

# Sustainability Bulletin

October 2023

## JCR Eurasia Rating

Economic and Analytical Research



## BRSA Published the Draft Communiqué on the Green Asset Rate

Banking Regulation and Supervision Agency (BRSA) published a draft communiqué regarding the reporting on the ratio of banks' green assets in their total assets and solicited public comments and feedback.

According to the draft, the Green Asset Ratio (GAR), developed by the European Banking Authority (EBA), is calculated by dividing the **compatible assets** in the unconsolidated balance sheets of banks by the eligible assets. Compatible assets refers to the sum of the gross amounts of on-balance sheet assets related to economic activities that **simultaneously** meet the conditions, measured at amortized cost. These conditions are;

- Contributes significantly to one or more of the environmental objectives,
- Does not cause significant harm to other environmental objectives, and
- Ensures minimum social security measures.



The environmental objectives included in the notification were determined in accordance with the EU taxonomy. In this context, **climate change mitigation, climate change adaptation, transition to a circular economy, sustainable use and protection of water and marine resources, prevention and control of pollution, protection and restoration of biodiversity and ecosystems** are defined as environmental objectives.

## Draft for Effective Management of Climate-Related Financial Risks by Banks Has Been Published

In line with the Sustainable Banking Strategic Plan, BRSA has completed the working draft on the effective management of direct or indirect risks that banks are or may be exposed to in relation to climate and opened it to public comments and suggestions. **“Draft Guidelines on the Effective Management of Climate-Related Financial Risks by Banks”** was prepared based on the “Principles for the Effective Management and Supervision of Climate-related Financial Risks” document published by the Basel Committee on Banking Supervision.



The draft consist of **12 principles** and **44 items**, in general terms, on corporate governance, internal systems, capital and liquidity adequacy, risk management process, monitoring and reporting, comprehensive management of credit risk, comprehensive management of market risk, liquidity risk, operational risk and other risks, and scenario analysis.

BRSA’s mission in Sustainable Banking Strategic Plan, “to minimize the environmental and social risks that may threaten financial stability due to their effects on the banking sector, and to play a guiding, facilitating, encouraging and educational role for the sector in financing the transition to a low carbon economy.”, was cited as the justification for the Draft Guide.

## EU Prepares to Protect Customers from Greenwashing

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The European Parliament and the EU Council have agreed on sanctions for environmental performance claims that could mislead consumers. The agreement aims to protect consumers from misleading sustainability claims and greenwashing practices, with unverified generic environmental claims and performance indicators based on emissions offset schemes.

Under the new deal, the EU's rules will ban claims that a product has positive or negative effects, as well as general environmental claims such as "**environmentally friendly**" or "**climate-free**" unless evidence of "**excellent environmental performance**" is provided. The new rules will also not recognize reducing the impact on the environment based on carbon offsetting that is not based on approved certification schemes. This means that voluntary carbon markets will not be valid in the fight against the climate crisis.

A recent study by the EU Commission shows that **50%** of "green" claims made by companies are misleading and **40%** are completely unfounded.

## Greenwashing penalty from SEC to Deutsche Bank's Subsidiary



The US Securities and Exchange Commission (SEC) imposed a fine of **USD 19 million** on DWS, which is known as the investment arm of Deutsche Bank, on the grounds that they shared misleading information regarding ESG investment processes.

It is known that this penalty is the largest penalty imposed by the SEC on an asset management company for greenwashing.

In the statement made by the SEC, it was stated that controls on ESG products provide misleading information during the inclusion of ESG factors in research and investment advice processes. It was also stated in the statement that DWS failed to integrate ESG factors into its investment processes and provided misleading information to its customers.

## Leaders Agree to Triple Renewable Energy Capacity

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At the G20 Leaders Summit hosted by India, the world's largest economies agreed to triple the capacity of global renewable energy resources by 2030. Leaders also agreed to reduce coal use.

However, there were also some disagreements at the summit, especially regarding the reduction of fossil fuel use, significant reductions in greenhouse gas emissions and renewable energy targets.



