

From the Banking Regulation and Supervision Agency:

COMMUNIQUÉ ON BANKS' GREEN ASSET RATIO CALCULATION

PART ONE

Preliminary Provisions

Purpose and scope

ARTICLE 1 - (1) The purpose of this Communiqué is to set out the principles and procedures for the calculation and reporting of the green asset ratio and other key performance indicators established to measure banks' contribution to the financing of environmentally sustainable economic activities.

Basis

ARTICLE 2 - (1) This Communiqué has been prepared based on the first paragraph of article 43 and the fourth paragraph of article 93 of the Banking Law Nr. 5411 dated 19/10/2005.

Definitions

ARTICLE 3 - (1) The following terms in this Communiqué refer to:

a) Trading accounts: Trading accounts defined in article 3 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks published in the Official Gazette dated 23/10/2015 and numbered 29511,

b) Key performance indicators: Ratios showing how and to what extent the bank's activities take into account and contribute to environmental sustainability and environmental objectives,

c) Minimum social security standards: Governance standards set to ensure that economic activities do not violate social norms, including human, labor and consumer rights,

ç) Independent verifying party: A natural person or legal entity authorized as a verifier by the Turkish Accreditation Agency (TÜRKAK) or relevant public institutions and organizations and professional organizations with public institution status,

d) Gross amount: The amortized cost of the financial asset before adjustment for any loss allowance,

e) Environmentally sustainable economic activities: Economic activities that contribute significantly to at least one of the objectives of climate change mitigation, climate change adaptation, sustainable use and conservation of land, water and marine resources, transition to a circular economy, prevention and control of pollution, protection and restoration of biodiversity and ecosystems, and do not cause significant harm to any of these objectives,

f) Circular economy: A production and consumption approach that preserves the value of products and materials for a long time, minimizes the use of harmful substances in production and the use of limited resources and greenhouse gas emissions, prevents waste

and waste generation, ensures the sustainable and safe reuse of products at the end of their life cycle for the environment and human health, adds more value to products, and supports greenhouse gas reduction,

g) Financial asset: Financial assets included in the Turkish Financial Reporting Standards,

ğ) Loan: Loans defined in article 48 of the Banking Law No. 5411,

h) Board: Banking Regulation and Supervision Board,

ı) Agency: Banking Regulation and Supervision Agency,

i) Public administrations within the scope of central government: Public administrations included in the tables numbered (I), (II) and (III) annexed to the Public Financial Management and Control Law dated 10/12/2003 and numbered 5018,

j) Taxonomy: Classification systems that contribute to the mobilization of climate finance by setting principles and criteria for economic activities that contribute to combating climate change in line with set environmental objectives,

k) Technical screening criteria: Criteria for evaluating economic activities in terms of their impact on environmental objectives,

l) Renewable energy: Energy generated using wind, solar, geothermal, ocean, marine, hydroelectric, biomass, green hydrogen, landfill gas, sewage treatment plant gas and biogas.

PART TWO

Green Asset Ratio

Green asset ratio calculation

ARTICLE 4 - (1) The primary key performance indicator for banks' contribution to environmental sustainability is the green asset ratio. Green asset ratio is calculated by dividing aligned assets in banks' unconsolidated balance sheets by total assets within the scope of green asset ratio.

(2) Total assets within the scope of the green asset ratio are calculated as the sum of the gross amount of on-balance sheet financial assets measured at amortized cost after subtracting receivables from public administrations under central government, central banks and supranational institutions and assets held for trading accounts.

(3) Eligible assets are calculated as the sum of the gross amounts, measured at amortized cost, of on-balance sheet financial assets related to all economic activities covered by the technical screening criteria, regardless of whether they meet the criteria, within the total assets covered by the green asset ratio.

(4) Aligned assets are calculated by summing the gross amounts of on-balance sheet financial assets within eligible assets, measured at amortized cost, related to economic activities that fulfill the conditions below at the same time;

a) Contribute significantly to one or more of the environmental objectives,

b) No significant harm to other environmental objectives,

c) Ensuring minimum standards of social security.

The Board is authorized to set lower limit amounts for the financial assets to be taken as basis in the calculation of aligned assets.

Environmental objectives

ARTICLE 5- (1) Environmental objectives include;

- a) Climate change mitigation,
- b) Adaptation to climate change,
- c) Transition to a circular economy,
- ç) Sustainable use and protection of water and marine resources,
- d) Prevention and control of pollution,
- e) Conservation and restoration of biodiversity and ecosystems objectives.

