

Second-Party Opinion

Republic of Turkey Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Republic of Turkey Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories are expected to advance Turkey’s inclusion and sustainable development initiatives and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16.



PROJECT EVALUATION / SELECTION Turkey’s Ministry of Treasury and Finance (MOTF), with the help of a Working Group consisting of members from the Presidency of Strategy and Budget and related ministries, will be responsible for reviewing and approving eligible projects. The Republic of Turkey has regulations and legislation in place to mitigate key environmental and social risks related to financing or refinancing eligible projects under the Framework. Sustainalytics considers the project selection process and the social and environmental risk management in line with market practice.



MANAGEMENT OF PROCEEDS The Working Group will be responsible for allocation and tracking of net proceeds by using an allocation register that is maintained by the MOTF. The register will contain information on details of each instrument, pricing date and maturity date. Pending allocation, unallocated proceeds will be held in cash or equivalent according to the MOTF’s general cash management policies. This is in line with market practice.



REPORTING The Republic of Turkey intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include information on, among others, the total amount of outstanding sustainable financing instruments, the net proceeds allocated to eligible projects, the balance of unallocated proceeds. In addition, the Republic of Turkey is committed to reporting on relevant impact metrics. Sustainalytics views the Republic of Turkey’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Ankara, Turkey

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¹ (i) Renewable Energy; (ii) Energy Efficiency; (iii) Sustainable Water and Wastewater Management; (iv) Pollution Prevention and Control; (v) Clean Transportation; (vi) Sustainable Management of Living Natural Resources and Land Use, and Terrestrial and Aquatic Biodiversity Conservation; (vii) Climate Change Adaptation; (viii) Circular Economy Adapted Products, Production Technologies and Processes; (ix) Green Buildings; (x) Employment Generation and Programmes for the Alleviation of Unemployment Impacts; (xi) Access to Essential Services.; (xii) Socio-economic Advancement and Empowerment; (xiii) Affordable Basic Infrastructure; (xiv) Affordable Housing; and (xv) Food Security and Sustainable Food Systems

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Introduction

The Republic of Turkey (“ROT”, “Turkey”, the “Issuer” or the “Country”) is a country located in both Europe and Asia with a total area of 783,356 km² and a population of 83.6 million. Turkey’s capital is Ankara, and the country’s economic centre and largest city is Istanbul.

The Government of Turkey has developed the Republic of Turkey Sustainable Finance Framework, dated October 2021 (the “Framework”), under which the Country intends to issue green, social and sustainability bonds, loans and sukuks, and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to contribute to the sustainable development of the country as envisioned in its Intended Nationally Determined Contributions (INDC). The Framework defines eligibility criteria in nine green and six social areas, as follows.

Green Eligible Categories:

1. Renewable Energy
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Clean Transportation
6. Sustainable Management of Living Natural Resources and Land Use, and Terrestrial and Aquatic Biodiversity Conservation
7. Climate Change Adaptation
8. Circular Economy Adapted Products, Production Technologies and Processes
9. Green Buildings

Social Eligible Categories:

1. Employment Generation and Programs for the Alleviation of Unemployment Impacts
2. Access to Essential Services
3. Socioeconomic Advancement and Empowerment
4. Affordable Basic Infrastructure
5. Affordable Housing
6. Food Security and Sustainable Food Systems

The Government of Turkey engaged Sustainalytics to review the Republic of Turkey Sustainable Finance Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)², Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)³. The Framework will be published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association, and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>.

⁴ The Republic of Turkey Sustainable Finance Framework is available at: <https://en.hmb.gov.tr/>.

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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- The alignment of the Issuer's sustainability strategy and performance, and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of the Government of Turkey to understand the sustainability impact of its processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. ROT representatives have confirmed that: (1) they understand it is the sole responsibility of ROT to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ROT.

Sustainalytics' Second-Party Opinion reflects on the alignment of the Framework with market standards, but provides no guarantee of alignment and does not warrant any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed under the Framework but does not measure their actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond, loan and sukuk proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ROT has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Republic of Turkey Sustainable Finance Framework

Sustainalytics is of the opinion that the Republic of Turkey Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories are aligned with those recognized by the GBP, SBP, GLP and SLP. The eligible categories identified in the Framework are: (i) Renewable Energy; (ii) Energy Efficiency; (iii) Sustainable Water and Wastewater Management; (iv) Pollution Prevention and Control; (v) Clean Transportation; (vi) Sustainable Management of Living Natural Resources and Land Use, and Terrestrial and Aquatic Biodiversity Conservation; (vii) Climate Change Adaptation; (viii) Circular Economy Adapted Products, Production Technologies and Processes; (ix) Green Buildings; (x) Employment Generation and Programmes for the Alleviation of Unemployment Impacts; (xi) Access to Essential Services; (xii) Socio-economic Advancement and Empowerment; (xiii) Affordable Basic Infrastructure; (xiv) Affordable Housing; and (xv) Food Security and Sustainable Food Systems. Sustainalytics considers that ROT's use of proceeds will contribute to the Country's inclusion and sustainable development initiatives.
 - The Issuer has established a three-year look-back period for refinancing activities. Additionally, ROT intends to complete the full allocation of proceeds within two years after issuance. Sustainalytics views this to be aligned with market practice.
 - Under the Renewable Energy category, the Issuer may finance or refinance the following:

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- Projects related to the development, installation, operation and connection of solar wind energy, and geothermal energy with an emissions threshold below 100 gCO₂/kWh. This is in line with market practice.
- Projects that support integration of renewable energy into power systems, such as smart grid and its components, data analytics, charging ecosystem and advanced battery technologies. Sustainalytics views this to be in line with market practice.
- Projects in relation to generating biogas from food waste. Sustainalytics views it to be aligned with market practice.
- Under the Energy Efficiency category, the Issuer may finance or refinance a variety of projects and activities aimed at the improvement of energy efficiency. This may include the following:
 - Projects associated with energy management developments to increase energy efficiency at industrial, public and service buildings.
 - Installation of energy efficient technologies and products that increase at least 20% operational efficiency.
 - Development of energy efficient technologies and improvement of industrial or utility energy efficiency through processes changes, heat losses reduction and waste heat recovery.