The demands of Western countries to be assertive in accelerating steps towards carbon neutrality by 2050 were rejected, especially by oil-producing countries and such as **Russia** and **Saudi Arabia**, and by **China** and **India**, which are highly dependent on coal as an energy source.

## ECB Published Economy-wide Climate Stress Test Results.

The European Central Bank (ECB) published the results of their climate stress test covering the Eurozone. **Accelerated transition scenario, late-push transition** and **delayed transition** scenarios were used in the test where the resilience of companies, households and banks was measured under three different transformation scenarios.



Test results show that companies and households clearly benefit from an accelerated transition. While the accelerated transition shows that the total green investments of companies in the Eurozone may increase to **EUR 2 trillion** by 2025, these amounts are estimated to be EUR 0.5 trillion in the other two scenarios. By **2030**, under the late-push transition scenario, the amount of green investments is expected to accelerate and reach up to **EUR 3 trillion**, which is the accelerated transition amount.

Another finding in the test results is that banks will be at greater risk for investments that are accelerated later. In the late-push transition scenario, the credit risks of banks increase by more than **100%** compared to 2022, while in the accelerated transition, the credit risk is expected to increase by 60%. In addition, test results show that the longer the green transition is delayed, the more credit risk will increase.

## TFND Published its Recommendations

As a result of two years of work, the Task Force on Nature-related Financial Disclosures (TNFD) published its recommendation report on the management and disclosure of nature-related financial risks. In the statement of TNFD, it was stated that capital flows towards nature risks, which are positioned alongside financial, operational and climate risks, will have positive results for nature.

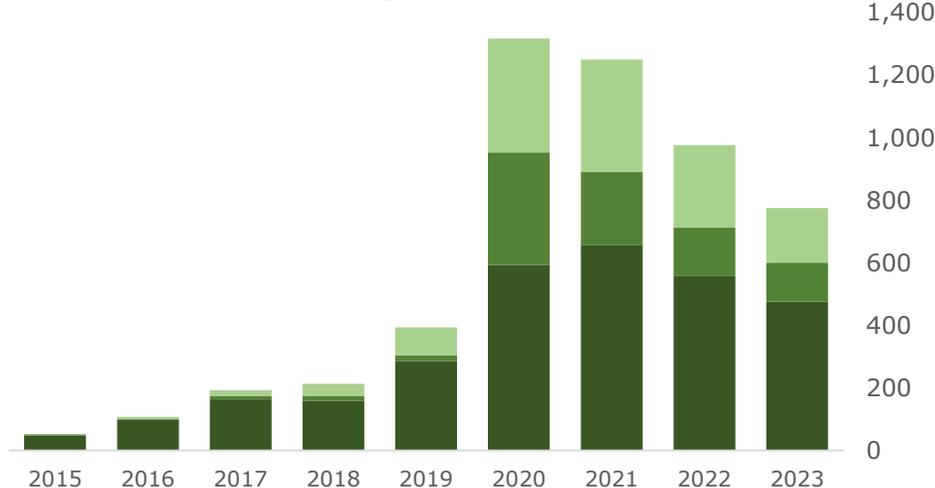


**Taskforce on Nature-related  
Financial Disclosures**

The report, which includes 14 recommendations and a number of additional regulations, was emerged after a two-year development process with more than 200 organizations participating in pilot applications. TNFD also announced that the recommendations in the report are compatible with IFRS and GRI reporting standards. It was also stated in the press release that the recommendations are compatible with the requirements of the Kunming-Montreal Global Biodiversity Framework.

