

# ESG, NOT A SOLO GAME

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**Bain & Company Türkiye and the Republic of Türkiye  
Investment Office present “ESG CEO Pulse”,**  
a series of conversations about sustainability with  
some of the country’s top business leaders



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# INDEX

		<b>BAIN INTRODUCTION</b> 01	<b>PREFACE</b> 02
<b>INTRODUCTION</b> <b>How Turkish CEOs are working to solve one of the biggest challenges facing humanity</b> 03	<b>INPUT #1</b> <b>Building a cultural revolution</b> <ol style="list-style-type: none"><li>1. Shaping a new way of doing business</li><li>2. One thing is clear, ESG is here to stay</li><li>3. A matter of priorities, climate change and decarbonization</li><li>4. It is going to be a marathon</li></ol> 04	<b>INPUT #2</b> <b>Searching for the right ESG coordinates</b> <ol style="list-style-type: none"><li>1. Be confident but never get comfortable</li><li>2. Navigating without a compass</li></ol> 05	<b>INPUT #3</b> <b>Accelerating is essential to avoid getting stuck</b> <ol style="list-style-type: none"><li>1. The need to be bolder than ever</li><li>2. After all, "money never sleeps..."</li></ol> 06
<b>INPUT #4</b> <b>Understanding the rules of a new game</b> <ol style="list-style-type: none"><li>1. Learning by doing in a cooperative world</li><li>2. The financial community: a key player in the ESG ecosystem</li><li>3. Practice what you preach</li><li>4. Getting your shareholders onboard</li><li>5. Innovation and Sustainability: two sides of the same coin</li></ol> 07	<b>INPUT #5</b> <b>Seizing opportunities</b> <ol style="list-style-type: none"><li>1. Stakeholders are willing to pay more</li><li>2. Embedding a new mindset and new ideas are key</li><li>3. Leveraging Turkish resiliency legacy</li><li>4. Becoming a regional powerhouse</li></ol> 08	<b>INVESTMENT ENVIRONMENT</b> <b>Türkiye, a fertile breeding ground for ESG practices</b> <ol style="list-style-type: none"><li>1. A bright future in green</li><li>2. Going full steam ahead</li></ol> 09	<b>CONCLUSIONS &amp; WAY FORWARD</b> <b>The next steps on the ESG route</b> <ol style="list-style-type: none"><li>1. On the right path to transformation</li><li>2. A strategic value creation approach</li><li>3. How to move forward at speed</li></ol> 10








**ESG, NOT  
A SOLO  
GAME**

Sustainability has never been more strategic for Turkish businesses, and current global upheavals make it even more important. Despite the current challenges – the war in Ukraine, the energy crisis, supply chain blockages, higher inflation levels and a context of recession risk – sustainability remains a must. Disruption has not curbed businesses' ambitions, it has strengthened them.

We would like to take this opportunity to thank all the participants and contributors for their enthusiasm, openness and collaboration – key aspects to succeed, together, in the sustainability transformation.

In the past two years alone, Bain has served more than 500 client projects that tackled sustainability and corporate responsibility, carbon emissions and the energy transition, helping our clients anticipate and manage the ESG challenges that are shaping the future.

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## Foreword by **Burak Dağlıoğlu**

Investment Office of the Presidency of the Republic of Türkiye, President

Sustainability has been in the spotlight for quite a bit of time. It has served as a determining factor in corporations' investment decision-making processes. Corporations have been embracing sustainability not only in response to mounting international pressure and changing customer preferences, but also with a view to boosting efficiency, mitigating risks, and achieving both more sustainable and more profitable business operations. The global developments, namely the increasing awareness about climate change, the pandemic, supply chain disruptions, geopolitical events, have further increased the urgency of achieving the Sustainable Development Goals (SDGs), declared by the United Nations in 2015.

Ever since then, social, economic, and environmental sustainability has been an integral part of economic development. As such, Türkiye has also redefined its economic development policy in line with the SDGs and actively engaged with the international community to make progress toward these goals.

Under the leadership of President Erdoğan, Türkiye aims at a sustainable transition maximizing opportunities for individuals and communities alike. Türkiye is a committed party to the Paris Climate Agreement, so aims to reach net zero emissions by 2053. Türkiye is reorienting its economic development toward a sustainable and clean energy transition. To this end, policies to promote innovation in areas such as electric vehicles, energy storage and digital technologies will be critical for the coming years.



As a resilient, fast-growing economy, Türkiye offers business-friendly policies, a deep talent pool and global market access at the nexus of Europe, Asia and Africa to attract quality FDI for its sustainable economic development. For this purpose, while prioritizing quality FDI, we have made SDGs one of the main pillars of FDI strategy of Türkiye, laying the foundations to attract responsible investments, environment-friendly production, and to transform our economy toward a more sustainable and greener economy. While sustainability is an integral part of our daily work at the Investment Office, we are also working closely with local and international stakeholders, many of whom are interviewed in this publication, to increase awareness about the environment as well as social and governance (ESG) principles.

Thanks to these efforts, impact investments have been a priority for the local and international business community in Türkiye.

On the other hand, public authorities are relentlessly working to improve the regulatory framework to help the private sector adopt ESG principles. This joint publication with Bain & Company Türkiye, “ESG CEO Pulse Report”, is a continuation of our previous work with other stakeholders. In cooperation with the United Nations Development Programme (UNDP), we have prepared a series of reports on “The Impact Investing Ecosystem in Türkiye” and “SDG Investor Map Türkiye” in the past, which provided the business community with guidance to conduct diligence and take impactful investment decisions.

It is a well-known fact that sustainability is a collective movement; it is only by acting together as a community that we may bring this pursuit to fruition. Unfortunately, sustainable policies, from time to time, have been put on the back burner due to pressing issues such as geopolitical risks and financial crises. However, these concerns and fears may be calmed by sharing successful endeavors and experiences that will create a domino effect in society with stronger voices during these periods. For this reason, we believe that this unique report, enriched with valuable insights from C-level executives who stand out with the ESG policies they implement in their companies, will create a roadmap for all readers for our goal of a more sustainable Türkiye.

We are aware that Türkiye is a resilient, proactive country, making it a strong candidate in the sustainability race. In Türkiye, where sustainability awareness is constantly on the rise, we believe we can achieve our goals when we act by sharing good examples with each other. I would like to express my gratitude to all CEOs and their colleagues who contributed to the study, and to the Bain & Company Türkiye Team and my colleagues who prepared the study. I hope the study will be beneficial to our public and the private sector.





## BAIN INTRODUCTION BY **Armando Guastella**

Bain & Company Türkiye

The pandemic crisis together with substantial challenges faced from 2020 and onwards, highlighted our socio-economic fragility as never before. These aspects contributed to accelerating the importance of sustainability in a phenomenal way, not only from an environmental and climate change perspective, but from a much wider ESG scope. **Sustainability is now rightly understood as an opportunity and can no longer be considered as just a matter of compliance or solely as a reputational factor.**

In other words, it is becoming a strategic lever for CEOs who recognise its massive potential as a value generator. Indeed, companies outperforming in ESG ratings see their EBITDA performing 10-15% higher than in other companies, as well as benefiting from higher multiples in terms of company valuation, and depending on the sector<sup>1</sup>, even with an uplift of 40-50%. It is now evident that there is a clear correlation between long term ESG delivery and economic value creation.



In line with this, things have started accelerating in Türkiye. With some exceptions, the situation was quite different even just a few years ago. It is exciting to see how Turkish people and organizations have been able to quickly activate their ESG efforts to seize the opportunities provided by such an important and ethical topic. To tell the truth, this does not surprise me at all. Türkiye is well known for its ability to adapt quickly to market conditions and emerge stronger than ever before from crisis situations.

Türkiye has reemerged many times in the past and will continue to do so in the future – driven by its intrinsic resilience, ambitious people and business leaders, determination to achieve success, problem-solving skills, and its willingness to adapt to change; all characteristics absolutely in alignment with what the world is facing nowadays, and fundamental keys to succeeding in the most important topic of our generation, sustainability.

Before going into the details of this study, I would like to thank all the participants and contributors and highlight a very important aspect.

When performing this highly strategic exercise of interviewing the top CEOs representing the country's economy, what really caught my attention, in addition to their different skills and viewpoints, was the **enthusiasm, openness and interest every participant displayed in understanding the other person's perspective.** The willingness to listen to, and learn from other people, other organizations, other countries is essential to succeed in the sustainability transformation. When addressing topics such as climate change and decarbonization, for example, it is fundamental to engage with the entire

ecosystem of stakeholders in order to generate impact and capture the so-called scope three emissions.

Ecosystem, what a nice word, it reminds me of the essence of nature and recalls the need for a much wider and closer cooperation, elements that will enable the potential of Türkiye over the next years. **Türkiye, a country full of opportunities and one that can play a crucial and relevant role in the sustainability marathon.**





## PREFACE BY **Dilek Bil**

Purpose-Sustainable Ideas Founder and Aydem Renewable Energy dependent Board Member

Since the 2009 financial crisis, one of the major transformations in Corporate Governance has been the perception of the seat of the Chief Executive Officer. CEOs have acquired a reparative, restorative and regenerative role, both in terms of corporate and public responsibility. In particular, **the last decade has seen a new focus on building a purpose-oriented organization, which integrates sustainable development into the business model.**

My efforts to create awareness of sustainability in Türkiye were focused on business leaders. In my live TV show “Let the world sustain”, I interviewed many CEOs on this topic. One of my questions was: do you really care about the world’s environmental, social and governance issues? Clearly, nobody ever replied no, but seldom CEOs show coherency on the depth of their commitment to solving these problems.



This ambiguity was the trigger to further explore CEOs' agendas to actively implement sustainability within corporate strategies in the near future. I tirelessly challenged them with questions on their actual levels of ambition, transparency, readiness to manage pressure from customers and stakeholders as well as society, or on their plans to clean up the oceans from plastic, stop deforestation or manage waste. **The goal was to drive home to CEOs' the understanding of the bigger benefits companies can derive from solving the problems of the world.**

Turkish business represents a fertile ground for transformation economy. The micro-economic structure suggests that it will be large scale enterprises to lead the way to sustainability. While the remaining 95% of the economy<sup>2</sup>, mainly made up of family-owned small and medium companies in the supply chain, will likely play the stakeholder role and will follow suit due to a bandwagon effect. The flexibility of these types of businesses is a potential multiplier effect for the rate of adaptation to transformation.