ROT intends to finance the installation of energy-efficient technologies, products or equipment that are not primarily powered or driven by fossil fuels. The Issuer has additionally confirmed that expenditures under the Energy Efficiency category will exclude carbon-intensive and hard-to-abate industries such as steel, cement, chemicals, agrichemicals, and livestock production. Sustainalytics views positively the inclusion of defined energy efficiency thresholds for some projects, and encourages the Issuer to report on estimated or achieved energy efficiency on a portfolio basis, where feasible, for the other projects financed under this category.

- Under the Sustainable Water and Wastewater Management category, the Issuer may finance or refinance the following:
 - Projects associated with construction, upgrades, renovations or improvements for the transportation and treatment of wastewater, such as water and wastewater treatment plants (WWTP), including reuse of WWTP effluent, and sewer systems and pumping stations.
 - Projects related to the increase of water-use efficiency, such as non-motorized or electrified water recycling and reuse projects, water saving systems, technologies and water metering.
 - Research, development, implementation and maintenance that improves or maintains water resilience, which may include the evaluation of water reuse alternatives in critical water infrastructure, such as WWTPs, irrigation facilities and rainwater networks, water leakage detection systems, and projects that monitor and protect water security of critical water bodies and basins.

The Issuer has confirmed to Sustainalytics that expenditures relating to water and wastewater treatment will exclude projects related to fossil fuels. Sustainalytics views the criteria within this category to be in line with market practice.

- Under the Pollution Prevention and Control category, the Issuer may finance or refinance the following:
 - Projects aimed at waste prevention, reduction, reuse or recycling that induce collection, sorting, processing, conversion and treatment of waste according to the waste hierarchy. This may include the construction of integrated waste management facilities, re-treatment facilities, such as material recovery facilities and transfer stations⁶ with waste segregated at source. In addition, the Issuer may finance best available techniques in waste prevention and reduction for industries. Sustainalytics notes that this may cover a broad range of potential expenditure and, encourages the Issuer to report on the estimated or achieved waste prevention and reduction impact.
 - Projects related to reduction of air pollution. This may include expenses for the establishment and maintenance of full-automatic air quality measurement systems

⁶ The Issuer has specified that the transfer stations are used for loading solid wastes collected in small volumes to larger-volume vehicles for transportation to downstream waste processing or storage sites. ROT has confirmed to Sustainalytics that expenditures for the vehicles transporting waste will be limited to trucks with zero direct emissions (<1 gCO₂/km or 1 gCO₂/kWh).

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- and air quality monitoring stations. The Issuer may additionally finance expenditures related to building of urban green spaces, and digital and AI-based solutions that track air pollution patterns. Sustainalytics views this in line with market practice.
- Under the Clean Transportation category, the Issuer may finance or refinance low-carbon transportation and associated infrastructure, including: (i) zero direct emissions passenger and freight rail transportation, (ii) zero direct emissions freight road transportation, (iii) passenger road transportation that meets the 50 gCO₂/km emissions threshold and (iv) electric vehicles charging infrastructure. Sustainalytics views this to be aligned with market practice.
 - With regard to the Sustainable Management of Living Natural Resources and Land Use, and Terrestrial and Aquatic Biodiversity category, the Issuer may finance or refinance:
 - Projects related to conservation of natural resources or landscapes and preservation of biodiversity, which may include: (i) combatting land degradation, soil pollution, deforestation and drought, (ii) restoration and conservation of natural terrestrial and marine landscapes, and (iii) biodiversity conservation such as protection and monitoring of endangered species, habitats and ecosystems in environmental protection areas.
 - Projects related to environmentally sustainable organic agriculture and forestry. The eligible sustainable organic agriculture projects and activities are subject to the following certification schemes: EU Organic, Global G.A.P, and any equivalent national or international certification. Eligible forestry activities, including afforestation, reforestation and rehabilitation of degraded forests, must be certified under the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) schemes. Sustainalytics views these certification schemes as credible and robust, please refer to Appendix 2 and 3 for the assessment of the aforementioned certification schemes.
 - Under the Climate Change Adaptation category, the Issuer may finance or refinance projects aimed at increasing Turkey's climate adaptation efforts. Sustainalytics acknowledges that, prior to financing, the Government of Turkey has assessed and identified climate change vulnerability risks and formulated corresponding adaptation plans in its National Climate Change Adaptation Strategy and Action Plan⁷ and other related plans.
 - Under the Circular Economy Adapted Products, Production Technologies and Processes category, the Issuer may finance or refinance:
 - Projects and activities aimed at reducing the use of raw materials and improving resource efficiency, including projects that increase the recyclability or reusability of products and projects associated with use of waste and recycled materials in production. The Issuer has provided examples of programmes that may be financed under this category, which are primarily related to research and development into improving the circularity of products, such as batteries, by utilizing recovered raw material. Sustainalytics notes that these programmes include several EU Member States who chose to participate and all activities are conducted in alignment with EU Directives. Sustainalytics encourages Turkey to report on achieved outcomes and notes that the Issuer has committed to limit R&D expenditures to 10% of total allocation, which is in line with market practice.
 - For Green Buildings, the Issuer may finance or refinance green building projects that receive an acceptable level under a recognized green building certification scheme. To be considered eligible, a building must be certified LEED (Gold or above), BREEAM (Very good or above), Energy Performance Certificate (BEP-TR) (B or above), B.E.S.T by ÇEDBİK Green Building Council (Very good or above), Yes-TR (Very good or above) and any equivalent international or national green building certification. Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages the Issuer to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfil the requirements for BREEAM Excellent in that category. Please refer to Appendix 1 for Sustainalytics' assessment of the green building certification schemes. Sustainalytics notes

⁷ Turkish Ministry of Environment and Urbanization, "Turkey's National Climate Change Adaptation Strategy and Action Plan", https://webdosya.csb.gov.tr/db/iklim/editordosya/file/eylem%20planlari/uyum_stratejisi_eylem_plani_EN_Final.pdf

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that it is market expectation to specify all eligible schemes and encourages the Issuer to report on any other schemes it intends to include.

- Under the Employment Generation and MSME financing, the Issuer may finance or refinance the following:
 - Projects and programmes related to the provision of support for micro- small- and medium-sized enterprises that: (i) have fewer than 10 employees and less than TRY 3 million (USD 0.34 million) in revenue or in net sales; (ii) have fewer than 50 employees and less than TRY 25 million (USD 2.8 million) in revenue or in net sales or; (iii) have fewer than 250 employees and less than TRY 125 million (USD 14 million) in revenue or in net sales.
 - Projects and programmes relevant to emergency responses to crisis that alleviate unemployment or provide financial support targeting individuals and businesses affected by the COVID-19 pandemic.