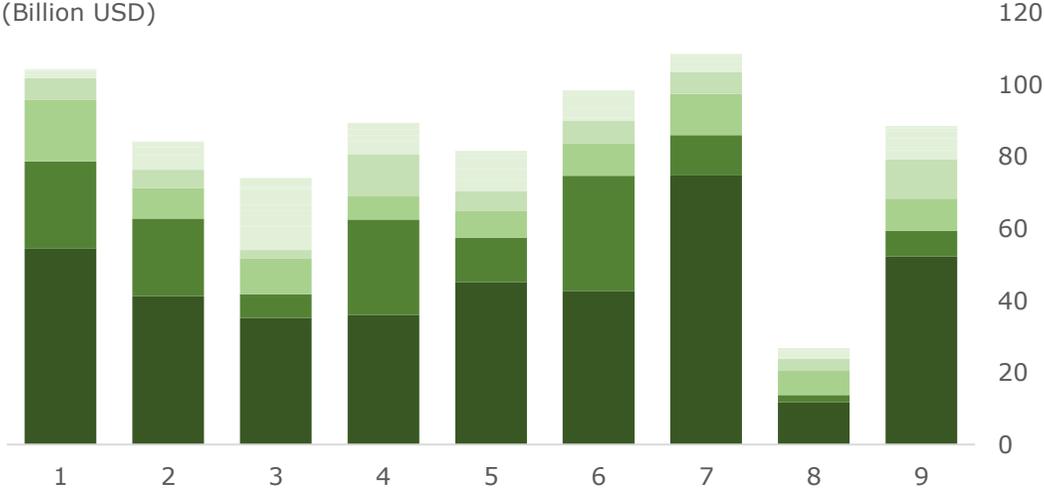
# Sustainable Bond Market

**Sustainable Bond Issues**  
**Green Social Sustainability** (Billion USD)

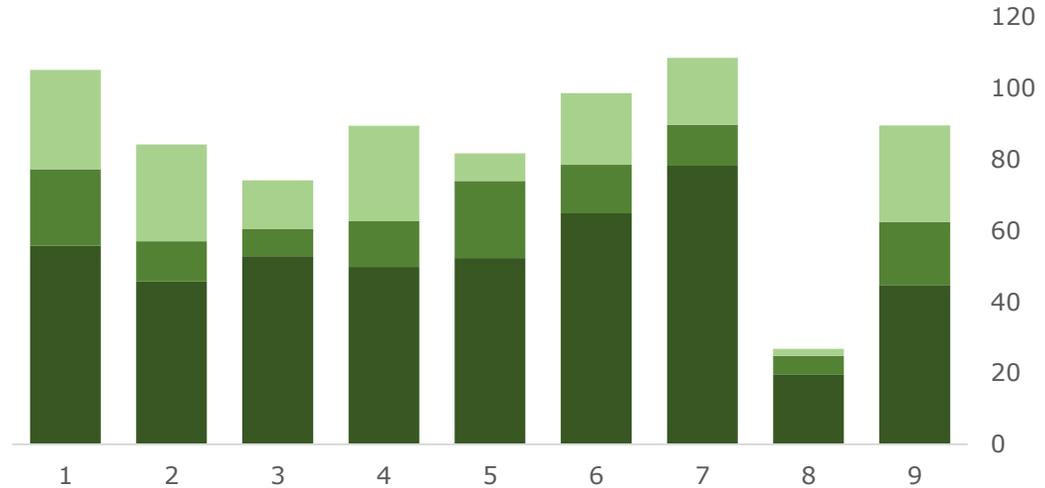


2023 data comprise January to September period.

**Sectoral Breakdown of Monthly Sustainable Bond Issues in 2023**  
**Financials Government Activity Technology Industrials Others**  
 (Billion USD)