So far, the transformation journey has experienced back and forth. Consistency in the efforts of Turkish companies to build trust alongside the ultimate goal of driving prosperity, is what is needed now. Digitization and the eagerness of younger generations represent additional drivers of change. Turkish CEOs should challenge themselves with uncomfortable goals, such as openly measuring their emission commitments on scope three. **Transparency on actual progress requires courage, but it is key to building trust.**

Taking responsibility for the total impact of business in the world also means protecting the long-term benefits of a company. Indeed, climate change effects are likely to affect companies' profit and loss statements more than other factors. The Covid Pandemic caused losses of \$2.7 trillion<sup>3</sup>, clearly showing that the cost of an unhealthy planet is much higher than the cost of acting to save it. CEOs should clearly act in this direction. **Climate change is not the only problem CEOs must address. Issues such as biodiversity loss or inequality assign CEOs the role of societal leaders, which entails cooperation, more than competition, for a better future of humanity.**



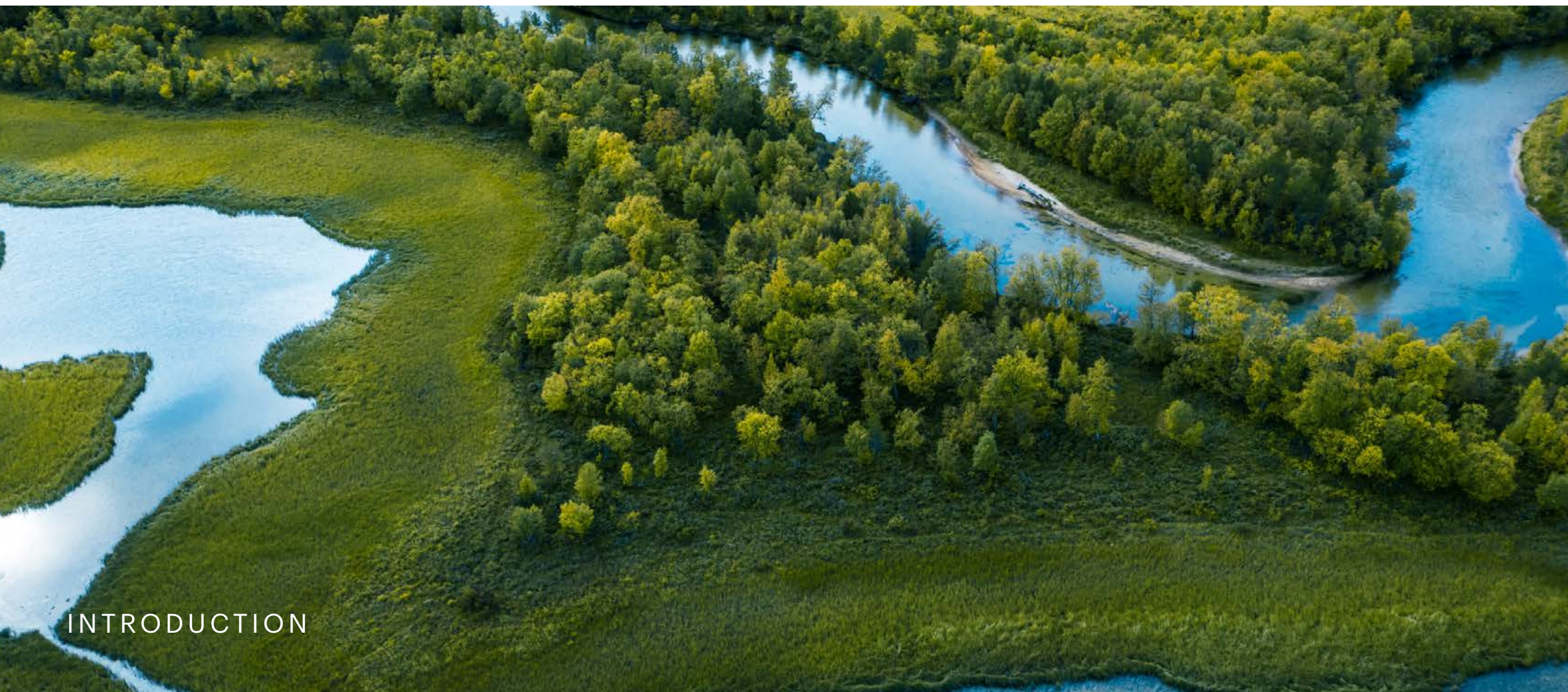
# INTRODUCTION

How Turkish CEOs are working to solve one of the biggest challenges facing humanity



ESG, NOT A SOLO GAME

# HOW TURKISH CEOS ARE WORKING TO SOLVE ONE OF THE BIGGEST CHALLENGES FACING HUMANITY.



INTRODUCTION

In a series of exclusive interviews, 22 CEOs representing the Turkish economy offered their views on the sustainable revolution, what this means for their businesses now and in the future, and how they are striving to find the right balance between short-term actions and long-term ESG purpose.

Regardless of where they are in their transformation journey, these business leaders showed an enthusiastic desire and a commitment to contribute to a better world. This wave of enthusiasm is set against a backdrop of the country's ambition on this topic – Türkiye, in fact, has not only committed to a **21% reduction of its emissions by 2030**, from projected emissions of 1,175 million tons to 929 million tons, but has also, and most importantly, set itself the **target of achieving net-zero carbon emissions by 2053**<sup>4</sup>.

The country's ambition in the fight against climate change has been recognized and, in turn, supported with financial efforts. With the Memorandum of Understanding signed by the World Bank in 2021, financing of **3.1 billion euros** was provided to help Türkiye achieve the Paris climate agreement goals and support green investments in various fields<sup>5</sup>.





## ESG, NOT A SOLO GAME

These sustainability efforts, however, are set within the context of numerous challenges – the pandemic, the energy crisis, supply chain blockages, higher inflation levels, depreciation of the Turkish Lira, the risk of an economic recession and extreme weather events are all factors that, in one way or another, have had an impact on the ESG transformation roadmap. In this context, the Ukraine humanitarian crisis is the latest event in an era of turbulence and has extreme impacts on and beyond business. The war in the Ukraine highlighted Türkiye's reliance on imports of oil and gas, mainly from Russia, with the consequent disruption to energy prices. In addition to this, businesses and consumers also expect shortages to wheat and fertilizer, which together with an increase in energy prices, may lead to a significant increase in food prices.

In this environment, building resilience in ESG strategies is an opportunity in an increasingly turbulent world. Companies must continue to lead in innovation, understand the ESG impact and master economics, as crisis and turbulence run alongside the energy and resource transition.

To understand how CEOs in Türkiye are viewing and approaching sustainability amid this complex environment and how they are setting up their companies to seize the opportunities offered by the ESG revolution, we interviewed 22 CEOs from 10 different sectors, a mix of Turkish companies and global players.

But even against this turbulent setting, **all CEOs agree, sustainability remains a must.**

**Disruption has not curbed these business leaders' ambitions, it has strengthened them.**





# Five key messages emerged from our discussions:

**The game changing nature of ESG is clear**

**1**

**Leaders of the pack, but it's time to pick up the pace**

**2**

**Positive but challenging road to success**

**3**

**Still several barriers to both external and internal factors**

**4**

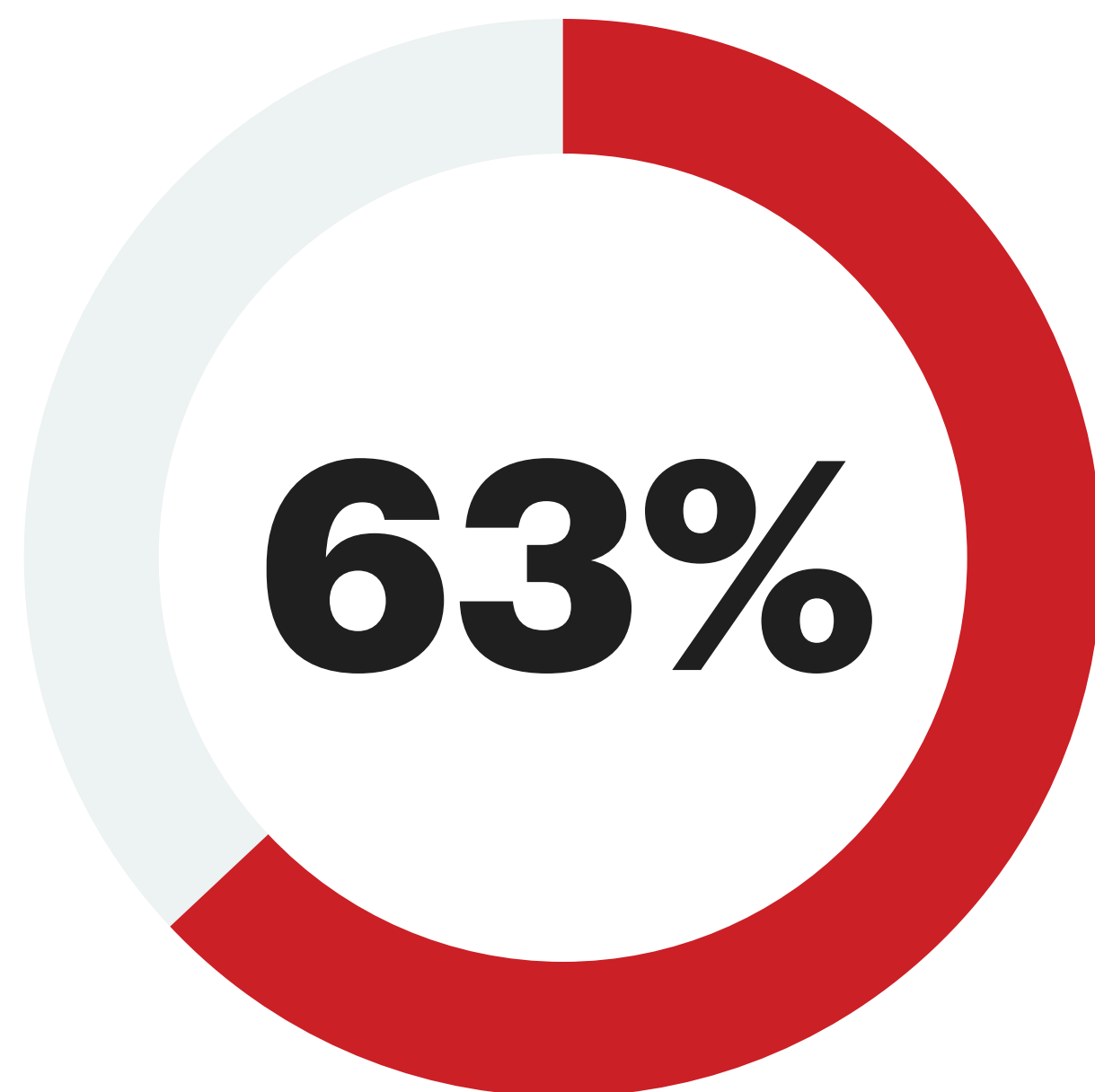
**We are at the dawn of great change for Türkiye**

**5**

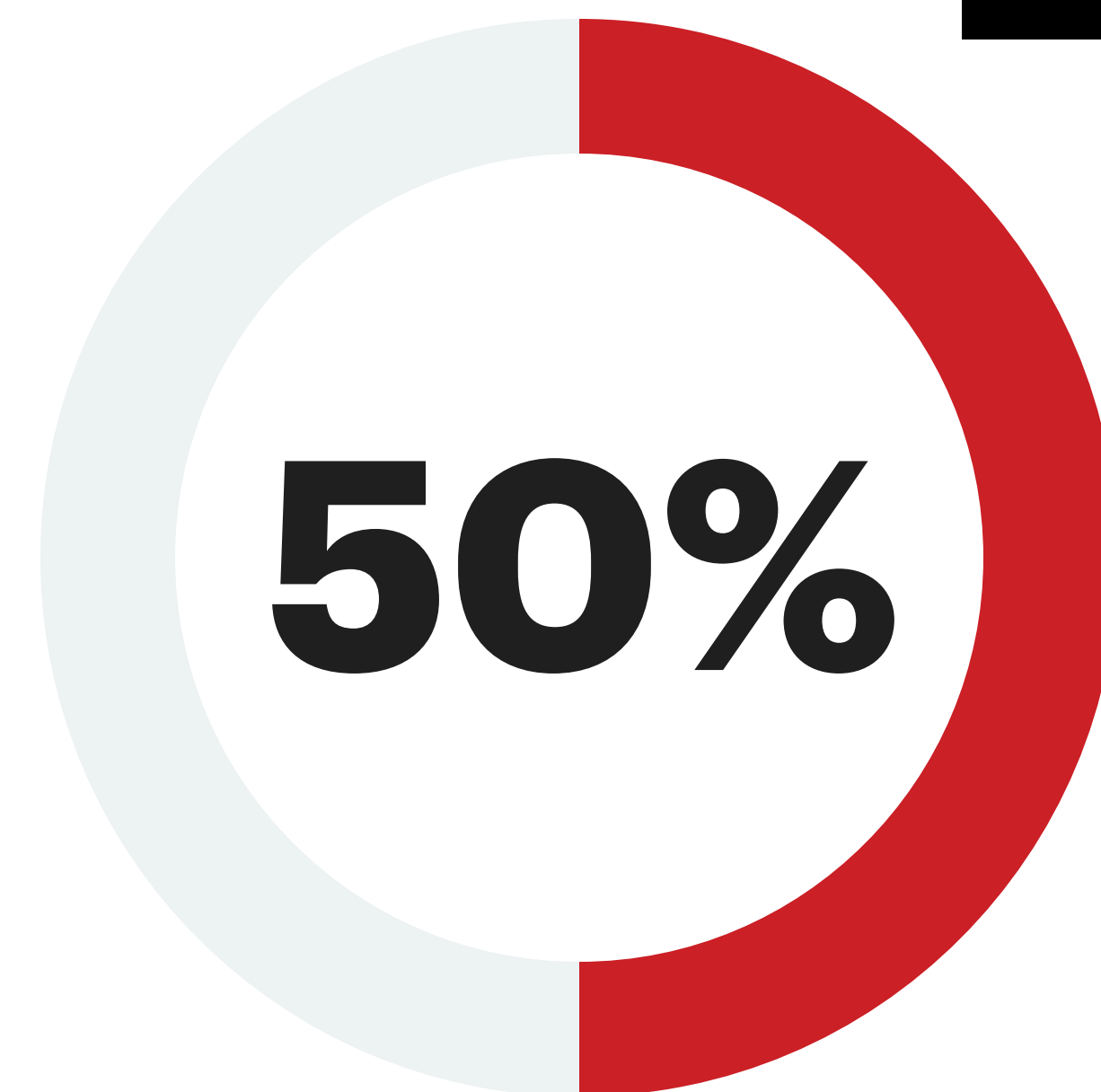


## THE GAME CHANGING NATURE OF ESG IS CLEAR

63% of CEOs considered ESG to be a complete game-changer. Having an ESG agenda and taking a leading role in driving this transformation is a massive advantage to companies – an ESG mindset helps companies to predict risks, build resilience and find new opportunities to make their businesses grow. However, more than 50% of CEOs agree, that the pace of change is still too slow and that more needs to be done for all players to embrace change.