Sustainalytics notes that the projects and activities above are intended to prevent or alleviate unemployment by targeting vulnerable groups, which is aligned with market practice.

- Under the Access to Essential Services (Healthcare, Emergency Relief and Education) category, the Issuer may finance or refinance the following projects and activities:
 - The provision of public or subsidized health services through the construction, equipping and operation of hospitals, clinics and healthcare centres. Turkey has confirmed that such services and facilities will be accessible to all regardless of ability to pay, which is in line with market practice.
 - Emergency responses to crises, such as natural disaster or health. This may include the manufacturing, logistics and distribution of medical products and supplies essential to medical response, disease control services and vaccinations. Sustainalytics views this to be aligned with market practice.
 - The development and operation of schools, training centres and related facilities. This may include digital learning platforms, labour force training, distribution of free schoolbooks to both public and private schools, education assistance such as transportation and stationery to primary or secondary school children from low-income households, assistance to children with special education needs, including free meal and transportation services for children receiving education and rehabilitation services provided by private educational institutions.
 - Additionally, ROT may finance projects and activities for the physical and mental development of youth and children, such as supports to amateur school clubs, youth projects, camps, student living in public dormitories, and higher education scholarships.

Sustainalytics notes that these projects and activities are intended to serve people from low-income families or from disadvantaged backgrounds, people with disabilities, the unemployed, and refugees under temporary protection. Sustainalytics positively notes the targeting of specific, underserved populations.

- Under the Socio-economic Advancement and Empowerment category, the Issuer may finance or refinance projects and programmes aimed at:
 - The elimination of discrimination in the workplace and prevention of violence and abuse against women, promotion of women participation socially, politically and economically through the provision of institutional childcare services or childcare allowances. Other projects may also include women's shelter allowance payments and women's entrepreneurship programmes.
 - Provision of care, protection, socio-economic and psychosocial support to disadvantaged children and youth.⁸ This may include child support centres, foster family service and children's homes.
 - Provision of social assistance to socio-economically disadvantaged groups,⁹ such as allowances and pensions.

⁸ Children and youth who are victims of crime, at risk or at streets, children that requires foster care, orphans, children requiring protection, children in poverty who cannot meet their basic needs.

⁹ Elderly, disabled individuals, refugees under temporary protection.

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- The elimination of discrimination and provision of support for people with disabilities in the workspaces. Projects may include the Sheltered Workspace Model, where an employer that has at least eight employees with disabilities comprising more than 75% of total employees may obtain tax benefits and grants.

Sustainalytics notes that the projects and activities above are intended to benefit the underserved groups, which is in line with market practice.

- Under the Affordable Basic Infrastructure category, the Issuer may finance or refinance infrastructure in rural areas and municipalities with a population of up to 25,000, or targeted at low-income families and refugees. This may include:
 - Basic sanitation including septic tanks and treatment facilities.
 - Construction and maintenance of equipment, such as pipework for clean water supply.
 - Construction of roads to rural areas that currently lack access to basic road infrastructure, which Sustainalytics views as aligned with market practice.
 - Construction of telecommunication infrastructure that aims to reach full coverage in rural areas¹⁰ and underserved communities, which may include expanding broadband networks and improving fibre infrastructure.
 - Subsidy programme for electricity consumption to low-income populations.

Sustainalytics notes that affordable basic infrastructure above are intended to enable access to underserved groups, which is in line with market practice.

- Under the Affordable Housing category, the Issuer may finance or refinance the development and provision of affordable and low-income housing through the TOKI social housing projects. Target population defined by TOKI focuses on low- and middle-income groups based on the public sector wage index and maximum net monthly household income. Additionally, TOKI ensures that the sales price and re-payment conditions are defined by the income and saving patterns of the target groups.¹¹
- Under the Food Security and Sustainable Food Systems category, the Issuer may finance or refinance the following:
 - Programmes enabling access to adequate food and nutrition for families, children and students.
 - Research and development to increase agricultural productivity for small-scale and semi-subsistence family farms or SMEs through improving agriculture employment, enterprise, size efficiency, use of idle lands and deployment of modern technologies to reduce water, energy and fertilizer usage; and increasing agricultural resiliency through measures that mitigate droughts or other climate-change-relevant disasters.

Sustainalytics notes that the projects and activities above are intended to benefit groups without adequate food and nutrition and improve agricultural sustainability. This is in line with market practice.

- In accordance with the exclusionary criteria set out in the Framework, the proceeds of the instruments issued under the Framework will not be used to finance projects and activities linked to fossil fuel, manufacturing of petrochemicals, livestock, alcoholic beverages, tobacco products, weaponry, military contracting, gambling, nuclear power generation, child labour nor forced labour.
- Project Evaluation and Selection:
 - Turkey's Ministry of Treasury and Finance (MOTF), with the help of a Working Group consisting of members from the Presidency of Strategy and Budget and related ministries, will be responsible for reviewing and approving eligible projects that comply with the eligibility criteria defined in the Framework. The MOTF, assisted by the Working Group, will monitor the eligible projects' compliance with the eligibility criteria until full allocation of proceeds as well as their environmental and social impacts.
 - Turkey has laws, regulations and action plans to mitigate key environmental and social risks related to the eligible projects under the Framework. Sustainalytics considers the regulations and plans to be adequate. Refer to section 2 for additional details.

¹⁰ Population of less than 500, where infrastructure is not provided by the operators due to economic and geographical difficulties.