**Monthly Sustainable Bond Issues in 2023**  
**Green Social Sustainability** (Billion USD)

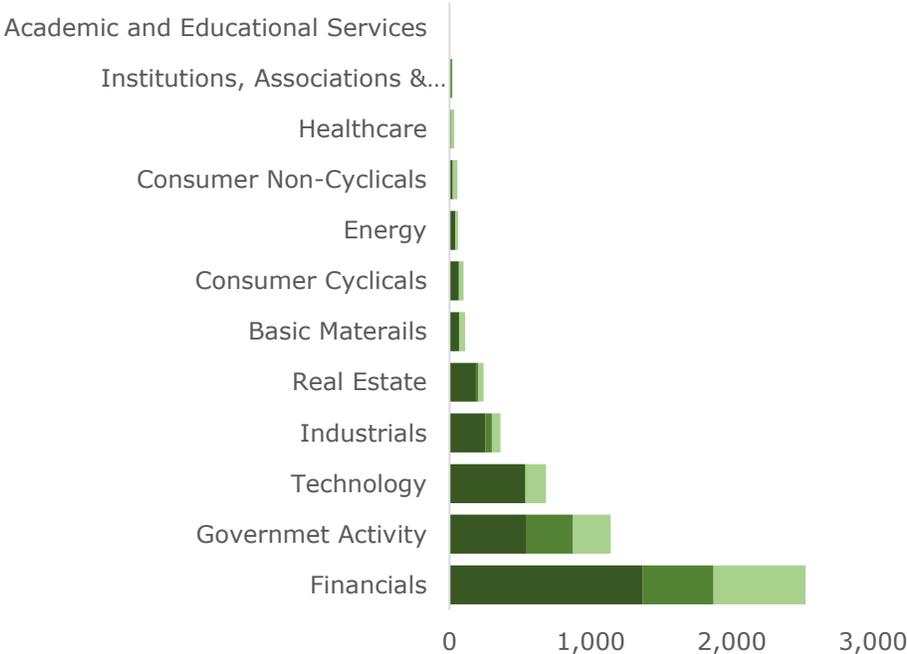


Source: JCR-ER, Refinitiv

# Sustainable Bond Market

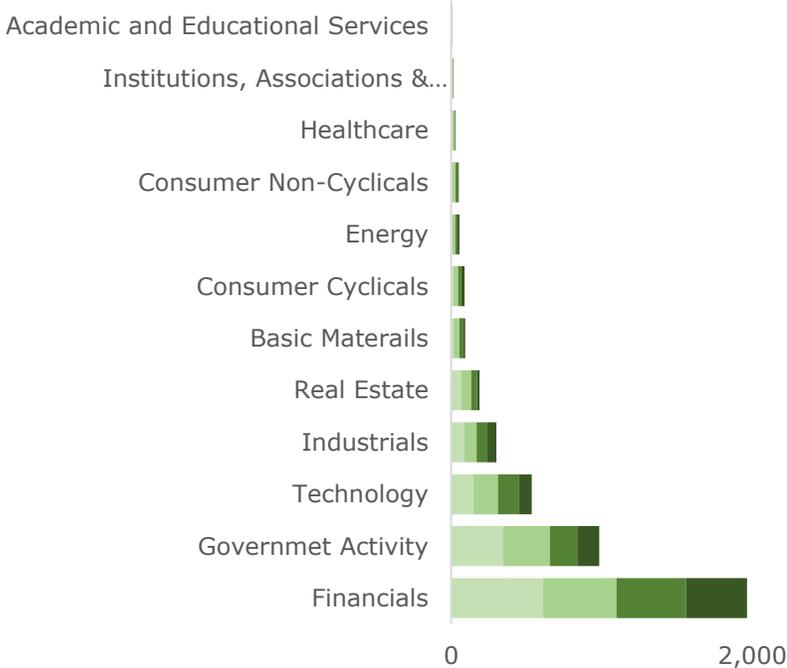
## Sustainable Bond Issuance Sector-Bond Breakdown in 2006-2023 Period

Green Social Sustainability (Billion USD)



## Sustainable Bond Issue Sector-Year Breakdown in 2020-2023 Period

2023 2022 2021 2020 (Billion USD)