63% of CEOs considered ESG to be a complete game-changer

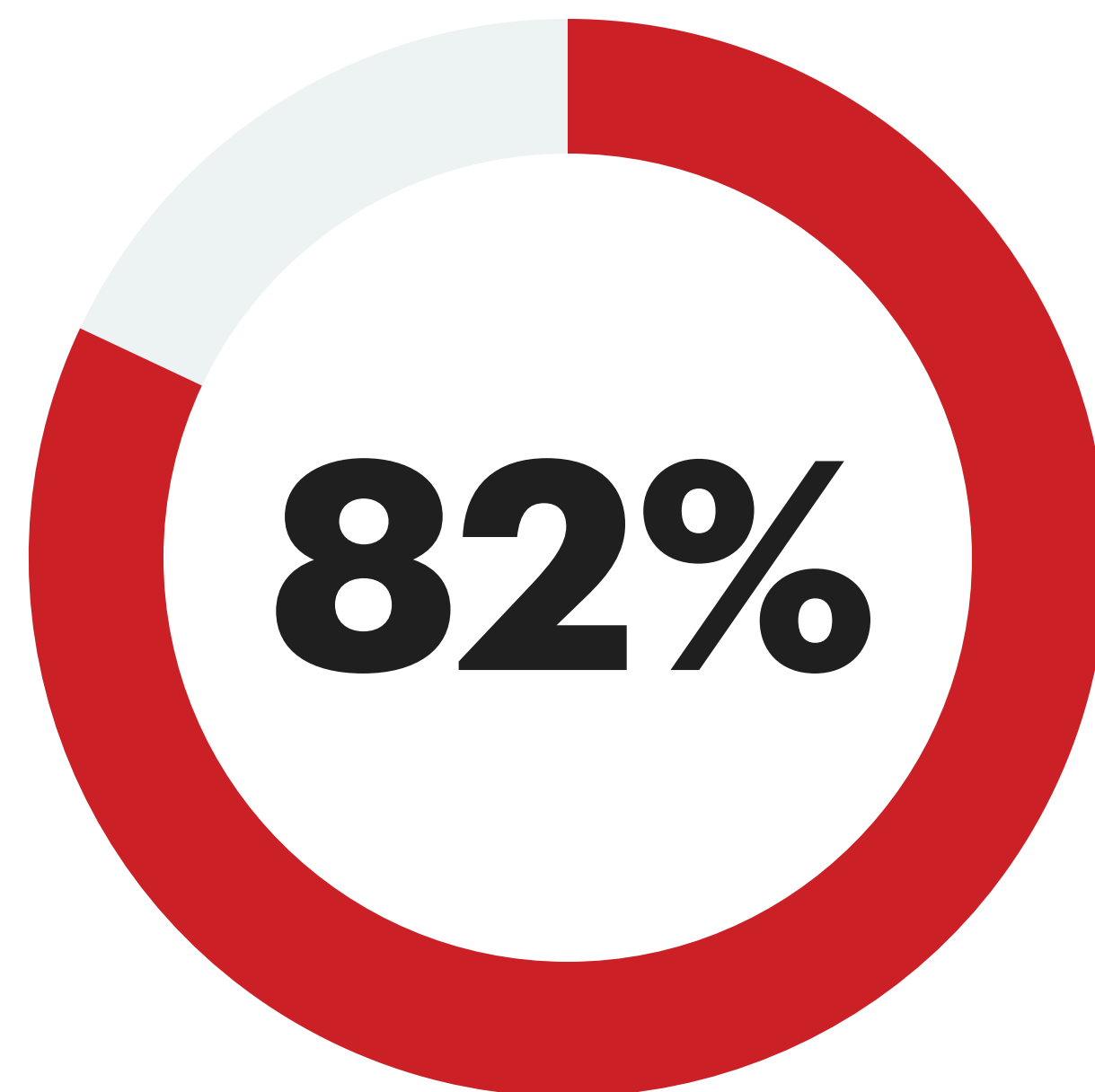


50% of CEOs agree, that the pace of change is still too slow and that more needs to be done for all players to embrace change

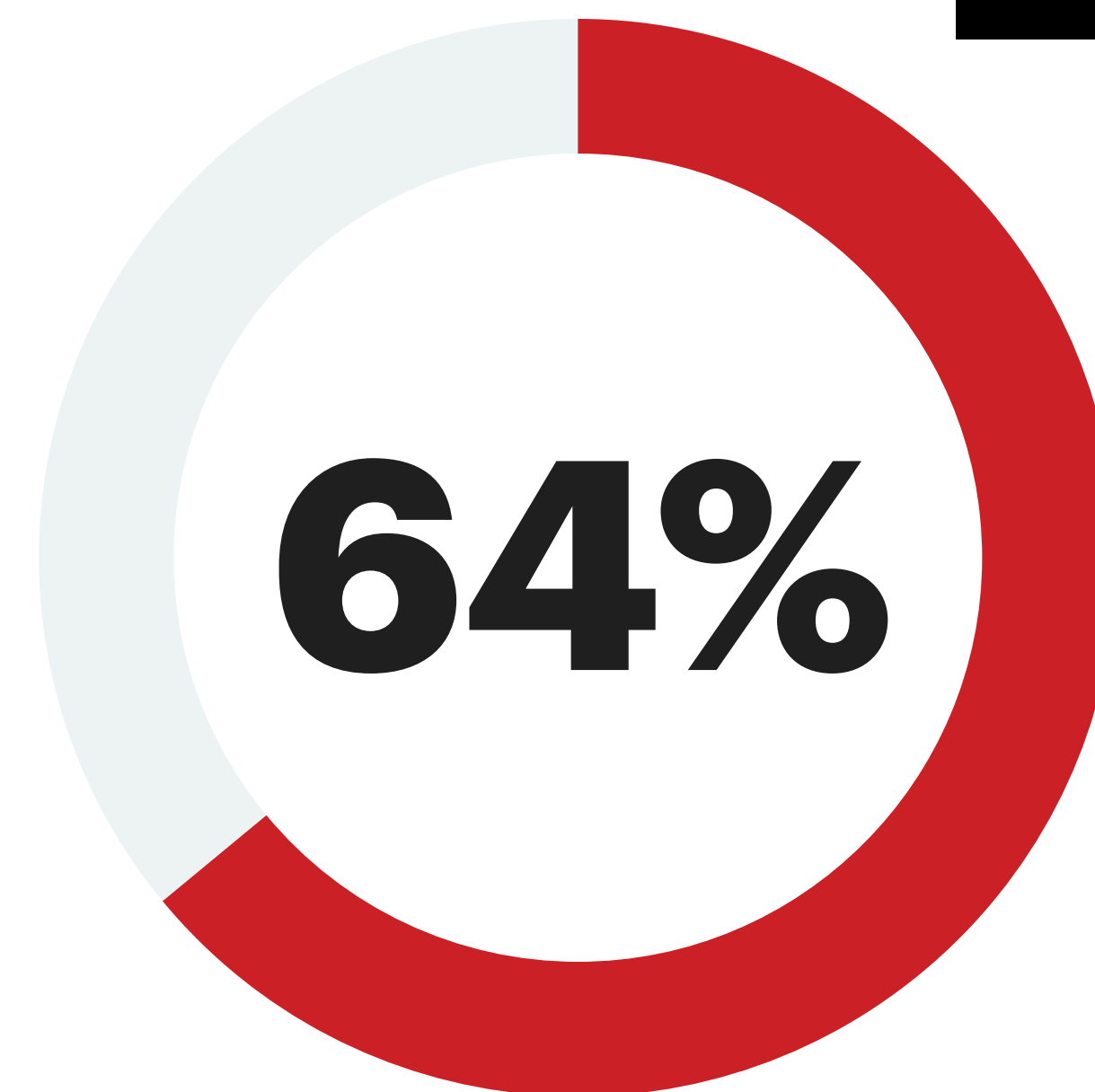


## LEADERS OF THE PACK, BUT IT'S TIME TO PICK UP THE PACE

82% of business leaders stated that they are ahead of competition when it comes to ESG efforts and impact and 64% of them declared that they don't want to be just compliant with regulations, they want to lead their industry. However, despite this bold ambition, there is currently a missing link between efforts and the ability to evaluate the impact generated: while commitment and sustainability targets are usually in place, there is a gap when it comes to measuring results.



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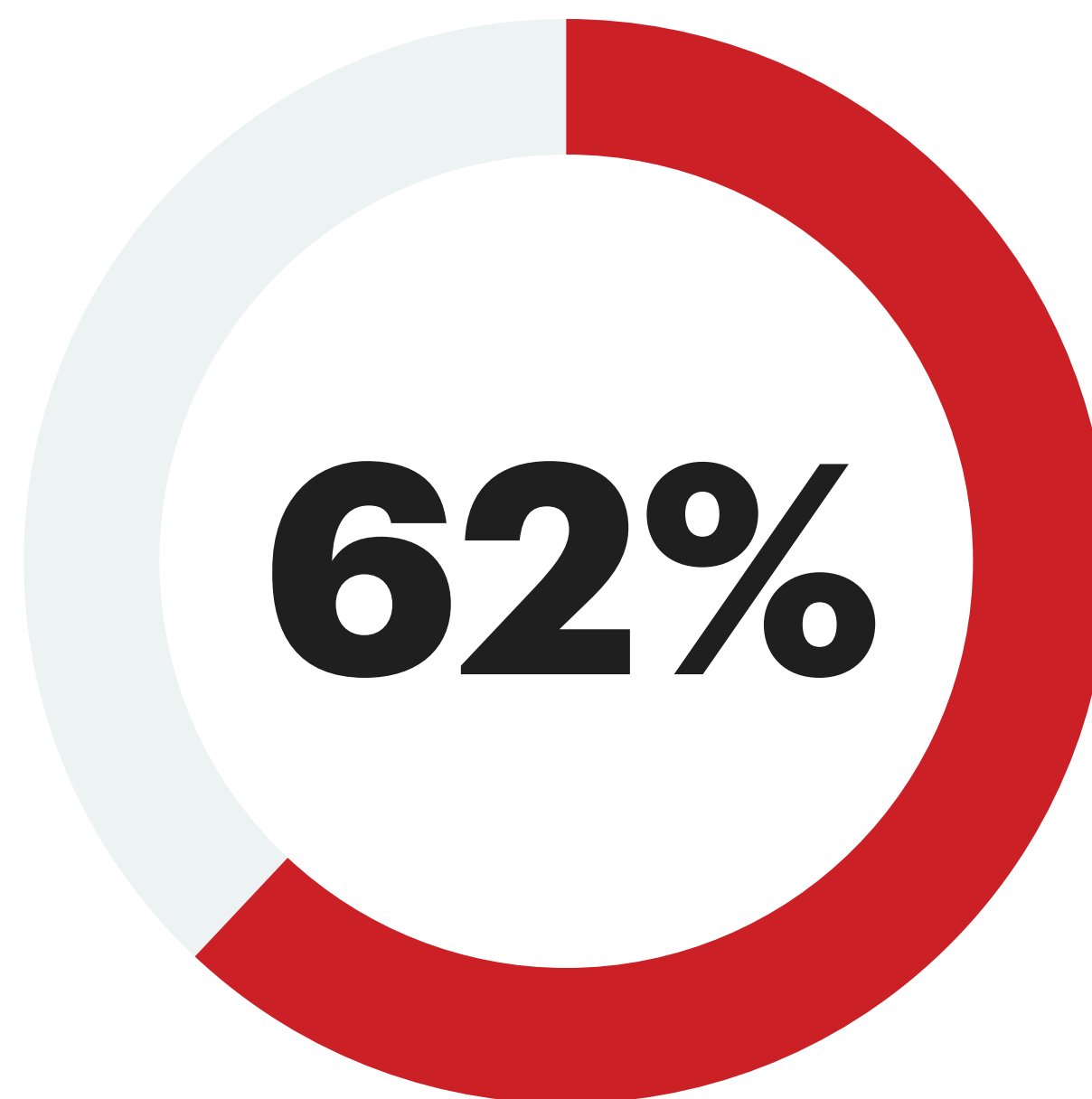
**64% of them declared that they don't want to be just compliant with regulations but leading their industry**