Technical screening criteria

ARTICLE 6- (1) In order for the assets to be taken into account as aligned in the calculation of the green asset ratio to fulfill the condition of contributing significantly to one or more of the environmental objectives, they must meet the relevant technical screening criteria.

(2) The technical screening criteria to be determined by the Board shall be taken as basis in determining the aligned assets and calculating the amounts related to them. The Board is authorized to decide to apply the technical screening criteria determined by the competent public institutions for environmental objectives.

(3) Banks are obliged to certify that the technical screening criteria are met or will be met through emission reports, feasibility reports, energy efficiency study reports and similar reports issued by independent verifying parties, nationally or internationally recognized certificates, green technology selection tools or expenditure documents subject to investment, and to keep them available for audit.

(4) It is essential to confirm and monitor that the term assets determined as aligned meet the technical screening criteria throughout their maturity.

Do not significant harm criteria

ARTICLE 7- (1) Assets to be taken into account as aligned in the calculation of the green asset ratio are required to meet the do not significant harm criteria.

(2) While assessing whether economic activities meet the do not significant harm criteria, the environmental impacts of the activity itself and the products and services resulting from the activity throughout their life cycles and the impacts of the products after the end of their useful life are taken into consideration.

(3) The do not significant harm criteria to be determined by the Board shall be taken as basis in determining the aligned assets and calculating the amounts related to them. The Board is authorized to decide to apply the do not significant harm criteria determined by the competent public institutions for environmental objectives.

(4) Banks are obliged to make the necessary documentation regarding their assessment of whether an asset meets the do not significant harm criteria and to keep such documentation available for audit.

(5) It is essential to confirm and monitor that the term assets determined as aligned meet the do not significant harm criteria throughout their maturity.

Minimum social safeguards

ARTICLE 8- (1) Activities and related parties regarding the assets to be taken into account as aligned in the calculation of green asset ratio are required to comply with minimum social safeguards.

(2) Minimum social security safeguards to be determined by the Board shall be taken as basis in determining the aligned assets and calculating the amounts related thereto. The Board is authorized to decide to apply the safeguards determined by the competent public institutions.

(3) Banks are obliged to make the necessary documentation regarding their assessment that an asset meets the minimum social safeguards and to keep such documentation available for audit.

(4) It is essential to verify and monitor the compliance with minimum social safeguards throughout the maturity of the term assets designated as aligned.

Loans for which the scope of utilization cannot be determined

ARTICLE 9- (1) Working capital loans and other loans of similar nature, which are extended to enterprises that have generated at least ninety percent of their last fiscal year turnover from aligned assets and have not generated any income from non-renewable energy resources in the last year, and whose scope of use cannot be determined, are considered as aligned assets in the calculation of the green asset ratio.

Reporting

ARTICLE 10- (1) Banks are obliged to establish documentation, classification, monitoring and control processes and related policies, make necessary arrangements in their databases and establish a reporting system for the assets constituting the numerator and denominator of the green asset ratio.

(2) Banks are obliged to submit their green asset ratio reports to the Agency within the periods to be determined by the Board.

(3) The Board is authorized to determine and differentiate the green asset ratio reporting obligation on the basis of bank type and size.

PART THREE

Miscellaneous and Final Provisions

Environmental objectives to be taken into account

ARTICLE 11- (1) In determination of aligned assets, the environmental objective specified in subparagraph (a) of the first paragraph of article 5 shall be taken into consideration. The Board is authorized to include other environmental objectives in the calculation of the green asset ratio.

Secondary key performance indicators

ARTICLE 12- (1) Secondary key performance indicators for banks' contribution to environmental sustainability are the ratios of aligned assets/eligible assets and eligible assets/total assets within the scope of green asset ratio.

(2) In parallel with the harmonization with the national taxonomy, the Board is authorized to define new key performance indicators other than the green asset ratio for banks based on different data, including cash flow data, income and expense accounts, off-balance sheet assets and trading account assets, and to establish reporting obligations for these indicators.

Lower limits and targets

ARTICLE 13- (1) The Board is authorized to set lower limits and targets for the green asset ratio and other key performance indicators, to differentiate these limits and targets on a bank-by-bank basis, and to take necessary measures, including additional capital requirements, against banks that fail to comply with the limits and targets.

Reporting start date

PROVISIONAL ARTICLE 1- (1) The reporting to be made to the Agency under article 10 shall commence on 30/6/2025.

Entry into force

ARTICLE 14- (1) This Communiqué shall enter into force on the date of its publication.

Enforcement

ARTICLE 15- (1) The provisions of this Communiqué shall be enforced by the Chairman of the Banking Regulation and Supervision Agency.