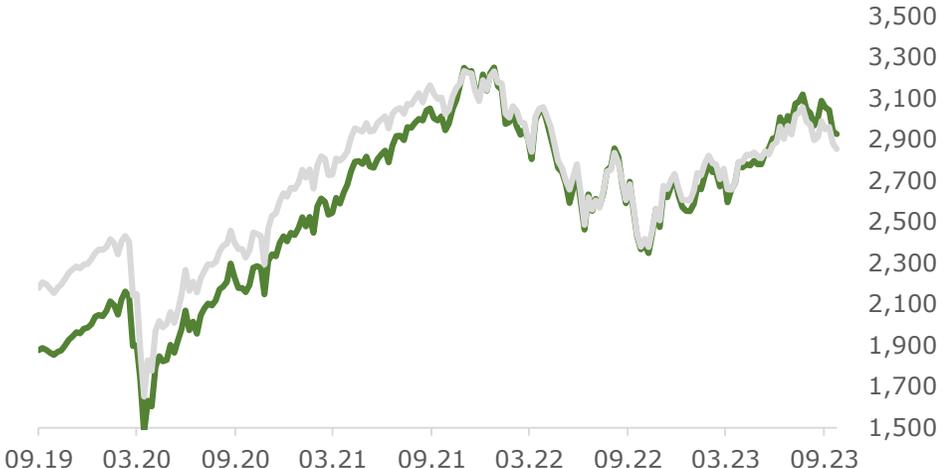
Source: JCR-ER, Refinitiv

# Sustainability Indices

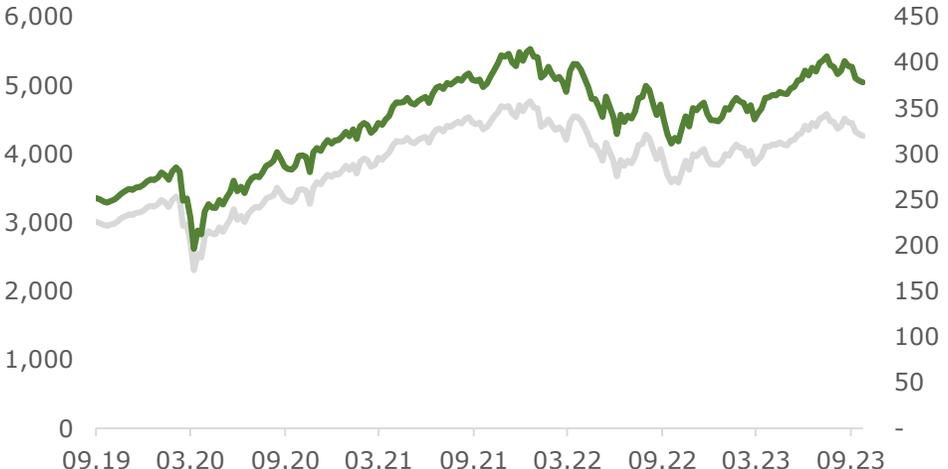
**BIST Sustainability Index**  
BIST100



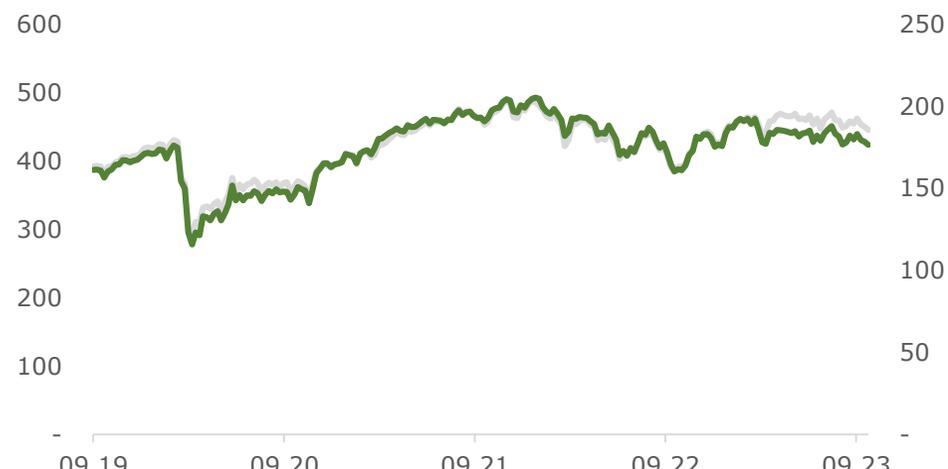
**KLD400 Social Index**  
MSCI Global Index



