)

Indicator	Policy requirement	Reference
E&S risk management (cont.)		
Indicator 17, 18	<u>External communication</u> The policy recommends that banks give due consideration to stakeholder complaints, and that they should provide feedback on their responses.	Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 12
	<u>E&S reporting</u> The BAT encourages banks to publish sustainability reports on a regular basis, and provides examples of indicators to be reported.	Sustainability Guidelines for the Banking Sector (BAT, 2014) - page 17, Appendix I page 19
Enforcement		
Indicator 19	-	-

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	10%	➤ Reference to international climate finance reporting standards
	Alignment to NDCs and with national/regional climate change targets	100%	➤ Aligned with national NDCs or other national and regional policies on climate ➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	0%	-
Pillar II: Climate and Green Finance	Products & services	100%	➤ Definition and examples for green assets ➤ A comprehensive taxonomy for green assets ➤ Definitions/examples for social/sustainable assets ➤ Guidelines for green financial assets (excluding green bond) ➤ Guidelines for issuance of green bonds ➤ Reference to existing standards ➤ Recommend external party verification
	Climate & green investment reporting	100%	➤ Requirement for FIs to report on climate/green finance flows ➤ Requirement for FIs to report on climate risk exposure at portfolio level ➤ Encouragement for FIs to report publicly on their green finance activities
	Measurement	100%	➤ Requirement for FIs to calculate the environment benefits of their investments ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, and/or templates to measure and report environmental impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	80%	➤ Requirement of one of FIs' governing bodies to approve an E&S strategy ➤ Requirement of FIs' management to report on the E&S strategy implementation to the governing bodies ➤ Requirement of FI operational bodies to report to the governing bodies on implementation of the E&S strategy ➤ Highlight the roles of front officers and second lines of defense ➤ Requirement to define competencies for each role
	E&S risk management	3%	➤ Encourage a periodic review of E&S risks at aggregate portfolio level
	Enforcement	100%	➤ Implementation of the framework regularly verified or information regularly collected from FIs ➤ Financial and non-financial incentives for establishing ESRM systems ➤ Sanctions/penalties/warnings in case of noncompliance with the framework

Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report