¹¹ Further information is available at: <https://www.toki.gov.tr/en/housing-programs.html>

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- Based on governance structure with representation from cross-divisional participation and adequate regulations and plans for environmental and social risk mitigation in place, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The net proceeds of the instruments eventually issued under this Framework will be transferred to the MOTF's account at the Central Bank of the Republic of Turkey. The Working Group will be responsible for allocation and tracking of net proceeds by using an allocation register to be maintained by the MOTF. The register will contain information on details of each instrument, pricing date and maturity date. Pending allocation, unallocated proceeds will be held in cash or equivalent according to the MOTF's general cash management policies.
 - Based on the internal processes to manage proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Issuer intends to report on the allocation of proceeds on the MOTF website on an annual basis until full allocation. The allocation reporting will include the total amount of outstanding sustainable financing instruments, the net proceeds allocated to eligible projects, the balance of unallocated proceeds, the amount or percentage of new financing and refinancing, geographical distribution of projects (to the extent available), a breakdown of allocation amount per eligible category and the relevant ministries responsible for financed projects.
 - In addition, the Issuer, where feasible and available, may report on relevant environmental and social impact metrics including capacity of renewable energy plant(s) constructed or rehabilitated (in MW), annual renewable energy generation (in MWh/GWh or GJ/TJ), annual energy savings (in MWh or GJ/TJ), number of jobs created and retained, number of people benefited. For a complete list of impact indicators, please refer to Appendix 4 Sustainability Bond/ Sustainability Bond Programme External Review Form.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Republic of Turkey Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Mandate of Republic of Turkey

Contribution of Framework to Republic of Turkey's sustainability mandate

Turkey is committed to sustainable development and climate change mitigation in the transition towards a more sustainable and greener economy. Since 1996, the Country has incorporated sustainable development in its National Development Plans (NDP). The 10th NDP (2014-2018) covered all components of the UN Sustainable Development Agenda¹² and introduced the concept of "Green Growth" in governmental policies. Since 2015, Turkey has implemented policies and programmes to try to achieve the SDGs through Annual Programmes, the annual planning of policies in NDPs for prioritizing activities of public institutions.¹² In addition, Turkey has performed Voluntary National Reviews (VNR) respectively in 2016 and 2019, published its SDG indicators and assigned relevant institutions with the responsibility of tracking the indicators¹³ Turkey's sustainable development commitments demonstrate a focus on key environmental and social areas, including climate change, employment generation, and socio-economic advancement and empowerment.

Turkey has ratified the Paris Agreement and set a goal of achieving net zero carbon emissions by 2053. As part of its Intended Nationally Determined Contribution (INDC), Turkey has committed to reduce GHG emissions by up to 21% from the business-as-usual level by 2030.¹⁴ Turkey has also set forth plans and policies to achieve the INDC, including the targets of increasing solar power to 10 GW and wind power to 16 GW by 2030. In the 11th NDP, Turkey has committed to carrying out GHG emissions control activities in the

¹² Government of Turkey, "Turkey's Sustainable Development Goals 2nd Voluntary National Review 2019 'Strong Ground towards Common Goals'", (2019), at: https://sustainabledevelopment.un.org/content/documents/23862Turkey_VNR_110719.pdf

¹³ European Environment Agency, "Turkey Country Profile – SDGs and the Environment", (2020), at: <https://www.eea.europa.eu/themes/sustainability-transitions/sustainable-development-goals-and-the-country-profiles/turkey-country-profile-sdgs-and>

¹⁴ "Republic of Turkey Intended Nationally Determined Contribution", (2019), at: https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Turkey/1/The_INDC_of_TURKEY_v.15.19.30.pdf

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sectors of building, energy, industry, transportation, waste, agriculture and forestry, and to the target of expanding the share of renewables in power generation to 38.8% by 2023.¹⁵ In addition, the Government of Turkey has adopted the National Strategy on Climate Change (2010-2023) and National Climate Change Action Plan (2011-2023). The National Strategy on Climate Change establishes climate mitigation targets in short, medium and long term for the major GHG emitting sectors in Turkey as well as for climate adaptation, finance and technology development.¹⁶ The National Climate Change Action Plan sets out GHG emission control and adaptation objectives for relevant sectors of the Turkish economy, such as reducing energy intensity, improving energy efficiency, disseminating clean transportation and green building, and increasing carbon sequestered in forests.¹⁷ The National Energy Policy adopted in 2017 identifies the use of renewable energy sources as one of the country's main priorities, and the National Energy Efficiency Action Plan sets the target of saving 23 million tonnes of oil equivalent by 2023. The government has additionally developed National Forestry Programme (2004-2023) and the National Strategy and Action Plan to Combat Desertification (2015-2023), which set out targets for expanding and improving forestry as carbon sinks. By 2023, Turkey targets to reach 23.4M hectares of forest area, which corresponds to 30% of Country's surface area. Turkey also has established the target to increase the percentage of certified forests from 11% in 2019 to 23% by the end of 2021. To support the transition to a more sustainable and greener economy, the Country has established the Green Deal Action Plan, which includes objectives and actions under categories such as border carbon regulations, green and circular economy, green finance, sustainable agriculture, and sustainable transport.

On social issues, ROT has adopted the 2019-2023 Strategic Plan that sets the Country's main objectives and targets in social protection, including providing shelter, care and rehabilitation, services for women, children, people with disabilities and the elderly, and promoting a flexible and effective labour market. Turkey has developed action plans and programmes that specifically aim to protect vulnerable groups, combat child abuse, violence against women and gender-based inequality. In addition, Turkey has committed to an employment focused growth through, for example, enhanced education, social services for the youth and a more qualified labour force. The 11th NDP set the target of reducing Turkey's unemployment rate to 9.9% and generating 4.3 million new jobs by 2023. Recognizing that small and medium-sized enterprises (SME) account for 99.8% of all companies in the Country, under the 11th NDP, Turkey aims to drive the growth and institutionalization of SMEs through, among others, developing innovative financing opportunities for SMEs and easing their access to finance.

Sustainalytics is of the opinion that the Republic of Turkey Sustainable Finance Framework is aligned with the Country's overall sustainability mandate and current development plan and will further Turkey's actions on its key environmental and social priorities.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, however, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include issues involving: (i) land use and biodiversity issues associated with large-scale infrastructure development, (ii) occupational health and safety, (iii) stakeholder participation, (iv) bribery and corruption and (iv) waste management. In addition, social projects may also create some risk of increasing inequality if not targeted to vulnerable populations. Sustainalytics is of the opinion that ROT is able to manage or mitigate potential risks through implementation of the following:

- As per the Turkish Environmental Law, operators of facilities engaging in the prescribed activities, such as hydropower generation, waste disposal and ports, are subject to environmental impact assessment (EIA) requirements.¹⁸ Depending on the facility's type, scale and possible environmental impacts, project owners must apply for an "EIA Positive" decision from the Ministry of Environment and Urbanisation either directly or after a screening about the necessity of an EIA. To obtain the "EIA Positive" decision, project owners must hold a public meeting with stakeholders potentially affected by the project and develop an EIA report.