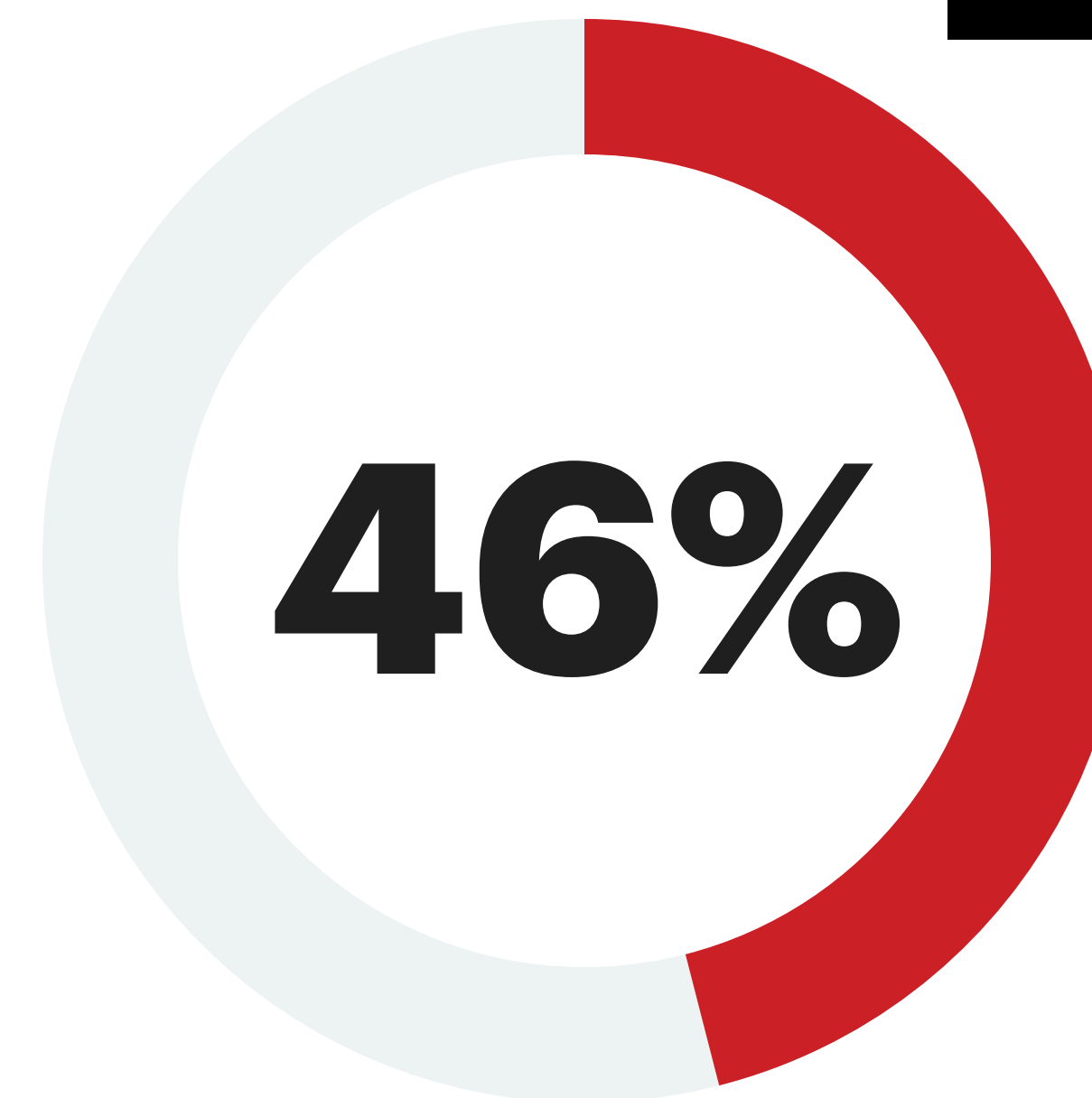
## POSITIVE BUT CHALLENGING ROAD TO SUCCESS

62% of CEOs are satisfied with their journey of transformation and all of them have had a positive experience as part of the sustainable revolution. However, at the same time, 40% of business leaders find it challenging to push forward the ESG agenda, with 46% of them highlighting the cost of transformation as the most important barrier by far. This makes the ability to measure economic impact even more relevant, in order to justify such important investments.

# 3



**62% of CEOs are satisfied with their journey of transformation and all of them have had a positive. However, 40% of business leaders find it challenging to push forward the ESG agenda**



**46% of them highlighting the cost of transformation as the most important barrier by far**



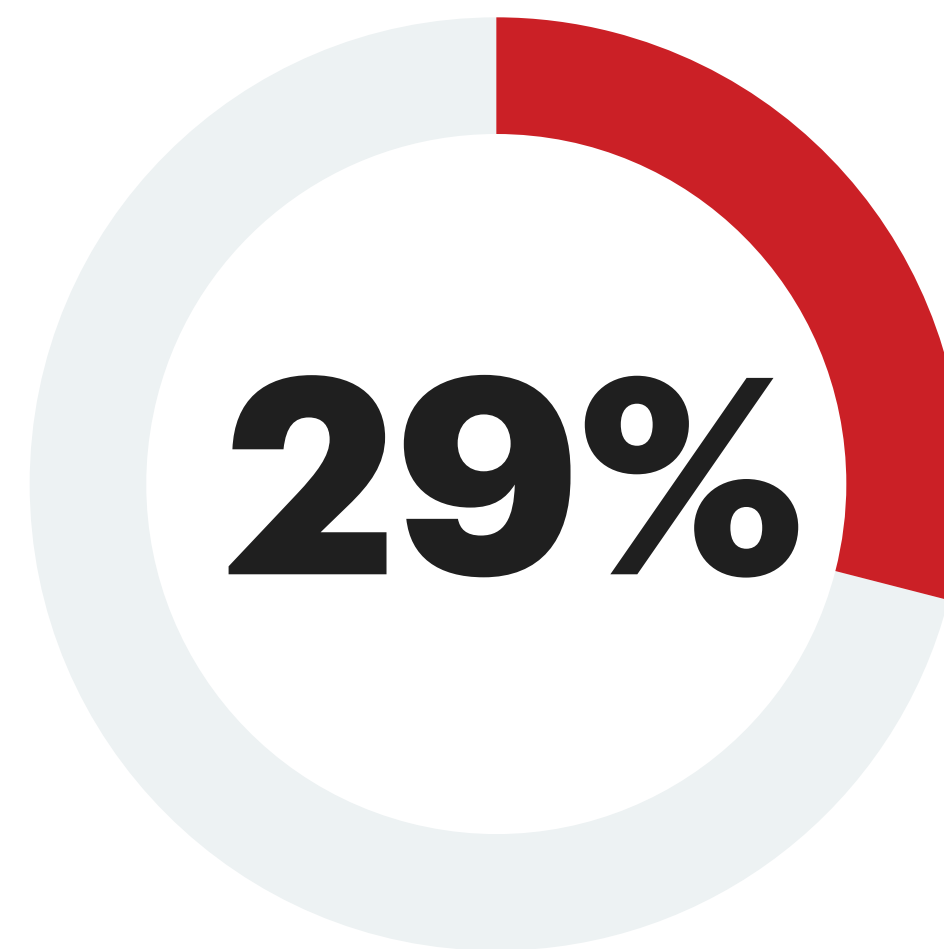
## STILL SEVERAL INTERNAL AND EXTERNAL BARRIERS

There are various barriers in achieving ESG goals: 29% of respondents mentioned the availability of incentive schemes and 26% identified clarity of regulations as the main barriers to faster transformation, with government initiatives and more precise regulations considered essential for enabling and speeding up the change. 23% of business leaders stated that in terms of internal factors, setting clear ambitions and targets are considered crucial in obtaining the right level of commitment from the management team and for embedding ESG DNA within the company decision making process.

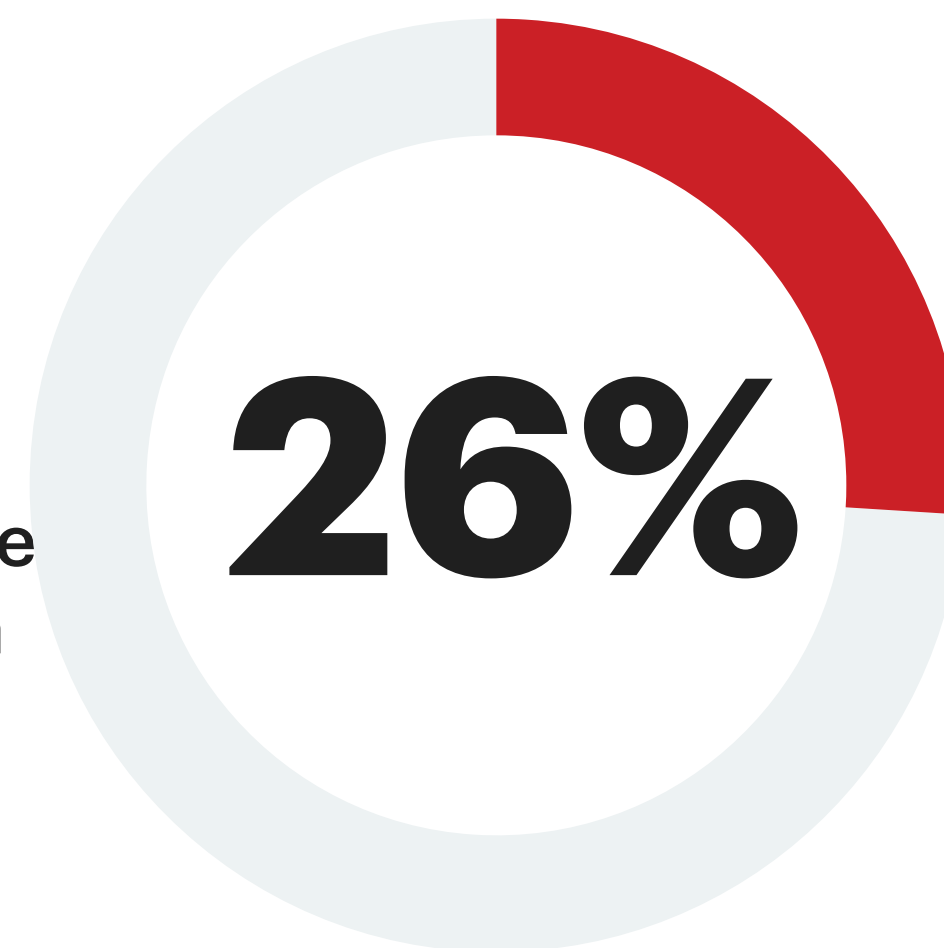
# 4

### EXTERNAL FACTORS

29% of respondents mentioned the availability of incentive schemes



26% identified clarity of regulations as the main barriers to faster transformation



### INTERNAL FACTORS

23% of business leaders stated that setting clear ambitions and targets is crucial in obtaining the right level of commitment from the management team and embedding ESG DNA within the company decision making process





# WE ARE AT THE DAWN OF A GREAT OPPORTUNITY FOR TÜRKIYE

83% of CEOs stated that stakeholders' requirements heavily influenced their business models. Sustainability is widely considered by business leaders as a strategic lever to create value and uncover new products and business models. With a young workforce ready to embrace change, a high level of digital maturity, a fertile tech ecosystem, and rich supplies of natural resources, Türkiye is in a good position to seize the opportunities of the sustainability revolution. This is especially true in energy and technology intensive sectors like manufacturing, energy and automotive where the country can really leverage its capabilities.

