



**DEVELOPMENT
INVESTMENT
BANK OF TURKEY**

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ENVIRONMENTAL AND SOCIAL POLICY

JANUARY 2020

1. Development and Investment Bank of Turkey has the mission to meet the financing and consultancy needs of investors in line with the sustainable development priorities of Turkey, to contribute to the dissemination of capital to the base and to the structural transformation, to cooperate with domestic and foreign organizations. In line with this mission, the Bank considers environmental and social sustainability as a fundamental component of sustainable and inclusive development. The Bank is aware of the need to address three aspects of sustainable development - economic, social and environmental - in a balanced and integrated manner. Through this Environmental and Social Policy, the Bank aims to manage its direct and indirect environmental and social impacts that may occur as a result of its operational activities and financial services respectively. This policy covers all employees and activities of the Bank.

2. The Bank recognizes the importance of environmental and social development and the long-term benefits that it will provide in Turkey. In order to manage the impacts arising from its activities the Bank, in addition to combating climate change, adopts resource optimization, increasing positive environmental and social activities and minimizing negative environmental and social impacts. The Bank is committed to fulfil its legal obligations, to support environmental and social awareness, to be sustainability oriented, to continuously improve its performance and to transfer its knowledge to its stakeholders.

3. With this perspective, the Bank aims to manage its direct impacts in a sensitive manner to the environment and society. Greenhouse gas emissions caused by the Bank's operational activities are regularly monitored and targets are set for mitigation. The Bank commits to take measures to reduce resource consumption (energy, water, paper) and waste minimization.

The Bank considers its human sources as a core value and aims to provide work-life balance, safe and healthy working environment for its workers in recruiting and managing and to provide equal opportunities in selecting its clients and suppliers.

4. In the investments financed, the Bank is committed to conserving biodiversity and cultural heritage, to avoid adverse impacts upon the living conditions of communities and vulnerable groups or individuals and to promote equality of opportunity and avoidance of discrimination. Investments that are likely to have unacceptable effects on environment and society are not willingly supported or financed. The Bank does not knowingly finance the activities that are

prohibited in accordance with the national legislation or international conventions to which Turkey is a party, that are comprised in the Exclusion List attached to this Policy, or that are not in compliance with the environmental and social standards and requirements of its Lenders. Therefore, the Bank finances business opportunities which are in accordance with applicable national regulations and relevant international standards or present a plan to do so within a reasonable time period.

5. The Bank believes that environmental and social risk assessment should be a part of routine decision-making processes in all investment and credit applications. Therefore, the Bank has developed an Environmental and Social Management System (ESMS) and is implementing it through the entire lifetime of the loans to safeguard the Bank from credit, reputational and environmental and social liability risks. The Bank evaluates all lending activities in compliance with national environmental and social laws and regulations, the Bank's own policy and procedures and where applicable all other environmental and social standards to which the Bank is committed to meet. The ESMS enables the Bank to consistently categorize the potential environmental and social risks of its clients and credit activity and appraise the associated environmental and social impacts. According to the defined environmental and social risk category, the Bank develops action plans to mitigate the risks and impacts and monitors the performance throughout the term of the credit. Site visits may be conducted during the appraisal of a credit to ensure an effective understanding of environmental and social risks and impacts, and to support the preparation of a management plan specific to the site where appropriate. Clients are supported to build capacity and effectively increase their environmental and social performance. The Bank also requires regular reporting and conducts environmental and social monitoring on all investments it finances.

6. The Bank is committed to developing and maintaining the necessary internal capacity, structure, guidance resources and engagement with third-parties for effective implementation of the ESMS across the organization; not amend, waive or materially restrict the scope or effect of the applicability of ESMS, and to conduct appropriate E&S due-diligence of potential co-financing joint venture and partners; and ensure the scope of its ESMS is not compromised in such partnerships.

Training needs are identified, and employees are provided with necessary trainings to increase their capacity.

Voluntary activities are supported to provide public awareness on climate change in collaboration with non-governmental organizations and other stakeholders.

7. The direct and indirect environmental and social performance of the activities of the Bank is reviewed annually with the aim of continuous improvement. Where commercially and legally feasible, the financings approved in conformity with the ESMS are regularly shared with all stakeholders on the website of the Bank according to the risk categories. Any party that is directly and/or significantly affected by the Bank's operations and financing activities may submit grievances to the Bank through its website at <http://kalkinma.com.tr/> or by emailing to: surdurulebilirlik@kalkinma.com.tr. All received grievances are documented systematically, responded in a timely manner and reported to the upper management periodically. The Bank also may require from its Clients the disclosure of relevant E&S information and the establishment of a grievance redress mechanism associated with the activities it finances.

8. The Sustainability Committee is responsible for the follow up and update of this policy, and the Board of Directors is responsible for its approval and annulation. The policy will be updated when necessary immediately upon changes in legislation and emergence of violations or requirement for improvements. All updates to this policy will be shared with the public via the Bank's website. This policy entered into force on January 17th, 2020 upon approval of the Board of Directors.

EXCLUSION LIST

The Bank will not knowingly finance projects/activities involving the following:

1. Forced labor¹ or harmful or exploitative forms of child labor²;
2. The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the Project is located, or international conventions and agreements, or subject to international phase out or bans, such as:
 - a. Production of, or trade in, products containing polychlorinated biphenyl (PCBs)³.
 - b. Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans (Rotterdam Convention, Stockholm Convention)⁴.
 - c. Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)⁵.
3. Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)⁶.
4. Trans-boundary movements of waste prohibited under international law (Basel Convention).

¹ Forced labor means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty (including any kind of forced or compulsory labor, such as indentured labor, bonded labor or similar labor- contracting arrangements, or labor by trafficked persons)

² For purposes of this List, harmful or exploitative forms of child labor means the employment of children under the age of 18 for work which by its nature or the circumstances in which it is carried out is likely to jeopardize their health, safety or morals; but if the laws or regulations of the country in which the Project is located provide, in conformity with the International Labour Organization's Minimum Age Convention, 1973, that children at least 16 years of age may be employed for such work on condition that their health, safety and morals are fully protected and that they have received adequate specific instruction or vocational training in the relevant branch of activity, then child labor means employment of children for work that does not comply with these laws and regulations

³ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950 to 1985.

⁴ United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard. A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>

⁵ Ozone Depleting Substances(ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized "ozone holes." The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme, <http://www.unep.org/ozone/montreal.shtml>

⁶ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). A list of CITES listed species is available from the CITES secretariat, <http://www.cites.org>.

5. Production of, or trade in, weapons and munitions, including paramilitary materials.
6. Production of, or trade in, alcoholic beverages, excluding beer and wine.
7. Production of, or trade in, tobacco.
8. Gambling, casinos and equivalent enterprises.
9. Production of, trade in, or use of unbounded asbestos fibres⁷.
10. Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity.
11. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
12. Production or trade in wood or other forestry products other than from sustainably managed forests.
13. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.
14. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU)⁸.

⁷ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.

⁸ Non-compliance with International Maritime Organisation (IMO) requirements: tankers that do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL), International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management Code compliance), tankers banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used. <http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-thePrevention-of-Pollution-from-Ships-%28MARPOL%29.aspx>.