¹⁵ Presidency of Strategy and Budget, "Eleventh Development Plan (2019-2023)", at: https://www.sbb.gov.tr/wp-content/uploads/2020/06/Eleventh_Development_Plan-2019-2023.pdf

¹⁶ Ministry of Environment and Urbanization, "Republic of Turkey Climate Change Strategy 2010-2023", at: [https://webdosya.csb.gov.tr/db/iklim/editordosya/iklim_degisikligi_stratejisi_EN\(2\).pdf](https://webdosya.csb.gov.tr/db/iklim/editordosya/iklim_degisikligi_stratejisi_EN(2).pdf)

¹⁷ Ministry of Environment and Urbanization, "Republic of Turkey Climate Change Action Plan 2011-2023", at: https://webdosya.csb.gov.tr/db/iklim/editordosya/iklim_degisikligi_eylem_plani_EN_2014.pdf

¹⁸ Mavioglu, O. Y., et al. (2021), "Environmental Law and Practice in Turkey: Overview", Thomson Reuters Practical Law, at: [https://uk.practicallaw.thomsonreuters.com/7-522-2040?contextData=\(sc.Default\)&transitionType=Default&firstPage=true#co_anchor_a125051](https://uk.practicallaw.thomsonreuters.com/7-522-2040?contextData=(sc.Default)&transitionType=Default&firstPage=true#co_anchor_a125051)

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- Turkey has enacted the Occupational Health and Safety Law that sets out responsibilities for employers in protecting occupational health and safety. Employers are obliged to have in place workplace physicians and safety specialists for workplaces identified as dangerous or very dangerous or with at least 50 employees. Employers are also required to comply with other occupational safety and health obligations with regard to risk assessment, employee training, emergency plan and drills, personal protective equipment and periodic medical surveillance. Turkey has ratified related international conventions such as the ILO Occupational Safety and Health Convention of 1981 and the Promotional Framework for Occupational Safety and Health Convention of 2006.
- Bribery and corruption in Turkey are regulated under the Turkish Criminal Code, the Law on Declaration of Property and Combating Bribery and Corruption, the Law on the Ethics Board for Public Officials, and the Civil Servants Ethical Principles and Application Procedures and Principles.¹⁹ Turkey has ratified the major international or regional anti-corruption conventions, such as the United Nations Convention against Corruption (UNCAC), the OECD Anti-Bribery Convention, the Council of Europe Criminal Law Convention on Corruption and the Council of Europe Civil Law Convention on Corruption.²⁰
- Turkey has established waste management regulations, mostly under the Municipality Law and General Health Law, setting out requirements on waste collection, storage and disposal.²¹ Among other provisions, the waste management regulations require organizations or individuals generating more than 1,000 kilograms of hazardous waste per month to obtain a temporary storage permit. Other waste generators must also comply with the requirements about waste management plans and information disclosure. The regulations prohibit mixing different type of waste in storage and collection or diluting waste with other types of wastes or materials.
- Turkey has laws and legislations in place to prevent and eliminate child labour. Turkey's Labour Law prohibits employment of children below the age of 15, while other regulations prevent the economic exploitation of children jeopardizing their health and safety, physical, mental, moral and social developments, and their education. Turkey has also ratified the United Nations Convention on the Rights of the Child and has instituted national level programmes and policies for the prevention and elimination of child labour.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Turkey has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 14 use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics focuses below on those where the impact is specifically relevant in the local context.

Importance of financing renewable energy in Turkey

Turkey's rapid economic and population growth in the last two decades have strongly increased the Country's energy demand. Turkey currently has the fastest growing energy demand among OECD countries.²² Between 2000 and 2019, energy supply in Turkey increased by 92%, with fossil fuel representing 83% of the Country's total primary energy supply.^{23,24} Considering 76% import dependency of fossil fuel, Turkey has prioritized the diversification of its energy mix and security of energy supply under its energy strategy.²⁴

Having already exceeded its target of 38.8% of its power generation from renewables, which was set out under the country's 11th Development Plan (2019-2023), Turkey now aims to continue expansion of its renewable energy resources with a target to commission another 10 GW of each solar and wind capacity in the period

¹⁹ Aydin, B., et al., "Anti-Corruption in Turkey", Baker McKenzie, at: <https://www.globalcompliance.com/anti-corruption/handbook/anti-corruption-in-turkey/>

²⁰ Chambers and Partners, "Anti-Corruption 2021 Turkey", (2021), at: <https://practiceguides.chambers.com/practice-guides/anti-corruption-2021/turkey>

²¹ EFOR OSGB, "Turkish Health & Safety Law to Cover All Employers in 2013", at: <https://www.eforosgb.com/en/health-safety-turkey/>

²² Republic of Turkey, Ministry of Foreign Affairs, "TURKEY'S INTERNATIONAL ENERGY STRATEGY", at: <https://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

²³ Total Primary Energy Supply is made up of production + imports – exports – international marine and aviation bunkers ± stock changes.

This equals the total supply of energy that is consumed domestically, either in transformation (e.g. power generation and refining) or in final use.

²⁴ IEA, "Turkey 2021 Energy Policy Review", at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf

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2017-2027. Since 2010, the share of renewables in Turkey's installed power has been growing strongly, reaching 52% of total power generation at the beginning of 2021²⁵, with hydropower being the largest source of renewable electricity. Non-hydro renewable electricity generation has also seen strong growth in the last decade, from 1.2 TWh in 2008 to 44.5 TWh in 2019. The installed capacity of wind increased from 2,261 MW in 2012 to 7,591 MW in 2019. The Government of Turkey estimates the Country's wind energy potential to be 48,000 MW, signalling significant expansion potential. The installed capacity of solar increased from 0 MW in 2012 to 5,995 MW in 2019. The Turkish Solar Association estimates that Turkey's solar capacity will reach 38 GW by 2030, which represents substantial residual potential. Geothermal power is also increasing rapidly, from 311 MW in 2013 to 1,515 MW by the end of 2019. With 35 GW proven potential in 2018, Turkey has a relatively large expansion potential for geothermal energy.²⁴

In terms of GHG emissions, the country emitted 383.3 MtCO_{2e} in 2019 and was ranked the world's 20th largest emitter. Turkey's emissions have more than doubled between 1990 and 2017 (+134%) and are projected to continue to grow until at least 2030.²⁶ Turkey's 2030 national emissions reduction target is to reduce emissions 21% below business-as-usual scenario. This scenario shows that Turkey has an enormous potential to scale up its climate action. Achieving climate targets under the Paris Agreement would require Turkey to phase out coal by 2030, significantly increase the use of renewables, and fully decarbonize its electricity generation by 2050.²⁷

In conclusion, Sustainalytics is of the opinion that Turkey's use of proceeds for renewable energy, which includes solar, wind and geothermal energy, will create positive environmental benefits and contribute to Turkey's national energy diversification and climate-related goals.

