

FACILITATOR ROLE OF ASSOCIATION FOR THE STAKEHOLDER ENGAGEMENT AND INNOVATIVE GREEN PRODUCTS OF PARTICIPATION BANKS WITH BEST PRACTICES

PARTICIPATION BANKS ASSOCIATION OF TÜRKİYE

April, 2024



INTERACTION WITH SUSTAINABILITY



- The basic values and principles of participation banking overlap with the principles of sustainable finance.
- Turkish participation banking sector stakeholders also position sustainability activities at the centre of their corporate strategies and develop exemplary practices in this area.
- TKBB, which has a multi-dimensional integrated sustainability approach covering both the activities of member banks and other stakeholders, carries out its sustainability activities with a broad perspective approach.

THE RELATIONSHIP BETWEEN PARTICIPATION FINANCE AND SUSTAINABILITY FACILITATION OBJECTIVES



- To support the SDGs to achieve the Sustainable Development Goals by 2030 in the vision of IsDB and UNDP
- Supporting the role of sustainable finance in development
- Observing social benefit
- Raising awareness
- Increasing financial inclusion

SUSTAINABILITY ACTIVITIES AND INTERNATIONAL COLLABORATIONS



- In 2021, the **United Nations Development Programme (UNDP) Istanbul International Centre for Private Sector Development (IICPSD)** and our Association signed a **memorandum of understanding (MoU)** to collaborate on leveraging Islamic finance **for the effective implementation and achievement of the Sustainable Development Goals (SDGs)**.
- In 2021, an **MoU was signed with the Ministry of Economy and Finance in charge of Industry (MEFI) of Djibouti** to provide knowledge, skills and know-how transfer to local stakeholders in Djibouti on participation finance business and process models and legal structure **to contribute to the development of Islamic microfinance in Djibouti through UNDP's implementing partnership**.
- In 2021, a representative of TKBB participated as a speaker at the seminar titled **"Islamic Social Finance as a Means of Achieving Sustainable Development Goals (SDGs)"**, organised in cooperation with the United Nations and the Islamic Development Bank (IsDB), and talked about the social finance activities carried out by participation banks in Türkiye among the G20 Muslim majority countries to support the SDGs.

SUSTAINABILITY ACTIVITIES AND INTERNATIONAL COLLABORATIONS



- The Association actively participates in the negotiation programmes in the field of social finance conducted within the **Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation (COMCEC)** and shares Türkiye's practices.
- On 25 November 2022, a panel titled "**Innovations in Islamic Social Finance: Opportunities for Türkiye**" was held at the 8th World Halal Summit in **cooperation with TKBB, Islamic Development Bank (IsDB) Kuala Lumpur Centre of Excellence (KLCoE) and United Nations Development Programme (UNDP)**. The launch of the report prepared on "Innovations in Islamic Finance; Case Studies from Malaysia and Indonesia" in partnership with IsDB Kuala Lumpur Centre of Excellence (KLCoE) and UNDP was held.

SUSTAINABILITY ACTIVITIES AND INTERNATIONAL COLLABORATIONS



- **"Massive Open Online Course (MOOC):**
 - In June 2022, at the annual meeting of the Islamic Development Bank Group held in Egypt under the theme "Beyond the Pandemic: Resilience and Sustainability", the launch of the UNDP "Massive Open Online Course (MOOC): Islamic Finance for Sustainable Development Goals", of which TKBB is the first implementer worldwide.
 - The training was conducted **in cooperation with UNDP IICPSD, IsDB and UK Durham University Business School.**
 - **It is the first online course in this field** designed to build the capacity of development professionals and Islamic finance stakeholders on sustainable development and Islamic finance.
 - It consists of **5 modules** and brings together **27 internationally recognised** experts from **11 countries and 3 continents** as course trainers.
 - It is available as free of charge on both **IsDBI's EdX** channel and **UNDP's Learning for Nature platform.**
 - **The SDG Academy Library** also **contains** learning videos related to the training.

SUSTAINABILITY ACTIVITIES AND INTERNATIONAL COLLABORATIONS



■ COP28

The TKBB took part in the panel titled "**Alignment of Faith-Based Investment and Impact Investing with the Sustainable Development Goals**" at the **COP 28** held in Dubai, United Arab Emirates in December 2023. In the panel, the **enabling role** of the Participation Banks Association of Türkiye for the communication of the alignment of participation banking and impact investing with the SDGs was mentioned and important milestones for the internalisation and alignment of sustainable finance with Islamic finance principles were shared as best practices.