# 5



**83% of CEOs stated that stakeholders' requirements heavily influenced their business models**

**Sustainability is widely considered by business leaders as a strategic lever to create value and uncover new products and business models**



The message is clear: **CEOs regard ESG as crucial to future growth** but they are widely aware of the **complexities linked to their transformation journey**. The financial burden of ESG initiatives together with an unclear regulatory framework are the biggest challenges that hold organizations back from a faster transformation. In addition, businesses also feel hampered by the limited availability of carbon-reduction technology, green energy and by the increased complexity linked to a bewildering array of ESG standards, certifications and terminology.

Yet businesses and business leaders cannot bear the burden of this transformation alone. While they must orchestrate the cultural revolution and inspire the actions within their companies that will shape their transformation, cooperation with partners and at government level is crucial.

Those we spoke to would like to see increased clarity of regulations. However, to achieve this, close-knit communication and cooperation between everyone involved is fundamental.

Companies with the best knowledge of their sector want, and should be, proactive in indicating guidelines and sharing information in order to shape effective regulations. This involves providing sector-based distinctive traits and requirements to institutions, creating a single platform of design and execution on the needed norms, regulations, and incentives and **building an interconnected ecosystem with common values and shared goals**.

**In this context, it is true more than ever that unity is strength and ESG IS NOT A SOLO GAME.**



Other themes that emerged from our survey include how ESG can fuel new business growth, how sustainability sits with digital transformation and why Türkiye is uniquely positioned to capitalize on ESG success.

With its deep talent pool, a sophisticated industrial infrastructure, rich supplies of natural resources and expanding amounts of clean energy assets, **Türkiye is well equipped to foster sustainable development.** Over the last decade, the country has embarked on its path, and is succeeding in becoming an attractive investment environment for ESG investments. Having ratified the Paris Agreement in 2021 and with a clear roadmap to comply with the European Green Deal, it is full steam ahead for the Turkish ESG agenda.

**It is now the time for Turkish companies to speed up their sustainability journey,** to set bold ESG ambitions and to tailor holistic sustainability programs that engage all stakeholders. This needs to be done with an understanding of changes in profit pools over the next 10 to 30 years and to be in line with accurate ESG investment strategies and value creation plans, where sustainability and responsibility efforts are deployed in a systemic way – within an **ecosystem** – where businesses, government, institutions and other external partners all cooperate to address existential ESG concerns and contribute to the creation of a more prosperous and sustainable world.



**AFTER ALL, AS ONE CEO  
SUMMARIZED “ESG IS  
EXISTENTIAL, IF WE  
CONTINUE LIKE THIS THERE  
WILL BE NO WORLD”.**



INPUT #1

# BUILDING A CULTURAL REVOLUTION



# BUILDING A CULTURAL REVOLUTION.

## SHAPING A NEW WAY OF DOING BUSINESS

With the challenges and opportunities it raises, **ESG is considered to be a complete game-changer.** “It is changing the way we think, the way we act, and the way we view the world as customers and as leaders of businesses” explained one CEO. With investors having reeled in \$36B in ESG-related index funds in 2021 alone<sup>6</sup>, with 90% of consumers likely to switch to sustainable brands given equal price and quality, and with 75%+ of 18-34 year-olds who expect their employers to take a stand on climate change<sup>7</sup>, sustainability is more relevant and existential than ever before.

This tidal wave of transformation is having a massive impact on all industries, it is changing the rules of businesses and is opening the door to even more disruption. One theme that emerged from our conversations was that CEOs consider themselves to be “*in the midst of a revolution*”, an **ESG revolution**. The business leaders we interviewed agree that this is probably the biggest change since the Industrial Revolution.

The pandemic, the consequent economic slowdown, the existential threat of climate change and the current economic crisis have all focused attention on the importance of sustainability, pushing it to the top of the agenda and overtaking the topic that has topped the agenda until now, digitalization. In fact, 64% of our respondents view the sustainability revolution as being greater than the digital revolution, even though in general, digital transformation and sustainability go hand in hand, complementing one another in an ESG ecosystem where competences are shared to reach common objectives.

INPUT #1



## ONE THING IS CLEAR, ESG IS HERE TO STAY

Despite a clear momentum for sustainability, the road to complete revolution is still long in Türkiye, as it is in any other part of the world. This sentiment is reflected in the thoughts of the business leaders we spoke to, the majority of them affirming that the **current pace of change is not fast enough.**

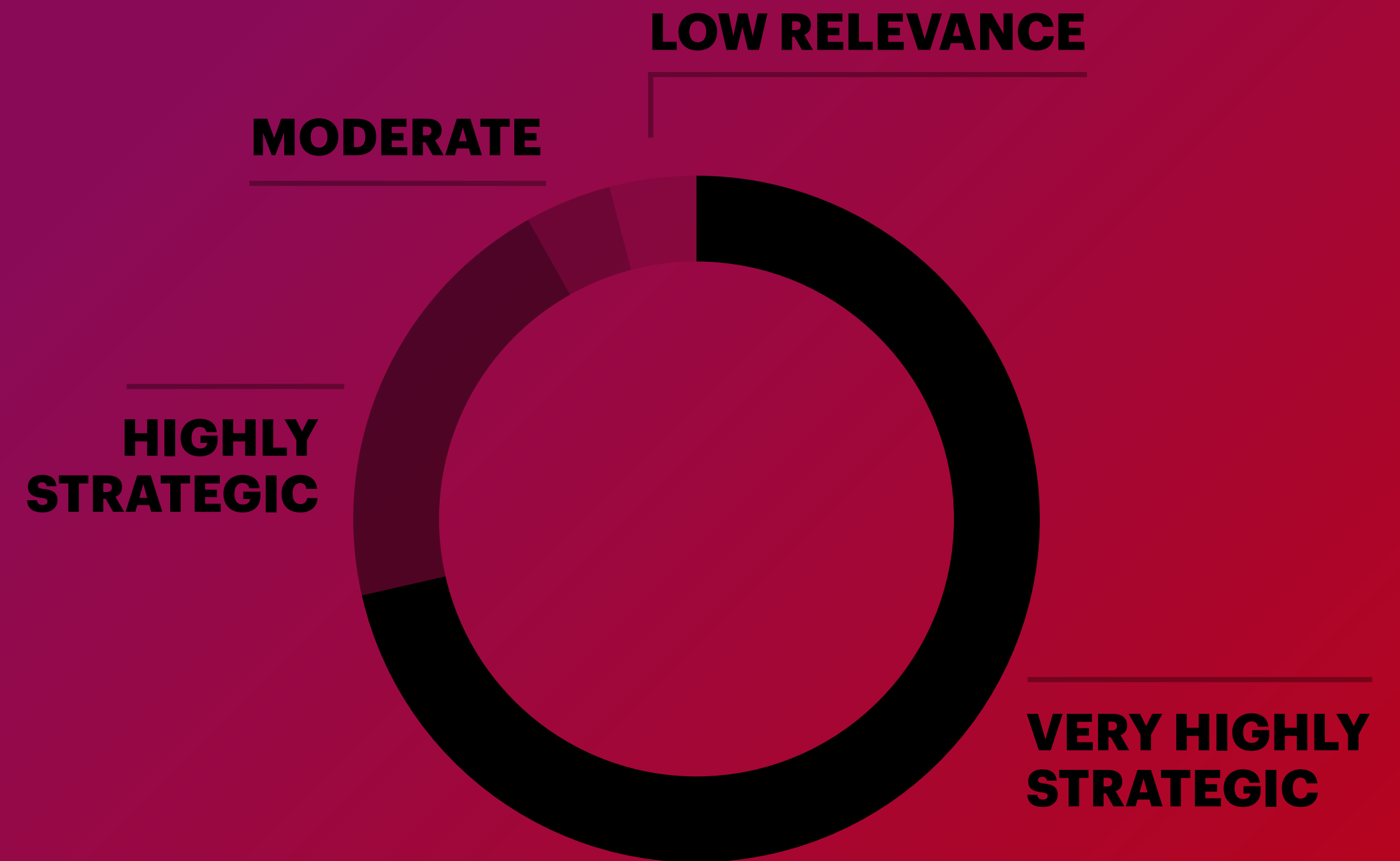
That being said, leaders see themselves as key players in this transformation process. Even though CEOs' attitudes towards sustainability differ according to their age group, the majority of our respondents believe that CEOs at the end of their careers are less open to change compared to younger generations. This can be attributed to the general level of knowledge and understanding they have on the topic of sustainability. One business leader shared his thoughts on how to overcome this: *"the first thing to do is understand what ESG is all about. When people don't understand, fear sets in. What we need to do is communicate more about sustainability, to take away the fear. Everything new is strange, but when you talk about it more and more, people will understand the need for this transformation."*

In this regard, Türkiye's future is hopeful. In 2021 the country's average age was measured to be 33<sup>8</sup>, compared to a European median age of 44<sup>9</sup>, hence the Turkish business community, including current and future business leaders, is run by a generation that will be on the forefront of driving the ESG transformation – doing so with efficiency and conviction – more so than in other European countries, which rely on older generations to bring about the change.



## ONE THING IS CLEAR, ESG IS HERE TO STAY

Sustainability is now a near-universal business concern **(over 90% of CEOs we spoke to described ESG issues as either highly strategic or very highly strategic)**, addressed at senior management level and crucial to long-term success. **“For industry and for companies, sustainability is existential. What will determine whether a company exists in 10 years is the speed at which they transform regarding sustainability,”** said one business leader. CEOs particularly care about ESG and their company’s reputation; along with revenue generation, its importance is ramping up for investors in lieu of traditional risk & recipes aspects.



**-90% OF RESPONDENTS  
STATED THAT ESG IS  
CONSIDERED EITHER  
HIGHLY OR VERY  
HIGHLY STRATEGIC**



## A MATTER OF PRIORITIES, CLIMATE CHANGE AND DECARBONIZATION

When it comes to understanding ambitions and priorities within the ESG agenda, **climate change remains at the top for most companies.** This is in part because business leaders tend to push topics that are measurable and have the potential to drive reputation. One CEO was quite directive on this: *"businesses should focus on particular, executable, fundable plans. That means decarbonization"*.

**Most companies' goals in this area are ambitious,** *"we aim to become carbon neutral by 2030 and our ambition is to be a Net Zero company by 2050, including Scope 3 emissions from the use of sold products"* one CEO explained. *"We are making promises to cut our Scope 3 emissions by 50% until 2030"*, another CEO added. *"Our ambition is to increase the use rate of sustainable materials to 90%"*, mentioned one business leader.

The Chief Sustainability Officer of a company operating in the automotive sector highlighted *"we are at the epicenter of the attention. Climate change for us means taking care of CO2 emissions, including the entire lifecycle of our product"*. A leader we interviewed in the food and retail industry explained: *"we set ambitious goals in our strategic areas such as making plastic packaging 100% reusable/recyclable/compostable by 2030 and doubling our sustainability-focused innovation investments by 2030"*.





## IT IS GOING TO BE A MARATHON

Despite the overall importance of climate change, the scope of ESG efforts has become more comprehensive to include other social and governance considerations such as diversity, equity, and inclusion.

Various CEOs mentioned initiatives aimed at promoting a higher percentage of female employees in the workforce in general, especially in top leadership positions. *“Female employees at top levels represent 16% to 19% of the leadership team”*, one CEO shared his view. To address this, his business has focused on the creation of a network to mentor, support, and train middle management level female employees to encourage their corporate journey, *“these programs help with removing barriers and help women to have equal opportunities to thrive within the organization”*.