Importance of clean transportation in mitigating climate change in Turkey

According to the International Energy Agency (IEA), the transport sector generates approximately 24% of global energy-related CO₂ emissions²⁸ and road vehicles account for nearly three-quarters of transport sector emissions. Furthermore, by 2050, emissions from the sector are expected to increase by 60%.²⁹ In Turkey, emissions from the transport sector grew by 63% from 2012 to 2018,³⁰ making it the second largest greenhouse gas emitting sector after electricity and heat generation. The transport sector consumed 28 million tonnes of oil equivalent in 2018, equal to 28% of Turkey's total energy consumption. According to IEA's Energy Policy Review of Turkey 2021, the main reason for the increase in transport energy consumption was the growth in car usage. Vehicle kilometres travelled per capita for cars and light trucks almost doubled between 2006 and 2016 (IEA, 2019b). Road transport accounted for 92% of total transport energy demand in 2018.

Turkey's National Climate Change Action Plan 2011-2023 (NCCAP) has identified several action areas for mitigation of emissions from the transport sector, which includes 1) promoting energy-efficient vehicles; 2) developing comparative studies on alternative fuels and new technologies; 3) developing and improving bicycle and pedestrian transport; 4) reducing the use of passenger cars to reduce traffic density in cities; 5) developing and implementing institutional restructuring for urban transport; 6) strengthening maritime transport, and 7) strengthening rail transport and collecting data on transport. Since Turkey is heavily reliant on road transport, the government aims to promote combined, intermodal and multimodal applications in passenger and freight transport, to increase the share of railroad and maritime transport. The Eleventh Development Plan (2019-2023) of Turkey defines objectives to increase the share of rail in its transportation system. It aims to increase the share of railway in freight transportation to 10% by 2023 from 5.15% in 2018, and in passenger transport to 3.8% by 2023 from 1.3% in 2018. It therefore plans to reduce road transport's share in freight to under 60% and passenger transport to under 72% by the end of 2023. Under the Eleventh Development Plan, Turkey has also set target to increase electrified and signalled railway lines to 77% of total railway line by 2023.³¹

Sustainalytics is of the opinion that Turkey's use of proceeds for clean transportation will aid in reducing greenhouse gas emissions and in mitigating impacts of climate change.

²⁵ AA Energy, Turkey's energy map becomes greener as renewables expand countrywide, at: <https://www.aa.com.tr/en/energy/regulation-renewable/turkeys-energy-map-becomes-greener-as-renewables-expand-countrywide/33016>

²⁶ Turkey- Climate Transparency Report, at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/Turkey-CT-2020-WEB.pdf>

²⁷ Climate Action Tracker, "CAT Scaling Up Climate Action series", (2019), at: https://climateactiontracker.org/documents/670/CAT_2019-11-29_ScalingUp_TURKEY_ExecSumm_ENG.pdf

²⁸ The International Energy Agency, "Tracking Transport 2020", (2020), at: <https://www.iea.org/reports/tracking-transport-2020>

²⁹ The Organization for Economic Co-operation and Development (OECD), "Transport CO₂ and the Paris Climate Agreement Reviewing the Impact of Nationally Determined Contributions", (2018), at: <https://www.itf-oecd.org/sites/default/files/docs/transport-co2-paris-climate-agreement-ndcs.pdf>

³⁰ IEA, Turkey 2021 Energy Policy Review, at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf

³¹ Presidency of Republic of Turkey, Eleventh Development Plan (2019-2023), at: https://sbb.gov.tr/wp-content/uploads/2020/06/Eleventh_Development_Plan-2019-2023.pdf

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Importance of financing SMEs to support employment generation in Turkey

In 2019, SMEs represented 99.8% of all enterprises and 72.4% of total national employment in Turkey.³² In addition to their central role in job creation, productivity and competitiveness, SMEs in Turkey are also particularly relevant for helping the Country to absorb and integrate the current influx of refugees to Turkey. In addition, SMEs are also recognized to contribute to reducing regional inequalities in Turkey, which has one of the largest regional disparities among OECD countries in terms of unemployment and economic development.³³ The top 20% richest Turkish regions have more than three times the GDP per capita of the bottom 20% of the poorest regions.³⁴ Similarly, unemployment rates in the top 20% performing regions averaged 9.2% while the bottom 20% regions averaged 21.7% as of 2019.³⁴

The Government of Turkey offers SMEs financial initiatives for continuity and employment, including the Credit Guarantee Fund, support packages, tax initiatives, and other support since 2016.³⁵ In response to the COVID-19 pandemic in 2020, the Government of Turkey announced an economic stimulus package doubling the Credit Guarantee Fund limit to TRY 50 billion (EUR 4.98 billion) and expanding it to SMEs.³⁶ In Turkey, 80% of SMEs suffered substantial negative impacts, such as temporary suspension of activities and a decline in revenues.³⁷ Other measures in support of SMEs under the Turkish government's stimulus package include minimum wage support, additional liquidity from public banks to enterprises for salaries provided they did not reduce employment, relaxed short-term work allowance rules, as well tax reductions, deferral of tax payments, loan support, deferral of loan repayment, etc.³⁸

Based on this context, Sustainalytics is of the opinion that the Republic of Turkey's use of proceeds for supporting MSMEs is expected to support employment generation and result in positive social outcomes in Turkey.

