

# Sustainability Bulletin

November 2023

## JCR Eurasia Rating

Economic and Analytical Research



## A New Era in Sustainable Investment Definitions

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According to ESGtoday, CFA Institute, Principles for Sustainable Investment (PRI) and Global Sustainable Investment Association (GSIA) have published a guidance to ensure terminology compatibility in order to increase the effectiveness of sustainable investments.

The guide, developed in response to the recommendation of the International Organization of Securities Commissions (IOSCO) in 2021 to unify terminologies in the field of sustainable investment and finance, focuses on definitions such as screening, ESG integration, thematic investment and impact investments.



While the guide includes definitions and detailed explanations of each of the terms, lists of terms used as references and information on their use in practice are provided.

# EU Council Adopts European Green Bond Standards Regulation

The European Union (EU) Council adopted the regulation that sets out the requirements for bond issuers who want to use the name 'European Green Bond' or 'EuGB', which prioritizes environmental sustainability.



It is planned that the instruments called European Green Bonds will be harmonized with the EU taxonomy in the coming period. With this regulation, the EU aims to finance its steps towards carbon neutrality and facilitate the transition to a resource-efficient economy.

## 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 reason for the preparation of the Draft Guide.

## Towards to COP28

At the twenty-eighth United Nations Climate Change Conference of the Parties (COP28), which will be hosted by the United Arab Emirates this year, the issues related to the climate fund agreed at COP27 are expected to make their mark.



In the meetings held before the conference, developed countries' questioning behavior regarding providing funds to developing countries increased the fears that expectations regarding the climate fund would be in vain. According to the news in the Financial Times, it is stated that the attitude of the USA have caused disagreements.

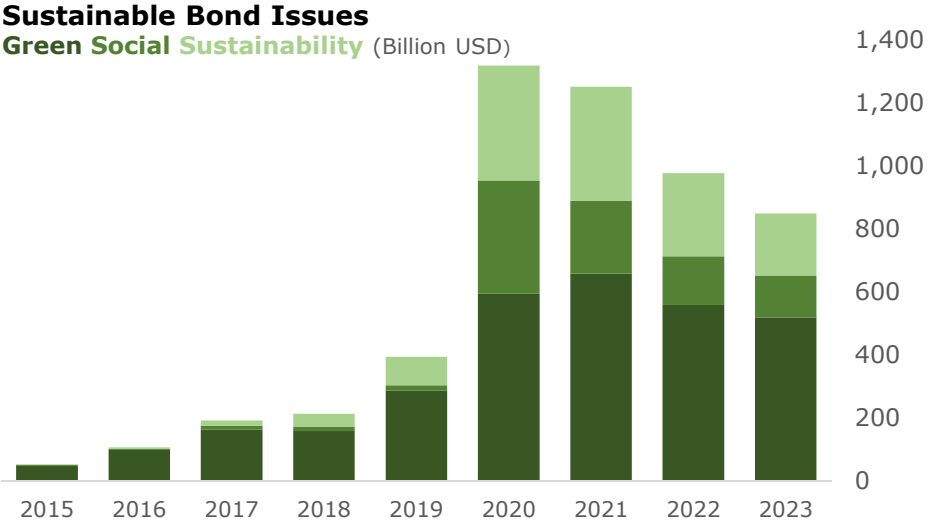
## Two Banks Provided Sustainable Syndication Loan

Turkish banks continue to provide sustainability-themed syndicated loans in the second half of the year. In October 2023, Akbank provided an ESG-linked syndicated loan of **USD 600 million**, while Yapı Kredi provided a sustainability-linked syndicated loan of the equivalent of **USD 755 million**.