Considering the above points, business leaders expect **the impact of ESG efforts to materialize in the longer term.** In one CEO’s candid words: *“We cannot give women 50% of leadership jobs immediately. It is going to take maybe ten years for that to happen, but that’s where we are aiming to go”*.





**AFTER ALL, "ESG IS  
A MARATHON, NOT A RACE.**



INPUT #2

# SEARCHING FOR THE RIGHT ESG COORDINATES



# SEARCHING FOR THE RIGHT ESG COORDINATES.

## INPUT #2

### BE CONFIDENT BUT NEVER GET COMFORTABLE

When making comparisons with others in their field, **82% of CEOs state that they are ahead of their competitors and peers.** Distinction within their own sector is especially prevalent in companies who have a global footprint, are part of international groups, or who are controlled by institutional investors – given that standards set at the international level are considered to be more stringent. In the words of one CEO: *“We are way ahead in certain areas as we need to comply with our institutional investors’ strict policies”.*

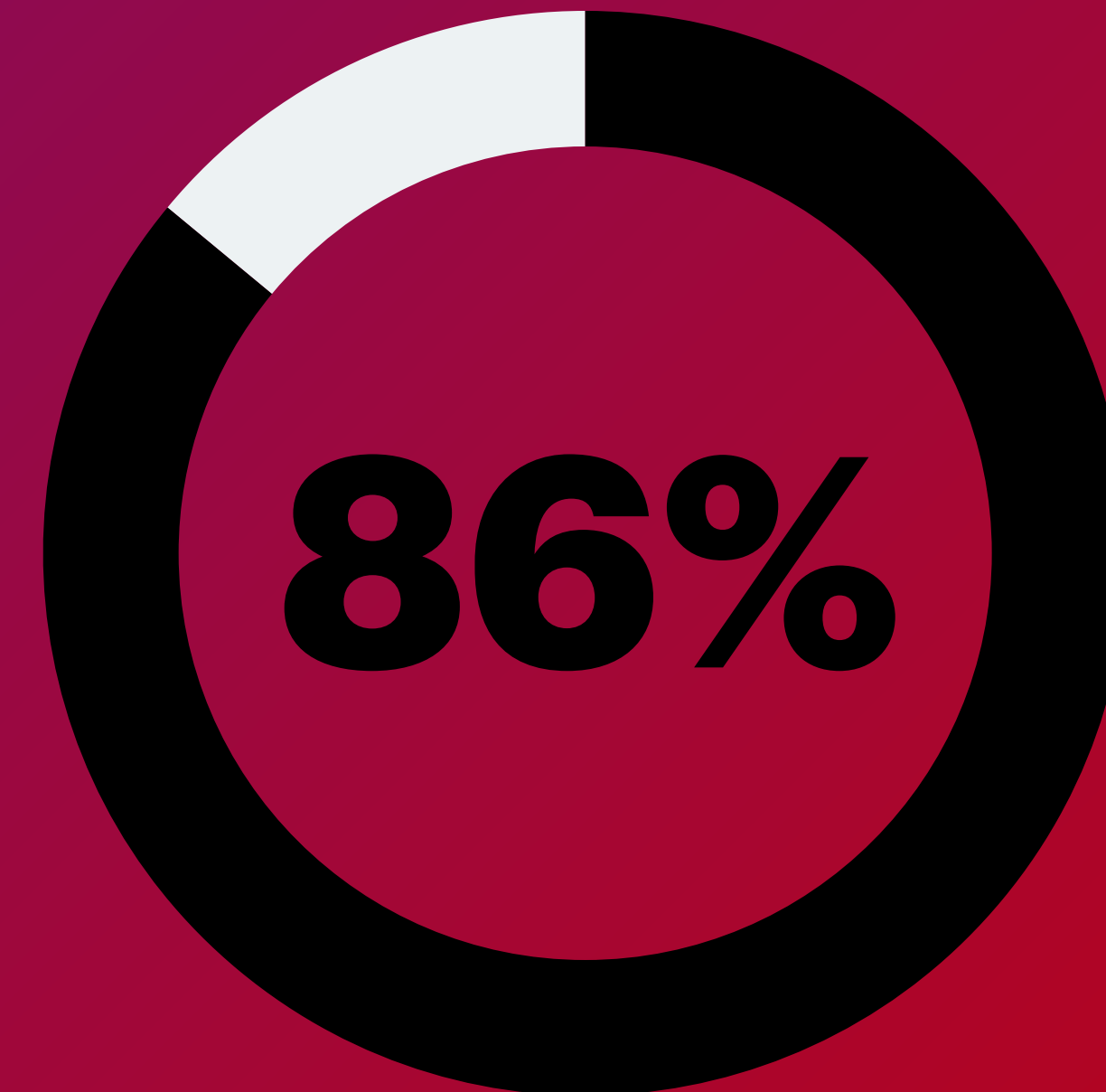
**The overall sense of direction is clear, with 64% of CEOs declaring that their ambition is not just to be compliant with ESG regulations, but rather to lead their industry on ESG topics.** *“We want to be proactive about pushing regulations in a way that has more impact because we understand the industry – instead of the government just imposing regulations”*, was the view shared by one CEO, *“we want to put in a framework for regulations that works and is easy for everybody to follow”.*

*In fact, to lead the revolution, companies should go far beyond regulatory requirements, driving bold changes to address the industry’s main challenges and in doing so, creating a competitive advantage.*



If purpose is at the core of every journey, then businesses are off to a good start. **ESG purpose, in fact, has been defined in over 80% of companies represented in our study.** 70% of CEOs have stated that the exercise of defining their sustainability purpose has in turn driven transformation significantly, in part because it creates a sense of shared ownership of ESG issues among employees.

Purpose and actions are communicated to stakeholders as a key part of the ESG strategy issue as a means of explaining corporate approaches, to create transparency and to build a competitive advantage. *“If you communicate correctly, the consumer will reward the brand. It becomes hard currency”*, one business leader explained.



**86% OF RESPONDENTS STATED THAT THEY DEFINED A PURPOSE IN THEIR COMPANIES**



## NAVIGATING WITHOUT A COMPASS

Direction, purpose and action, however, are in vain if the impact generated by ESG initiatives cannot be measured and progress cannot be monitored. The responses we received highlighted how **more than 50% of the organizations in our survey do not yet have a precise ESG impact dashboard** and are just providing information based on their actions through high-level KPIs.

The more advanced practices such as real-time data monitoring and quarterly reporting are even less common, even though this is a real business aspiration for most. One CEO shared his company's goal, *"we are thriving for real-time data monitoring. We have it in certain areas. Hopefully, soon, we will have something that everybody can see every day from a carbon footprint and diversity point of view"*.

**The missing key point is clearly the ability to evaluate the impact generated by ESG efforts.** Commitment and sustainability targets are usually present in companies' plans and so are the actions, but measuring the impact is difficult, making it even more difficult to communicate sustained progress to stakeholders.



Within this framework, business leaders are navigating the ESG revolution without a compass and are asking employees at all levels to follow the purpose, the path, to take a leap of faith – like Columbus with his sailors, they trust that the fruit of their sustainability efforts will materialize at some point.

However, it is important to **highlight how companies with more advanced reporting practices**, that allow every employee to track progress, **are better positioned to prioritize ESG targets and reach their ambitious goals**. One business leader we interviewed explained how his company created a second balance sheet to measure carbon emissions, *“any investment we make, any action we take in the company, we add/subtract the carbon from this balance sheet”*. This detailed practice is forcing the company to continuously track progress against targets, *“looking at it is very critical, because otherwise it becomes very abstract”*.



INPUT #3

# ACCELERATING IS ESSENTIAL TO AVOID GETTING STUCK



# ACCELERATING IS ESSENTIAL TO AVOID GETTING STUCK

## THE NEED TO BE BOLDER THAN EVER

Performing well while doing good is extremely gratifying: **62% of CEOs who took part in our survey are satisfied with their companies' transformation journey and all of them defined their experience so far as either positive or very positive.**

We can see this enthusiasm, at least in part, translated into actual results and ambitions: Türkiye's per capita CO2 emissions are below that of the European average<sup>10</sup> - 6.2 tCO2e/capita vs 11.5 tCO2e/capita<sup>11</sup> in Türkiye and Europe respectively and, by ratifying the Paris Agreement, Türkiye has announced its ambitious target of reaching net zero emissions by 2053<sup>12</sup>. Within this context, however, **businesses recognize that they are at the beginning of the journey and there is definitely room to grow.**

As one CEO summarized

**“today we are at a good point and we are proud of this, but in 10 years, when we look back, we are going to say that we didn't do enough”.**

62%

of CEOs are satisfied with their companies' transformation journey



A large share of the enthusiastic ESG wave experienced by CEOs can be attributed to the support of employees who are in favor of sustainability efforts, in particular, the younger generations. Before the ratification of the Paris Agreement in 2021, a survey conducted by the German Marshall Fund showed that public sensitivity to climate issues in Türkiye was increasing, especially among younger generations, with over **70% of them supporting ratification**<sup>13</sup>. **In line with this, 70% of our respondents said that employees have openly embraced ESG efforts.** This is not just because they want their employer to do the right thing, but also because it gives them the opportunity to act as corporate entrepreneurs with a high level of ownership and to be part of a good cause.

On the other hand, **sustainability has become crucial in attracting and retaining talent**, especially after the COVID-19 pandemic, when the changing dynamics of professional life elevated the difficulties in the talent market. *“The younger generation care about the impact of the company’s operations, especially on the environment,”* one business leader said. Within this context, **a company’s ESG positioning, and effort, can in fact be a deal-breaker**, as another CEO detailed:

**“salary is not enough to attract the best talent; we have to provide ethical management, a diverse environment, and a flexible working environment”.**



**70%**  
of respondents  
said that employees  
have openly embraced  
ESG efforts



## AFTER ALL, "MONEY NEVER SLEEPS..."

**Despite being on a satisfying journey, 40% of leaders defined their experience as challenging.** Reasons include the added complexity that ESG brings to operations, the need for more frequent engagement with a wide variety of stakeholders, the expanding range of ESG standards and terminology and, most importantly, **the pressures of having to solve the equation between sustainability and profitability.**

At least for now, CEOs and companies' performance remain tied to financial metrics rather than ESG efforts. As one business leader clearly explained *"our performance KPIs are still tied to financials such as profit, which ESG efforts may negatively impact"*. Another leader shared a similar view: *"most sustainability initiatives are loss making"*.

**In line with this, 46% of the CEOs we surveyed identified the cost of transformation as the most important barrier hindering the acceleration of ESG efforts,** followed by clarity on specific guidelines.

*"At the end of the day, we have a financial reality",* said one CEO, *"the cost barrier will be relieved in the short term, but we have to consider the financial side"*. Another added: *"in the absence of regulations, taking voluntary sustainability action puts you behind the competition by increasing your cost base"*.



Despite the growing evidence of the economic benefits of sustainability, **many of our respondents have yet to see the link between financial gains and ESG efforts.** As one CEO explained, *“the financial impact of sustainability is not there yet. Most leaders intuitively feel that ESG is a must and is crucial for valuation creation and staying relevant, but when you cannot link those efforts to the financials, financial support by investors becomes crucial”.*

This one-sided view of sustainability, where ESG is seen as cost with associated ethical benefits and a limited financial upside, makes it difficult for CEOs to drive, communicate and incentivize the transformation. Only by seeing sustainability as an opportunity and understanding its value creation aspects, will business leaders be able to really lead the revolution, bring everyone along on the journey and embed ESG into the company’s DNA.

Together, we need to understand that spending on sustainability now is a solid investment and critical to the success of businesses in the future. **Sustainability will pay-off, both ethically and economically.**





INPUT #4

# UNDERSTANDING THE RULES OF A NEW GAME



# UNDERSTANDING THE RULES OF A NEW GAME

## 'LEARNING BY DOING' IN A COOPERATIVE WORLD

Among the different issues mentioned by CEOs, availability of incentive schemes and clarity of regulations were identified as key barriers holding businesses back from a more rapid transformation.