**SP500 Sustainability (Right Axis)**  
SP500 Index (Left Axis)



**Stoxx Global ESG Leader Index (Right Axis)**  
STOXX600 Index (Left Axis)

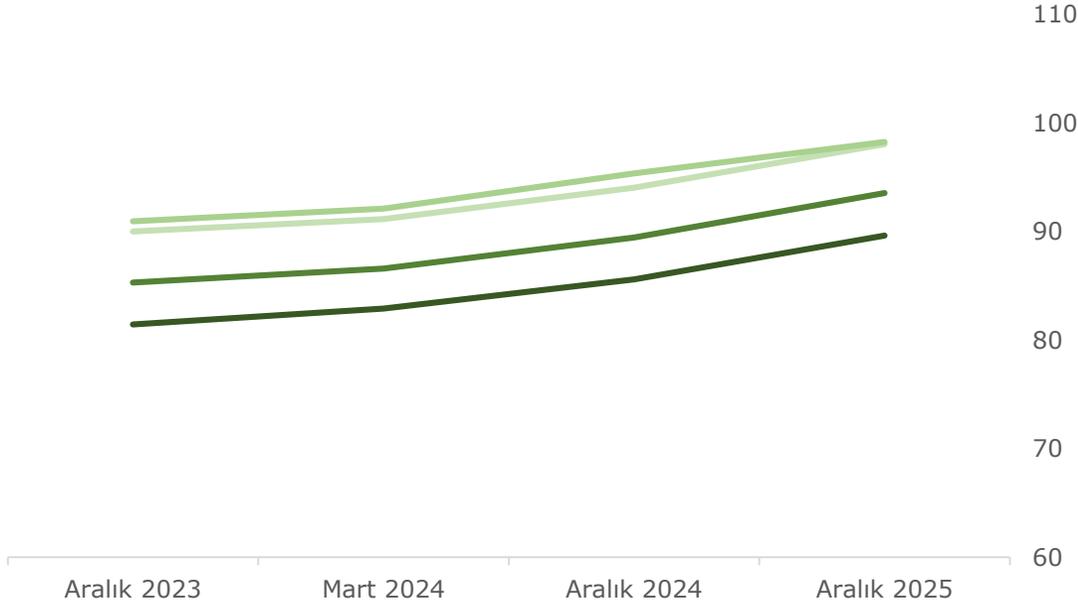


Source: JCR-ER, Refinitiv

# Carbon Market

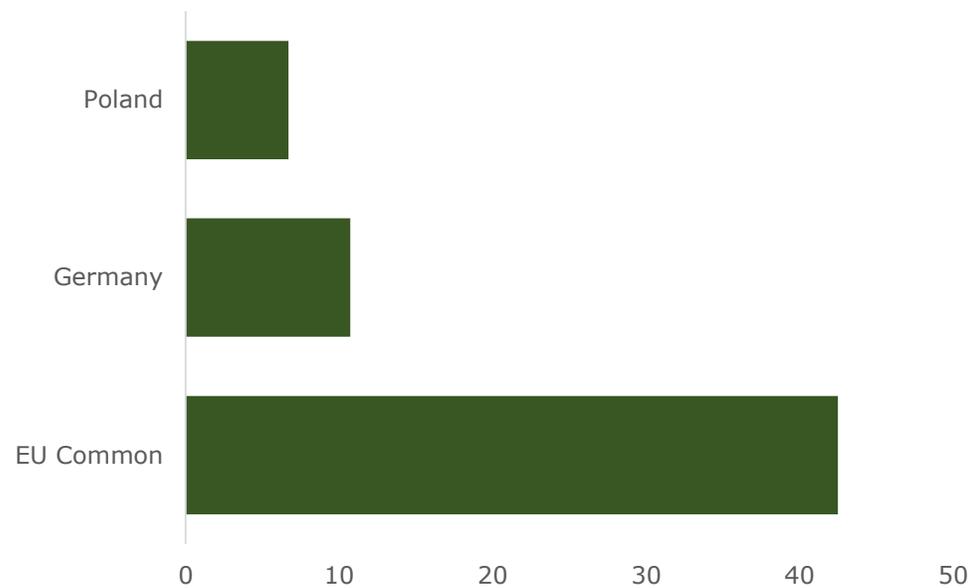
**Carbon certificate prices hover above 85 EUR/t. but prices are declining**

29 September 2023 22 September 2023 22 August 2023 22 June 2023



**The amount of carbon certificates to be auctioned in the next month is 60 million tons.**

**Auctioned Carbon Certificates (EUR/t)**



Source: JCR-ER, Refinitiv



Economic and Analytical Research

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