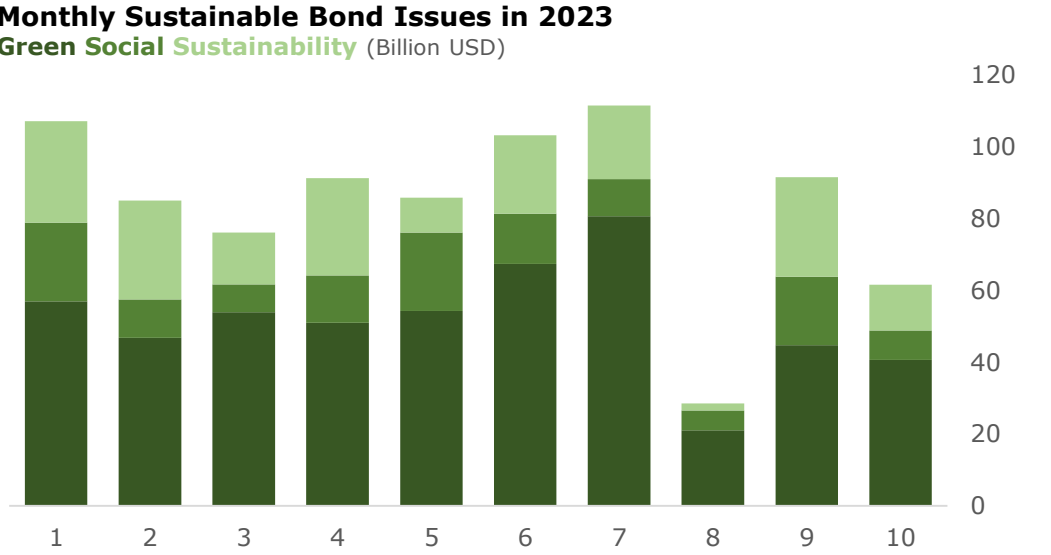
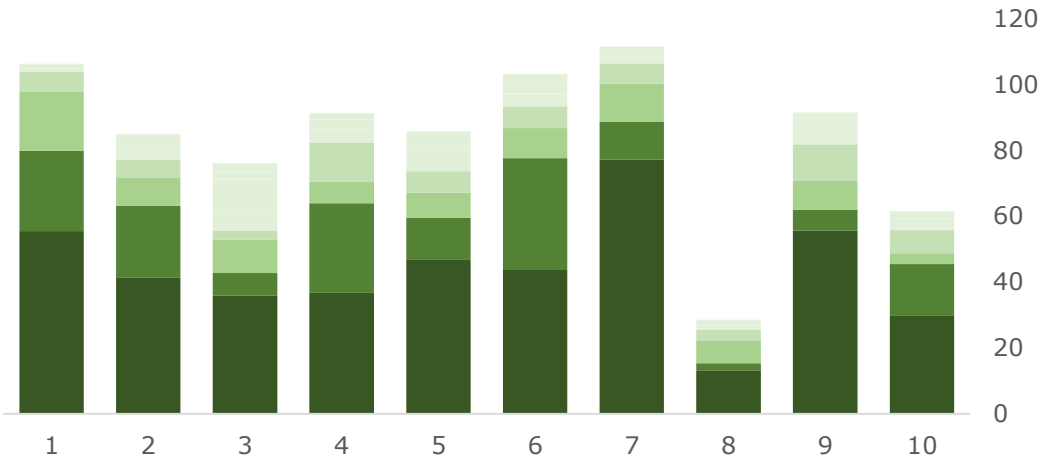
Akbank's borrowing costs were **SOFR + 3.50%** and **Euribor + 3.25%**. Yapı Kredi's borrowing cost in the 367-day syndicated loan was similarly **SOFR + 3.50%** and **Euribor + 3.25%**.

# Sustainable Bond Market



2023 data comprise January to October period.