■ COP29

At COP 29, TKBB will present its joint studies **on Islamic finance, sustainable finance and impact investments.**

Within the scope of the COP29 programme, Association has reached a preliminary agreement to carry out **joint studies with The Global Ethical Finance Initiative (GEFI) and The Islamic Finance Council UK (UKIFC).**

SUSTAINABILITY ACTIVITIES AND INTERNATIONAL COLLABORATIONS



- In 2021, a webinar on **Value-Based Intermediation**, an example of good practice in impact investment and measurement, was organised in cooperation with Malaysia-based **INCEIF University**.
- On 6 March 2023, the launch of the report titled "**Climate Finance Readiness Index 2023**" prepared by **Green for South** was hosted by Association. Covering the Middle East, North Africa and Türkiye, the report assesses the state of climate finance for the MENA region and Türkiye and proposes a set of policy interventions based on international best practices and national contexts.
- The launch, which was **also attended** and contributed by **important public authorities such as the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board of Türkiye (CMB)**, was concluded with a roundtable meeting where current issues such as green finance regulations, climate risk management, impact measurement-reporting and greenhouse gas accounting were discussed.

SUSTAINABILITY ACTIVITIES AND INTERNATIONAL COLLABORATIONS



- On 11 October 2023, the 9th General Council of Islamic Banks and Financial Institutions (CIBAFI) Sustainability Working Group (SWG) Meeting and a roundtable titled "**Advancing Climate Resilience: GHG Emissions Measurement in Islamic Banking and Finance**" was held.
- "**Project Pooling and Technical Capacity Building for the European Fund for Sustainable Development (EFSD+)**" Project; Green Finance Ecosystem and Taxonomy 5th Group 2nd Meeting on Equity and Green Bonds was held on 27 October 2023 with the participation of the Central Bank of the Republic of Türkiye (**CBRT**), Banking Supervision and Regulation Agency (**BRSA**), Capital Markets Board (**CMB**) and Delegation of the European Union to Türkiye.

SUSTAINABILITY ACTIVITIES CARRIED OUT WITH LOCAL STAKEHOLDERS



- A working group meeting on "**Aligning Faith-Based Investments and Impact Investments**" was organised in cooperation with the Impact Investment Advisory Board (**EYDK**). In the relevant working group meeting, issues such as COP28 outputs, sharing of international good practice examples, determination of stakeholder ecosystem, elaboration of alternative financing instruments were discussed and it is planned to publish a report on the work carried out in the following periods.
- With the participation of officials from the Banking Regulation and Supervision Agency (BRSA), the **Sustainability Sub-Working Group** at the Banks Association of Türkiye (BAT) and efforts to establish heat map methodologies/green asset ratio are being followed.
- The Association participates in the meetings organised by the "**Financial Sector Development Working Group**" and the **Green Financing Specialised Working Group** established by the Republic of Türkiye Ministry of Treasury and Finance and responds to requests for information and opinions.
- In 2023, within the framework of the cooperation between **the Public Oversight Authority (KGK)** and the Participation Banks Association of Türkiye (TKBB), an awareness programme on sustainability standards was organised for the employees of participation banks, and a training on the Turkish Sustainability Reporting Standards (TSRS) and TSRS scope of application for the Turkish Banking sector was held by KGK officials on 25 April 2024.

TKBB SUSTAINABILITY ACTIVITIES



- **A special section for sustainability was opened in the annual report of Participation Banks** and since 2021, participation banks have been reporting their sustainability activities in a consolidated manner.
- **The official website of our Association** includes a "**Sustainability**" section and the activities carried out by our member banks, regulations of regulatory and supervisory public institutions and current developments are included in this section and remain up-to-date in the developing process.
- The Association has developed sustainability training modules in order to raise awareness on sustainability and continues to plan trainings on climate risk heat map methodologies and the scope of TSRS1 and TSRS2 in the 2024 training period.
- The videoisation process of the training contents on '**Social Finance**', '**Sustainable Financing Architecture**', '**Financing of Green Transformation**' received from **the Banking Supervision and Regulation Agency** is ongoing and it is aimed to make the training modules available to the public **on the Association's LMS platform** in the following period.
- A joint study was carried out with the BAT to share studies, regulations, presentations, event announcements and data on green finance on a single **website (portal)** in English. The member banks of our Association supported this portal by sharing their opinions and evaluations requested.