The importance of expanding access to Healthcare in Turkey

Turkey implemented the Healthcare Transformation Programme (HTP) in 2003, which was designed to contribute to the expansion of health insurance coverage and access to health care services for all citizens, particularly the low-income segment. Additionally, the Government initiated efforts which led to the establishment of a family physician scheme and a universal health insurance system, Genel Sağlık Sigortası (GSS)³⁹, which combined several social security systems under one umbrella, the Social Security Institute (SSI). The GSS scheme requires all residents of Turkey to have medical insurance coverage and extends free insurance coverage to those who are unable to afford insurance premium payments.⁴⁰ Under the GSS, contributions to the scheme are proportional to individuals' income, and insurance charges are pooled in a fund, which is subsidized from the state budget in case of deficits. The Government meets treatment costs of low-income individuals by "Yesil Kart (Green Card)" health insurance scheme.

Based on the above, Sustainalytics is of the opinion that the Republic of Turkey's expenditures to Government healthcare programmes and schemes will contribute to the expansion of affordable and accessible healthcare to the citizens of Turkey.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The instruments eventually issued under the Republic of Turkey Sustainable Finance Framework are expected to contribute to the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
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³² Turkish Statistical Institute, "Small and Medium Sized Enterprises Statistics, 2019", at: <https://data.tuik.gov.tr/Bulten/Index?p=Small-and-Medium-Sized-Enterprises-Statistics-2019-37548&dil=2>

³³ OECD, "Job Strategy- Turkey", (2018), at: <https://www.oecd.org/turkey/jobs-strategy-TURKEY-EN.pdf>

³⁴ 37 OECD, "Regions and Cities at a Glance 2020 – Turkey", (2020), at: <https://www.oecd.org/cfe/Turkey-Regions-and-Cities-2020.pdf>

³⁵ OECD, "Turkey: Small Business Act profile", (2019), at: https://www.oecd-ilibrary.org/development/sme-policy-index-western-balkans-and-turkey-2019_f565e33c-en

³⁶ 1 UNESCAP, "Turkey- COVID Country profile", (2021), at: https://www.unescap.org/sites/default/d8files/2021-03/Turkey_COVID%20Country%20profile%20230321.pdf

³⁷ UNDP, "Four in every five SMEs substantially impacted by COVID-19 crisis!", (2020), at: <https://www.tr.undp.org/content/turkey/en/home/presscenter/pressreleases/2020/04/B4G-anket.html>

³⁸ UNESCAP, Turkey Policy Responses, at: https://www.unescap.org/sites/default/d8files/2021-03/Turkey_COVID%20Country%20profile%20230321.pdf

³⁹ Government of Turkey, "Genel Sağlık Sigortası", (2021), at: http://www.sgk.gov.tr/wps/portal/sgk/en/detail/universal_health_ins

⁴⁰ Asylum in Europe, "Healthcare: Turkey", (2021), at: <https://asylumineurope.org/reports/country/turkey/reception-conditions/health-care/>

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Renewable Energy	7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7 Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Water and Wastewater Management	6 Clean Water and Sanitation	<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
Pollution Prevention and Control	11 Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Clean Transportation	11 Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Management of Living Natural Resources and Land Use	2 Zero hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
Terrestrial and Aquatic Biodiversity Conservation	15 Life on Land	<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p> <p>15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world</p> <p>15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species</p>
Climate Change Adaptation	13 Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

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Circular Economy Adapted Products, Production Technologies and Processes	12 Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Green Buildings	9 Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Employment Generation and Programmes for the Alleviation of Unemployment Impacts	8 Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services 8.5 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Access to Essential Services	3 Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4 Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
	11 Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Socio-economic Advancement and Empowerment	5 Gender Equality	5.1 End all forms of discrimination against all women and girls everywhere 5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation Indicators
	10 Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

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Affordable Basic Infrastructure	6 Clean Water and Sanitation	6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	7 Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Affordable Housing	11 Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Food Security and Sustainable Food Systems	2 Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
		2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

Conclusion

ROT has developed the Republic of Turkey Sustainable Finance Framework under which it may issue green, social and sustainability bonds, sukuk and/or loans and use the proceeds to finance (i) Renewable Energy; (ii) Energy Efficiency; (iii) Sustainable Water and Wastewater Management; (iv) Pollution Prevention and Control; (v) Clean Transportation; (vi) Sustainable Management of Living Natural Resources and Land Use, and Terrestrial and Aquatic Biodiversity Conservation; (vii) Climate Change Adaptation; (viii) Circular Economy Adapted Products, Production Technologies and Processes; (ix) Green Buildings; (x) Employment Generation and Programmes for the Alleviation of Unemployment Impacts; (xi) Access to Essential Services; (xii) Socio-economic Advancement and Empowerment; (xiii) Affordable Basic Infrastructure; (xiv) Affordable Housing; and (xv) Food Security and Sustainable Food Systems. Sustainalytics considers that the projects funded by the sustainability bond, sukuk and loan proceeds are expected to advance Turkey's inclusion and sustainable development initiatives and help reduce the Country's GHG emissions.

The Republic of Turkey Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Republic of Turkey Sustainable Finance Framework is aligned with the overall sustainability mandate of the Country and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16. Additionally, Sustainalytics is of the opinion that ROT has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Republic of Turkey is well-positioned to issue green, social and sustainability bonds, sukuk and loans and that Republic of Turkey Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021), and Social Loan Principles (2021).

Appendices

Appendix 1: Sustainalytics's assessment of building certification schemes

	LEED ⁴¹	BREEAM ⁴²	CEDBIK ⁴³	BEP-TR	Yes-TR
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.	CEDBIK (Turkish Green Building Council) is a rating system for residential and commercial buildings that is used in Turkey.	Building Energy Performance of Turkey (BEP-TR) Certification is a building energy performance calculation methodology that focuses on district heating and/or renewable energy for buildings above a certain threshold. BEP-TR was developed in alignment with Turkey's regulations and based on the EU's Energy Performance of Buildings Directive (EPBD).	Yes-TR is a Turkish national green building certificate system administered by the Ministry of Environment and Urbanization, in cooperation with the Istanbul Technical University.
Certification levels/rating	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Good Very Good Excellent	A B C D	Pass Good Very Good National Excellence
Areas of Assessment: Environmental Performance of the Building	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy Efficiency Water Efficiency Land use Health and Comfort Materials and Resources Life on Property Operation and Maintenance Innovation	Outdoor climatic conditions of a building's location Minimum energy performance (MEPs) of retrofits for existing buildings	Integrated Building Design, Construction and Management Indoor Environment Quality Building Material and Life Cycle Energy Use and Efficiency Water and Waste Management Innovation
Requirements	Prerequisites (independent of level of certification) + Credits with associated points	Prerequisites depending on the levels of certification + Credits with associated points	Prerequisites (independent of level of certification) + additive Credits	BEP-TR calculates the maximum energy needed for heating, cooling hot water,	Yes-TR sets criteria for new buildings and existing buildings. Points are awarded for the