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

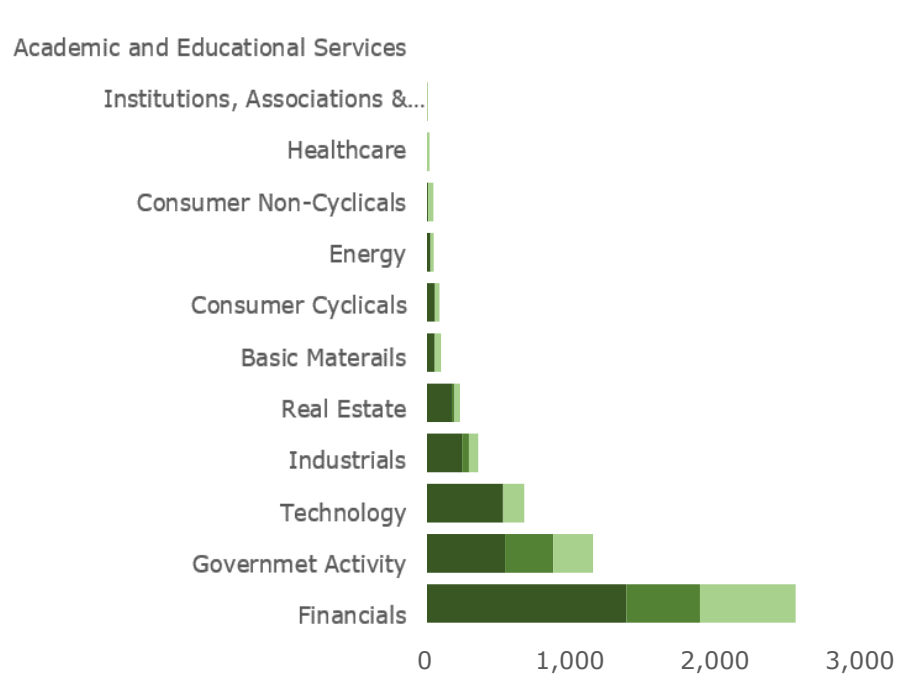


Source: JCR-ER, Refinitiv

# Sustainable Bond Market

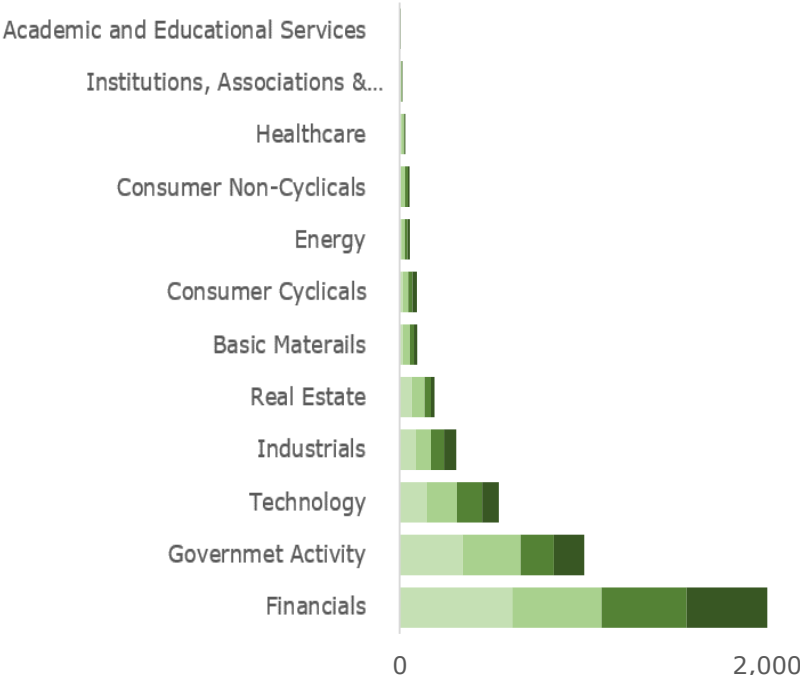
## Sustainable Bond Issuance Sector-Bond Breakdown in 2006-2023 Period

Green Social Sustainability (Billion USD)



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

2023 2022 2021 2020 (Billion USD)