*"Regulations are not very clear. They are mostly concerning taxation and import/export. Regulations are a bit blurry on the product side"*, one CEO explained. Another CEO reflected on the frequency of regulatory changes that is difficult to follow, "regulations change so quickly that you need to be sure that you meet the minimum requirements".

In general, the responses from the survey are loud and clear, and point in the same direction: government initiatives and more precise regulations are considered essential to take a step in the right direction. Here, the key will be for all stakeholders involved to operate in an ecosystem where goals are shared, constant dialogue between all participants is sustained, actions are coordinated and fully supported by governments and regulators, and by implementing a 'learning by doing' approach which includes everyone involved. This setting also calls for the private sector to have a more proactive approach, to communicate through a single voice, and engage with government entities about the needs and characteristics of each sector.

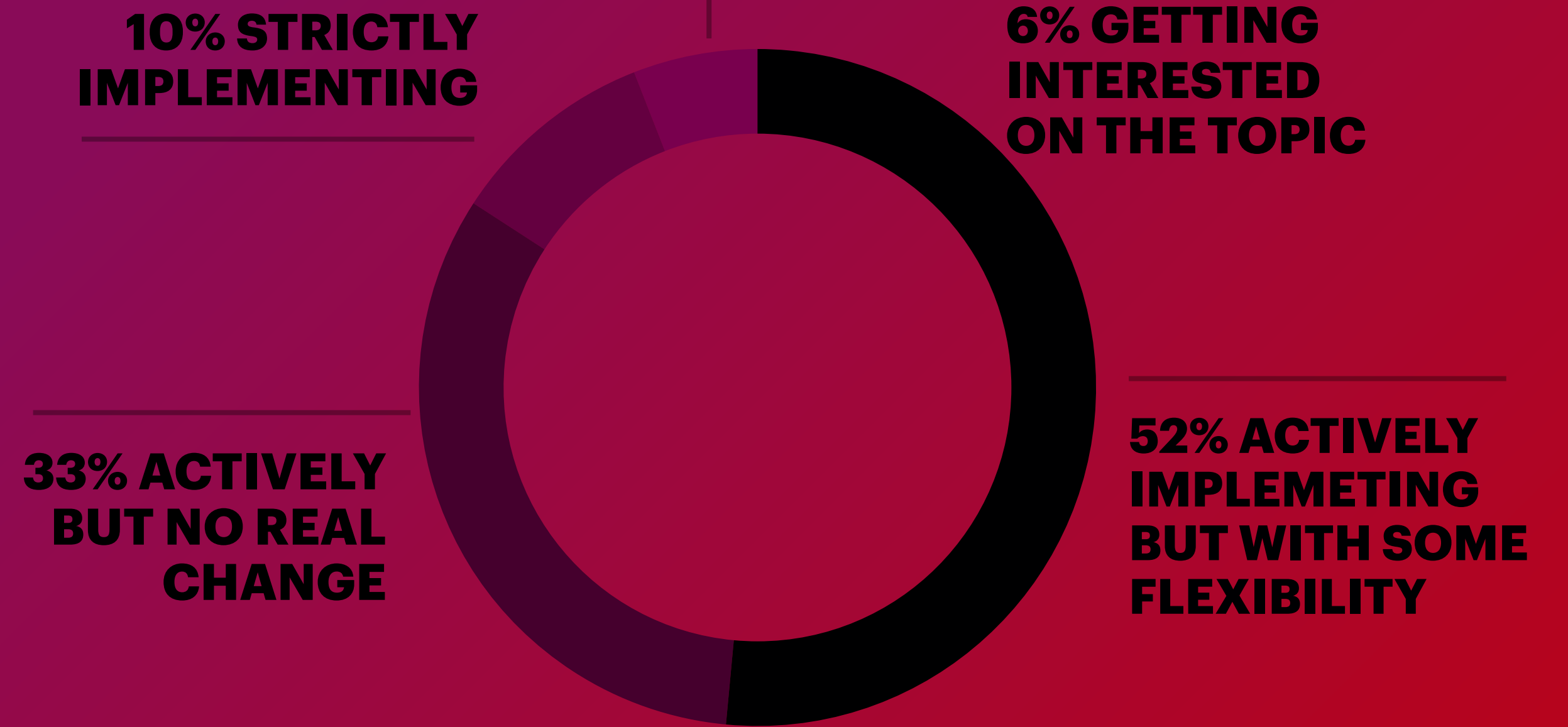
**After all, unity is strength and ESG is not a solo game.**



## THE FINANCIAL COMMUNITY: A KEY PLAYER IN THE ESG ECOSYSTEM

To help organizations cope with the cost of transformation, business leaders are asking for financial support and greater availability of incentives schemes, *“financing support is mandatory because we have to switch to new technologies”*.

Within the sustainability ecosystem, the financial community is considered as a key player that can accelerate transformation by providing financing in line with ESG efforts and help companies to cover the cost of transformation. *“To invest in ESG, you need money. Availability of financing and how it rewards you for becoming a sustainable company plays an important role”*, said one CEO. Another one explained: *“the main funding resource in Türkiye is its banks. Businesses will adapt quickly to meet the requirements of loan approvals”*.



**MOST RESPONDENTS BELIEVE THAT THE FINANCE COMMUNITY IS ACTIVELY IMPLEMENTING ESG PRIORITIES**



A step in the right direction has already been taken. In support of the fight against climate change, the Turkish banking sector extends a remarkable amount of loans to renewable energy – these funds reached TL 200 billion (USD 22.6 billion) as of September 2021. This amount accounts for 4.9% of the total loans and 2.8% of total assets of the Turkish banking sector. Additional efforts are being made to increase the necessary funds for sustainability – mainly through mechanisms that make it easier to access funds dedicated to green projects<sup>14</sup>.

**In line with this, 62% of respondents believe that the financial community is actively implementing ESG priorities**, but they would like to see their agenda become more comprehensive to issues that go beyond climate change. One CEO explained it in detail **“ESG is not only about financing windmills and solar panels. Financial Institutions should develop strict policies on child labor in factories or board structures”**. Another business leader shared

a similar perspective: *“even if the financial community commits to finance ESG efforts and safe projects such as solar roof panels are supported, it is still difficult to raise financing for innovative decarbonization efforts or worse still, for social oriented initiatives”*.

Other than enabling their corporate clients through access to funds, financial institutions can play a pivotal role by providing support on how to manage the implementation of activities and how to improve their performance. Taking the example of carbon emissions, financial institutions have a critical role to play in financing the global transition to net-zero, by reducing the emissions of their loan portfolios. Many banks have already committed to reaching net-zero by 2050, with interim results in 2030. However, with scope 3 emissions representing at least 95% of their carbon footprint<sup>15</sup>, banks will have to actively support their customers’ own decarbonization efforts to be able to deliver on their commitment.



## PRACTICE WHAT YOU PREACH

In our conversations with them, **business leaders highlighted the importance of setting clear ambition and targets as a key enabler to push forward the ESG agenda**, *“our journey started with setting a very clear purpose and roadmap”* said one business leader. *“Your company needs to evolve as a whole, and share the same ambition, look in the same direction”* explained a CEO. Another key enabler is the level of management engagement, and the need to have internal sponsors that embody the ESG strategy, leading by example and facilitating cultural change. As one respondent said, *“you need to set an example as a CEO”*.





## GETTING YOUR SHAREHOLDERS ONBOARD

**Business leaders also highlighted the role of shareholders' support as an enabler for sustainability actions.** Shareholders play an important role in encouraging companies to integrate sustainability into their business strategy, often, this is a requirement for securing their investment.

Shareholders are inclined to support ESG measures because they believe it makes good business sense: high-performing ESG stocks, in fact, have outperformed their benchmarks by 150% since 2007 and 85% of sustainable indices outperformed mainstream indices last year<sup>16</sup>. However, especially in Türkiye, shareholders have the tendency to place higher value on short-term profits versus mid-term sustainability-oriented returns. This scenario is particularly challenging for shareholders who have an important influence on management decisions, above all in newly founded holdings and family-owned businesses.

On the other side, global investors are aware of the potential opportunities of ESG for monetization and they are increasingly setting important commitments to be delivered. However, at present, not all organizations are well equipped to measure and track their results properly. For this reason, they should be given the opportunity to provide the most important information to investors, who will come knocking at their doors very soon.

High-performing  
ESG stocks have  
outperformed their  
benchmarks by  
**150%**



## INNOVATION AND SUSTAINABILITY: TWO SIDES OF THE SAME COIN

95% of the CEOs we interviewed see innovation driving ESG transformation. Innovation is seen as a crucial enabler in making companies more sustainable both in terms of providing the technology (from hydrogen to smart grids) that can tackle issues such as climate change, and as a tool to earn customers' appreciation and stay competitive.

One CEO said: *"many of our engineers are focused on innovation to drive decarbonization and increase energy efficiency. The consumers and retailers will eventually reward companies that solve sustainability problems with innovation"*.

**All respondents stated that their innovation approach evolved significantly, as part of their ESG journey.** Innovation is not just about finding ways to utilize new technologies; it is increasingly seen as a vital sustainability tool, essential to pre-empt future regulations and meet the demand for new products and services. One CEO highlighted the development of novel materials and technologies that will have to be compliant with *"future regulations that do not even exist today."* Another one added: *"Innovation was previously about creating a new product. It is now about evolving; it is about new business models."*





INPUT #5

# SEIZING THE OPPORTUNITY



# SEIZING THE OPPORTUNITY

## STAKEHOLDERS ARE WILLING TO PAY MORE

We are living in a world where stakeholders demand a more sustainable approach: over 127 countries have imposed taxes or bans on plastic bags<sup>17</sup>, European consumers say they are more inclined to buy products that have sustainable sourcing<sup>18</sup> and ~40% of millennials have made job choices based on company sustainability<sup>19</sup>.

**In line with this, 83% percent of those surveyed said stakeholders' expectations and requirements heavily influenced their business model.** As ESG requires a more comprehensive approach, business leaders consider all stakeholders' expectations: *"when defining our sustainability roadmap and priorities, we get in touch with all critical stakeholders"* said one CEO. Another leader added *"there is much influence through customer, government and employee requirements"*.

In particular, the survey showed a clear consensus that **young people, especially Gen-Z, have different priorities and expectations with respect to their older colleagues, and that companies need to address these concerns in order to engage with new generations.** One CEO advised *"this is the biggest change coming. If you look at any Gen-Z poll, it is clear that you will lose them if you do not transform your business"*. Another CEO shared a similar view: *"Gen-Z focuses on the subjects they find meaningful and make their choices accordingly. They care about monitoring the product up until it reaches the consumer and want to know the source of the products they buy. They prefer to work in companies that care about sustainability"*.



## EMBEDDING NEW IDEAS AND A NEW MINDSET IS KEY

**Most of the CEOs we interviewed unquestionably believe that sustainability creates opportunities,** particularly with regards to creating new business models, increasing brand equity and reputation, and reviewing their portfolio of products and services for introducing green products. Turkish players can have a one-of-a-kind chance to increase their top-line and gain market share in existing or new segments, adapt their businesses, evolve their business model, revise their supply chain, and lead and educate consumers to use their products in a more sustainable way.

To succeed in this task, the ability to access and integrate startups and scaleups is going to be fundamental. One CEO identified significant potential in the role of start-ups and innovation: *“potential depends on your ability to bring start-ups into the ecosystem, to generate fresh ideas and engage the best talent”*. Especially in a fertile country like Türkiye which can count several unicorn companies, this is an important asset in tackling the different ESG opportunities.



## LEVERAGING ON TURKISH RESILIENCY LEGACY

*“People are the potential. Türkiye has a very active population between 20-45 years old. They are really flexible and resilient; they are convinced they can do anything” shared one CEO.*





## LEVERAGING TURKISH RESILIENCY LEGACY

Despite the need for more precise regulations and greater government support, Türkiye is well equipped to tackle ambitious ESG transformations. In fact, its young and motivated workforce, advanced digital capabilities, culture and way-of-thinking create a potential advantage for Türkiye and its businesses in playing a key role in sustainability. *“Human capital, ambition, and work ethic. It is hard to find such hardworking people in other countries”*, said one CEO. Another one added *“we have fresh minds that can quickly adapt to the changing circumstances”*.