⁴¹ USGBC, LEED: www.usgbc.org/LEED

⁴² BREEAM, Building Research Establishment LTD; <https://breeam.com/>

⁴³ Cedbik: <https://cedbik.org/>

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	<p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>This number of points is then weighted by item⁴⁴ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>with associated points</p>	<p>ventilation and illumination of new existing buildings using an hourly calculation.</p> <p>Building Energy Performance Certificates (EPCs) are granted under the "Regulation on Energy Performance in Buildings". An EPC will not be granted to buildings with less than a C rating.</p>	<p>extent of improvement compared to a reference building. Under the energy category, the minimum improvement is 21% compared to building with minimum EPC B. For existing buildings, the minimum improvement is 21% compared to EPC B or 0-1% improvement compared to the EPC A, which represents a building with Primary Energy Demand of 0-39 kWh/m2 per year.</p>
<p>Performance display</p>					

⁴⁴ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

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Appendix 2: Sustainalytics' assessment of agriculture schemes

	GLOBAL G.A.P. Agriculture	EU Organic
Background	The GLOBAL G.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promoting sustainable agriculture practices.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The GLOBAL G.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets. Compliance Criteria consists of 3 types of control points. To obtain certification the following are required: <i>Major Musts:</i> 100% compliance is compulsory <i>Minor Musts:</i> 95% compliance is required <i>Recommendations:</i> no minimum % required	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	1. Applies to farm crop base: (i) fruit and vegetables, (ii) flowers and ornamentals, (iii) combinable crops, (iv) tea, (v) plant propagation material, (v) hop. 2. Covers the certification of the whole agricultural production process of the product, from before the plant is in the ground (origin and propagation material control points) to non-processes product. - Food safety and traceability; Environment (including biodiversity); Workers' health, safety and welfare; Animal welfare; Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) 3. Waste, conservation (weak), water	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
Verification of standards and risk mitigation	Global GAP approves certification bodies, which can then in turn carry out audits and verification. Certification is valid for one year.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The standards are informed by FAO guidelines.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.

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<p>Performance display</p>		
<p>Qualitative considerations</p>	<p>Widely recognized internationally, and strong assurance of overall quality. However, the environmental dimension, G.A.P. does not prohibit the use of pesticides beyond those permitted by national regulations. Furthermore, the certification includes no requirements for reducing, minimizing or substituting pesticides.</p>	<p>Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.</p>

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Appendix 3: Sustainalytics' assessment of forestry certification schemes

	Forest Stewardship Council (FSC) ⁴⁵	Programme for the Endorsement of Forest Certification (PEFC) ⁴⁶
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socio-economic functions and conditions • Compliance with legal requirements
Types of standards and benchmarks	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) programme (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want 	<ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification

⁴⁵ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

⁴⁶ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

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	<p>to produce or make claims related to FSC-certified products must possess this certificate)</p> <ul style="list-style-type: none"> Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source) 	<ul style="list-style-type: none"> Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement
Governance	<p>The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC’s governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p>
Scope	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁴⁷ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
Chain-of-Custody	<ul style="list-style-type: none"> The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards CoC standard includes procedures for tracking wood origin 	<ul style="list-style-type: none"> Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC

⁴⁷ ISO, ISO/IEC Guide 59:2019

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	<ul style="list-style-type: none"> • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC 	<ul style="list-style-type: none"> • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood • The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody
<p>Non-certified wood sources</p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, Wood harvested in violation of traditional and civil rights, Wood harvested in forests where high conservation values are threatened by management activities, Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, Wood from management units in which genetically modified trees are planted. 	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labor issues, - indigenous peoples’ property, tenure and use rights, - payment of royalties and taxes. genetically modified organisms, forest conversion, including conversion of primary forests to forest plantations.

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<p>Accreditation/verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
<p>Qualitative considerations</p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁴⁸ and both have also faced criticism from civil society actors.^{49,50} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

⁴⁸ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁴⁹ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁵⁰ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

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Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Republic of Turkey
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Republic of Turkey Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 2, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

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1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – (i) Renewable Energy; (ii) Energy Efficiency; (iii) Sustainable Water and Wastewater Management; (iv) Pollution Prevention and Control; (v) Clean Transportation; (vi) Sustainable Management of Living Natural Resources and Land Use, and Terrestrial and Aquatic Biodiversity Conservation; (vii) Climate Change Adaptation; (viii) Green Buildings; (ix) Employment Generation and Programmes for the Alleviation of Unemployment Impacts; (x) Access to Essential Services.; (xi) Socio-economic Advancement and Empowerment; (xii) Affordable Basic Infrastructure; (xiii) Affordable Housing; and (xiv) Food Security and Sustainable Food Systems – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories are expected to advance Turkey's inclusion and sustainable development initiatives and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socio-economic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

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2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Turkey's Ministry of Treasury and Finance (MOTF), with the help of a Working Group consisting of members from the Presidency of Strategy and related ministries, will be responsible for reviewing and approving eligible projects. The Republic of Turkey has regulations and legislation in place to mitigate key environmental and social risks related to financing or refinancing eligible projects under the Framework. Sustainalytics considers the project selection process and the social and environmental risk management in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Working Group will be responsible for allocation and tracking of net proceeds by using an allocation register that is maintained by the MOTF. The register will contain information on details of each instrument, pricing date and maturity date. Pending allocation, unallocated proceeds will be held in cash or equivalent according to the MOTF's general cash management policies. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
|---|--|

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- | | |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

The Republic of Turkey intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include information on, among others, the total amount of outstanding sustainable financing instruments, the net proceeds allocated to eligible projects, the balance of unallocated proceeds. In addition, the Republic of Turkey is committed to reporting on relevant impact metrics. Sustainalytics views the Republic of Turkey's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

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Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Ministry of Treasury and Finance's website
https://en.hmb.gov.tr/ |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established

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scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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