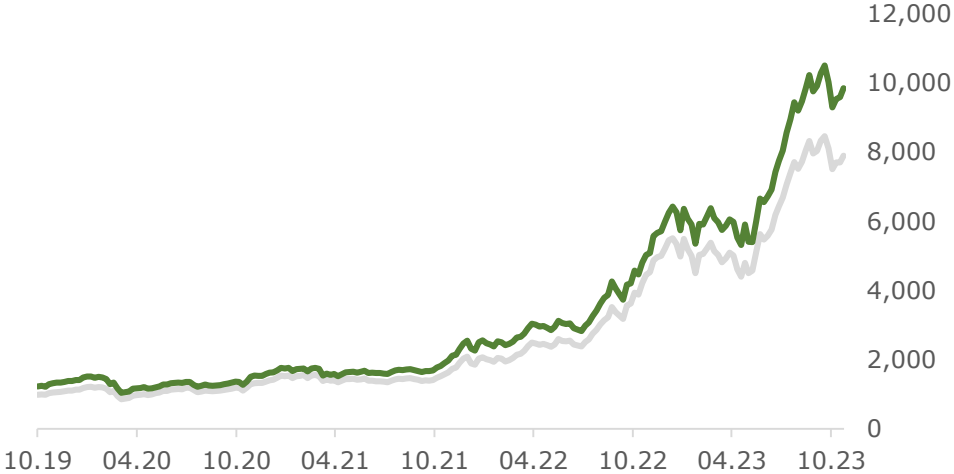


Source: JCR-ER, Refinitiv

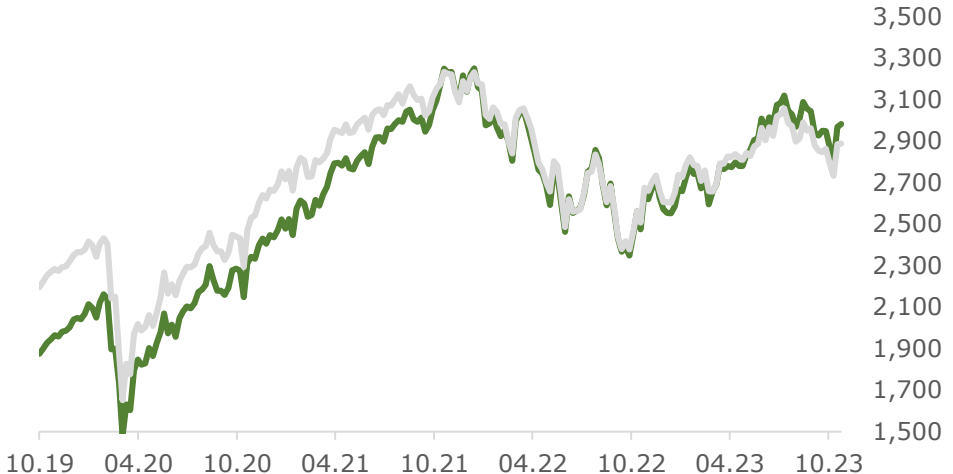


# Sustainability Indices

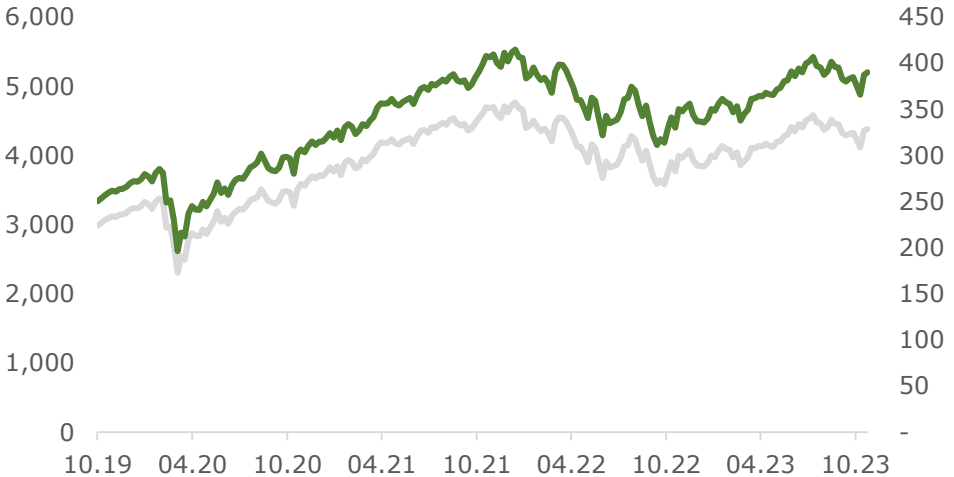
**BIST Sustainability Index**  
BIST100



**KLD400 Social Index**  
MSCI Global Index



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



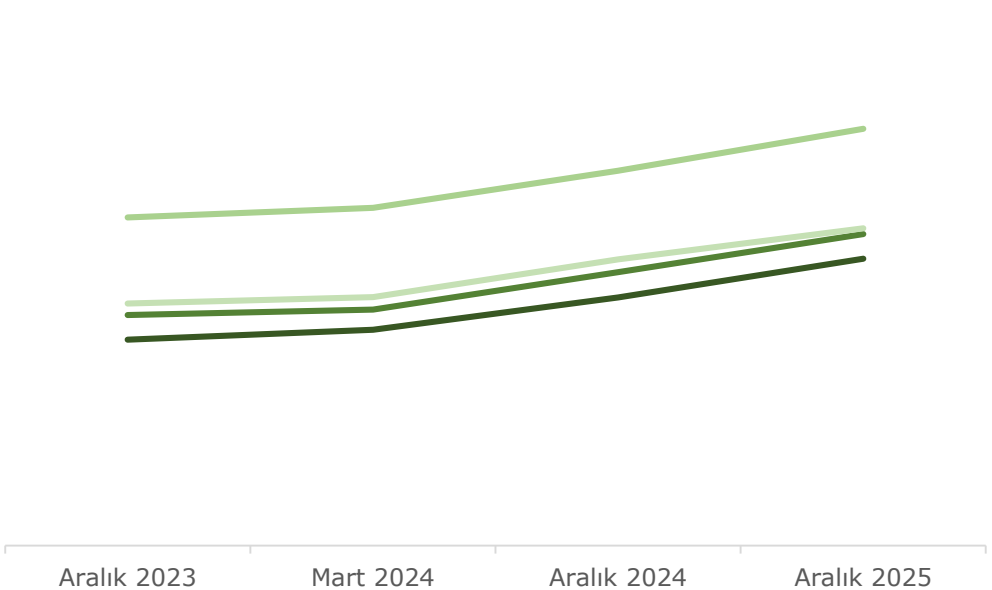