ACTIVITIES CARRIED OUT WITH REGULATORY AND SUPERVISORY ORGANISATIONS IN TÜRKİYE



- The **Participation Finance Strategy Document** published by the Presidency Finance Office is a document that covers all sectors, products and services under the umbrella of participation finance and draws a strategic framework for the development of participation finance as a whole, and includes assessments and a roadmap for the development of **Waqfs (participation-based), Zakat, Karz-ı hasen (good debt), Participation-based microfinance practices that constitute** the 'Participation Social Finance' (KSF) system. The strategy document includes the field of 'Participation Finance from Sustainability Perspective' and details **ESG-focused Investment, SRI-focused Investment, Impact Investment, Islamic Green Finance in the World, Corporate Governance Mechanisms within the Scope of Islamic Green Finance and Green Finance in Türkiye.**
- Within the framework of the Sustainable Banking Strategy Plan (2022-2025), the coordinating institution **BRSA** has assigned the task of exploring opportunities for the development of **social financing activities** and carrying out studies to increase social finance practices within **the scope of the participation finance system and participation fintechs** to the Association.
- Within the scope **of the efforts of the Ministry of Treasury and Finance to develop financial architecture and infrastructure**, TKBB focuses on **Zakat and Karz-ı Hasen** in the field of social finance, and **Hajj Fund** studies on improving savings awareness. The Karz-ı Hasen workshop was held on 9th of March 2024 and the Hajj Fund Workshop was held on 15 April 2024.

KARZ-I HASEN WORKSHOP



- Under the coordination of the Association, the "**Karz-ı Hasen Workshop**", jointly organised by the **MUSIAD** Karz-ı Hasen Fund, the Islamic Economics Research Centre (**İKAM**), the Islamic Economics Research and Application Association (**İKSAR**) and the **Karz-ı Hasen Foundation**, was hosted by the Independent Industrialists' and Businessmen's Association (MUSIAD) Headquarters on 9 March 2024.
- It aims to support SDG 8 (Decent work and economic growth) and SDG 1 (End Poverty) goals with its karz-ı hasen model, which pursues social and developmental goals rather than commercial goals, based on the maximisation of social benefit, focused on the real economy, and based on socio-economically sustainable growth.
- **Objective:**
 - Addressing the necessity of the application of Karz-ı Hasen, especially in Türkiye.
 - Publicising to the masses that social justice can be achieved through social development awareness.
 - Popularisation of Karz-ı Hasen practices among both institutional structures and individual formations.
 - Implementation of Karz-ı Hasen as an alternative instrument.
 - Implementation of the necessary legal and legislative arrangements for the implementation of Karz-ı Hasen

GREEN SUKUK ISSUANCES IN TÜRKİYE



Fund User	ISIN Code	Issue Amount (TL)	Yield Ratio	Issue Date	Amortisation Date	Day
Türkiye Emlak Katılım Bank A.Ş.	TRDEVKSK2228	51.800.000	Variable	10.11.2021	16.11.2022	371
Türkiye Wealth Fund Istanbul Finance Centre Inc.	TRDEMVK2317	600.000.000	22	24.12.2021	22.12.2023	728
Ekovar Environment Group Return Waste Storage Inc.	TRDEMVK32329	50.000.000	27	14.09.2022	10.03.2023	177
Türkiye Emlak Katılım Bank A.Ş.	TRDEVKSI2427	500.000.000	20	14.11.2022	18.01.2024	430
Ekovar Environment Group Return Waste Storage Inc.	TRDEMVK32436	50.000.000	33	10.03.2023	8.03.2024	364
Ekovar Environment Group Recycling. Waste Storage Inc.	TRDEMVK92331	50.000.000	30	5.04.2023	29.09.2023	177
YEŞ Car Rental and Tourism Investments Inc.	TRDHVKA32426	125.000.000	47	13.12.2023	13.04.2024	91

■ Türkiye's First Green Sukuk Issuance

Türkiye Emlak Katılım Bank A.Ş. (Emlak Katılım) issued Türkiye's first green sukuk with a maturity of 371 days and a total amount of TL 51.8 million on 10 November 2021.

It used 50% of the funds obtained from green sukuk issuance in clean transportation, 29% in recycling/waste management and 22 % in financing renewable energy projects. The value of green sukuk issued in Türkiye is ₺1 billion 426 million.

SOCIAL AND SUSTAINABLE SUKUK ISSUANCES IN TÜRKİYE



- **Emlak Katılım** published the **Fund Utilisation and Impact Report** within the scope of the issuance of **Green Lease Certificates** based on Management Contracts with a total nominal amount of TL 500,000,000 issued by **Emlak Katılım** in November 2023. According to the report, **10,320 tonnes of carbon emissions and 9,754 tonnes of water consumption** were prevented with the green buildings financed.
- **The Development and Investment Bank of Türkiye (TKYB)** issued Türkiye's first social sukuk amounting to TL 50 million to be utilised in the agricultural sector. The sukuk, which is Türkiye's first social sukuk issuance, is a first in terms of capital markets with a holistic and social contribution-targeted business model.
- **Kuveyt Türk Participation Bank** realised Türkiye's and Continental Europe's first sukuk transaction in 2010 and issued "**Global Sustainable Tier 2 Subordinated Sukuk**" in 2021 in line with the principles of participation finance. The resources obtained from sustainable sukuk are utilised in **green and social project financing**, especially **renewable energy** financing.



THANK YOU

info@tkbb.org.tr