**Stoxx Global ESG Leader Index** (Right Axis)  
STOXX600 Index (Left Axis)



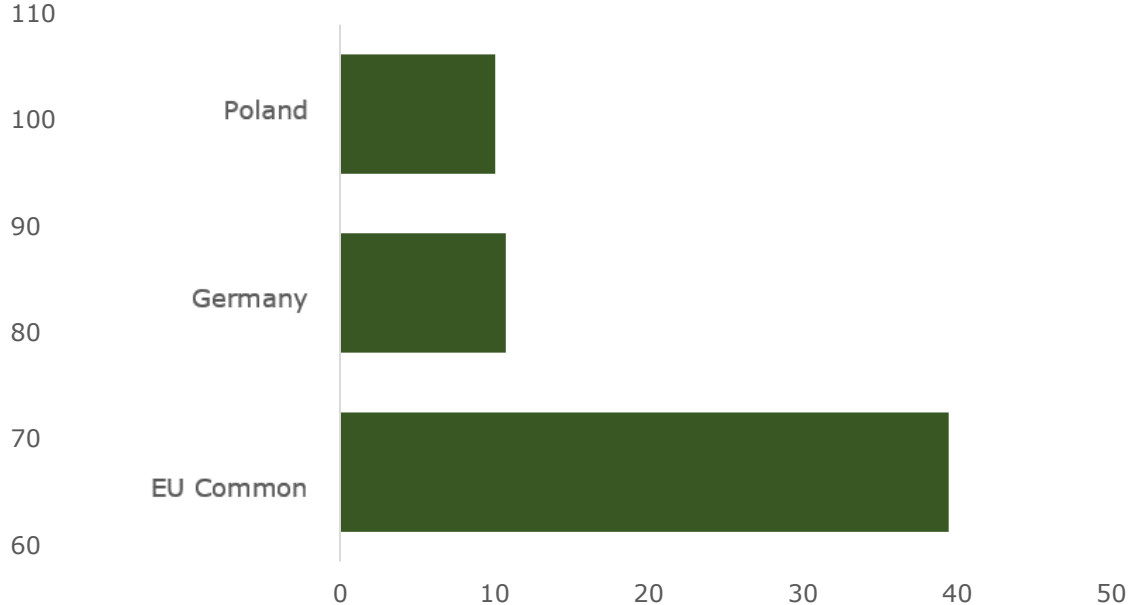
Source: JCR-ER, Refinitiv

# Carbon Market

**Carbon certificate prices hover above 80 EUR/t. but prices are declining**  
27 October 2023 20 October 2023 20 September 2023 20 July 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



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