Respondents also highlighted the country’s leadership in commodities and natural resources, its digital maturity, and cost advantages over other markets, as aspects that make Türkiye a fertile ground for sustainability action. One of the leaders we interviewed focused on the cost advantages that Türkiye can offer: *“this gives us great potential as the global supply chains are redesigned. Türkiye has the potential to become a manufacturing hub for many new technologies”*.

In the end, **Türkiye has all the requirements needed to succeed in this transformation journey**. It is now a matter of finding that spark, of orchestrating and coordinating the efforts of the various stakeholders and of leveraging the potential of a country that is extremely resilient, is able to manage crises and which has shown it can re-emerge from the ashes, stronger than before.





## BECOMING A REGIONAL POWERHOUSE

As outlined before, Türkiye is well positioned to leverage its capabilities and excel in sustainability, especially in sectors that are energy and technology-intensive such as the manufacturing, energy and automotive industries.

Energy is the primary sector in sustainability in which Türkiye could excel, our respondents pointed out, but this would need to come about in conjunction with investor and government support. *“Türkiye offers a vast potential for green energy, but Europe needs to invest. When Türkiye meets the requirements and wins the hearts and souls of the investors, investment will come”*, mentioned one business leader.

Another CEO said: *“with the manufacturing of parts and the creation of an ecosystem, Türkiye has a chance to lead, especially in hydrogen energy”*.

Manufacturing, serving primarily European countries, could be one of the country’s leading sectors in ESG: *“digital transformation in manufacturing combined with ESG can take the country to another level”*, said a respondent. Another one mentioned that ESG provides an opportunity and motivation for doing better *“we have a thriving manufacturing base that is dependent on exports. New EU rules and regulations, especially carbon border tax, is going to help Türkiye's transformation because we need those exports. That would motivate us to adopt better manufacturing techniques before other countries do so”*.

A similar case can be made for the automotive industry, as one leader explained *“Türkiye is already manufacturing electric cars, buses, tractors, trucks and also exporting them. We have in-depth experience and a vast ecosystem of automotive manufacturing”*.

The ESG journey for Türkiye still lies ahead, but business leaders are fully confident in the opportunities the country can offer: *“Türkiye will be the manufacturing heaven of Europe for sure. When Türkiye becomes energy neutral, it will become a regional powerhouse”*, one business leader said.



INVESTMENT ENVIRONMENT

# TÜRKIYE, A FERTILE BREEDING GROUND FOR ESG PRACTICES



## TÜRKIYE, A FERTILE BREEDING GROUND FOR ESG PRACTICES

As momentum in sustainability builds, **Türkiye is positioning itself as a strategic location to foster sustainable development.** With its young and highly skilled talent pool, vast natural resources, sophisticated manufacturing and innovative ecosystem, ambition and commitment to sustainable development as underlined by the ratification of the Paris Agreement in 2021, Türkiye is known as one of the most popular investment destinations in the region and has created an attractive environment for sustainable oriented Foreign Direct Investments (FDIs).





## A BRIGHT FUTURE IN GREEN

As a result of its efforts over the last decade, Türkiye has positioned itself as having the **12<sup>th</sup> largest renewable energy potential in the world and the 5<sup>th</sup> largest in Europe**, after Germany, Spain, France, and Italy<sup>20</sup>. The energy transition from fossil fuels to zero-carbon through clean sources of energy is one of the main prioritized policies in the country. In addition to this, the country has also seen considerable diversification of its energy mix, with renewable energy staging an impressive growth. In line with this, renewable electricity generation has tripled – led mainly by hydro, solar and wind.

The total installed capacity has also expanded and diversified rapidly, and renewables are increasing at the fastest pace (53%)<sup>21</sup>.

As a result, Türkiye is now one of the best performers in the region in terms of number, value, and jobs created by foreign direct investments in the **renewable energy sector**, which serves to bolster the “Affordable and Clean Energy” Sustainable Development Goal.

Over the last decade, the country has become the best location in the region for **education-related FDI**s (it shares the top position with Hungary) when referring to the number of investments attracted in the period of 2013-2022<sup>22</sup>. Such investments, which help enhance the skillsets of the country’s population, ensure inclusive, equitable quality education, and promote lifelong learning opportunities for everyone, are a key driver for social improvement.



With its sophisticated manufacturing and innovative ecosystem, the country is one of the best performers in the region in terms of number, value, and jobs created by **foreign direct investments in the health and related sectors** over the last two decades. Türkiye jumped to 2nd place in terms of the number of FDI projects from 2013-2022 compared to the previous period in the region. Moreover, Türkiye climbed to 3rd place both in terms of the FDI value, with a 14.3% share, and the number of jobs created, with a 12.2% share in the second period. Making distinct improvements, Türkiye has enlarged its share in foreign direct investments and supports “Good Health and Well-being” SDG in the region<sup>23</sup>.

Not enough positive things can be said about Türkiye’s young, highly skilled and tech-savvy talent pool. With an average age of 33, Türkiye has the largest youth population in Europe, a population which is not only young, but also highly dynamic and qualified. In fact, due to an much improved education system, which provides a growing number (+6.2% average per year since 2013) of graduates from STEM-related fields (Science, Technology, Engineering and Mathematics), Türkiye provides a large pool of skilled workers and engineers to international investors<sup>24</sup>. Among other things, it fosters greenfield and expansion investments through global ICT companies, which rely on the country as a managerial and technology development hub for serving regional markets.

The country has always been on the trajectory of becoming an important startup hub in Europe: **over the last 10 years, the Turkish startup ecosystem has been gradually growing out of its infancy stage to fulfill this potential**, with several distinctive factors such as a favorable climate for entrepreneurship in the country. As a result, **the country has attracted significant investments from global players into local startups, which have proven that their products and services are globally competitive**. To underline this, Turkish startups raised USD 1.6 billion in 2021, setting a record for the ecosystem<sup>25</sup>.



## GOING FULL STEAM AHEAD

**In light of this favorable socio-economic situation, with the ambition of contributing to a better and more sustainable future for all, a key focus for the country is on making progress in achieving the targets set by the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.**

As a key step in this direction, Investment Office, together with the United Nations Development Program (UNDP), prepared the “SDG Investor Map Türkiye”, with the aim of guiding and encouraging investors towards sustainable areas. The report provides information on 27 investment opportunity areas identified across 9 priority sectors and 14 subsectors. As testimony to its commitment, the country also renamed the Ministry of Environment and Urbanization as the Ministry of Environment, Urbanization and Climate Change.

As part of its efforts to contribute towards the fight against climate change, the country is expected to update its national climate action plan, officially known as the Nationally Determined Contribution (NDC), including emission reduction targets in the energy, waste, transportation, building and agriculture sectors, and submit it to the UN Secretariat.





**Türkiye has an ambitious target in this area: the country has committed to reducing emissions by 21% by 2030, from a projected emission of 1,175 million tons to 929 million tons, and to achieve “net-zero carbon emissions” by 2053<sup>26</sup>.** In addition to this, a clear roadmap was launched in 2021 to comply with the European Green Deal. Its main aim is to harmonize regulations and principles with the EU Customs Union and to contribute to the country’s transition to a more sustainable, resource-efficient and green economy. Türkiye’s Green Deal Action Plan presents a detailed roadmap under 9 main headings, such as Carbon Border Adjustments, Green and Circular Economy, and Green Financing , and 32 objectives for adaptation to green transition.

**Türkiye presents a promising opportunity for developing an impact investing ecosystem.** In order to strengthen the ecosystem, the Turkish National Advisory Board for Impact Investing was established in partnership with UNDP, the Impact Investment Platform (Etkiyap), the Development Investment Bank of Türkiye and the Investment Office. In addition to this, Türkiye launched a new National FDI Strategy in 2021 and within this, investments which will substantially contribute to the SDG targets of the country will be prioritized.





Overall, it is evident that Türkiye has massive potential in ESG enablement. **The country's strong foundation of natural resources is the perfect fertile ground to allow strong and wide ranging ESG practices.** On top of this, the overall human capital ambition and work ethic of the Turkish population could be one of the potential accelerators of sustainable revolution in the area, guiding it to be one of the main leaders in sustainability.





Conclusions and way forward

# THE NEXT STEPS ON THE ESG ROUTE



## ON THE RIGHT PATH TO TRANSFORMATION

Over the past few years, shifting investor and customer expectations has cemented the importance of ESG in the corporate world and allowed it to withstand different types of shocks. ESG has become an explicit decision-making consideration, rising to the level of financial concerns, risk, operational integrity, and customer impact. It is now reflected in firms' missions, operations, and in stakeholder expectations.

In this environment, corporations are no longer waiting for government mandates to act. As a step in this direction, over 1,000 companies have set themselves the target of limiting the global average temperature increase to 1.5°C ahead of COP26<sup>27</sup>. **Now is the time to act. In this context, understanding where to play and how to win is mandatory.**





## A STRATEGIC VALUE CREATION APPROACH

We reckon that the key point in accelerating the ESG agenda is to deal with required resources and investments. From our experience, we recommend following a diligent **value creation approach**, focusing on two levers: pure value creation levers and managing the risks and costs associated with sustainability.

1

### VALUE CREATION LEVERS:

**Businesses can increase the top-line by gaining market share and winning in either existing or new markets and segments.** Companies should see sustainability action as a way of improving pricing power – in fact, customers are demanding a more sustainable approach. There is an opportunity for companies to lower the cost of capital by qualifying for ESG-restricted investment, as well as obtaining a lower interest rate on banking loans. Finally, the ability to attract and retain talent is a crucial business differentiator, especially for younger generations.

2

### FINDING THE BALANCE BETWEEN RISKS AND COSTS:

**One of the main topics for businesses to address is the upcoming carbon taxation on company emissions.** Reducing emissions can provide an immediate impact on financials, especially in sectors such as heavy industry or aviation. **In addition to this, businesses should seriously consider the role of technology in enabling sustainability, as the potential benefits provided by efficiency recovery and product innovation usually lead to reducing operational costs.**





ESG, NOT A SOLO GAME

## HOW TO MOVE FORWARD AT SPEED

Türkiye has already got several key players in the ESG landscape, some of them can be easily referred to as distinctive leaders in their own sectors. Aside from these top performers, **most of the Turkish players have already dedicated significant amounts of effort and resources in developing ESG initiatives. However, there is a lack of a structured approach and clarity on ambition, resulting in a low level of focus on priority areas and measured commitment.**



# TO TAKE ESG TO THE NEXT LEVEL, TURKISH BUSINESSES MUST ACCELERATE THEIR TRANSFORMATION FOLLOWING FIVE KEY STEPS:

**Setting a bold sustainability ambition**

**Measuring impact to get leadership aligned**

**Test, calibrate and scale fast**

**Having a clear roadmap and communication plan**

**Embedding ESG mindset balancing ESG and financial impact**

**1**

**2**

**3**

**4**

**5**



# SETTING A BOLD SUSTAINABILITY AMBITION

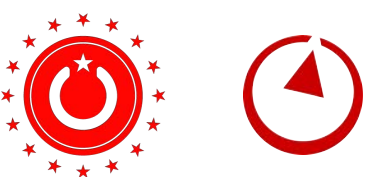
# 1

THE NEXT STEPS ON THE ESG ROUTE



ESG,  
NOT A  
SOLO  
GAME

Most leaders tend to concentrate their efforts on emissions reduction. However, businesses must question themselves on what type of role their organizations want to play – to be a simple player complying to regulations or to become a proactive player, leveraging sustainability to build a competitive advantage. In either case, our recommendation is to work on two dimensions: to have a long-term ambition on one hand and to identify a set of urgent short-term actions on the other.





# MEASURING IMPACT TO GET LEADERSHIP ALIGNED

# 2

Dedicating enough time and attention in ensuring awareness and commitment of leadership is a must. This is going to be a marathon and engaging senior management from the start is the only way to reduce the risk of rejection later on. Companies should create a bridge between required resources and effort, and potential results generation.



## TEST, CALIBRATE AND SCALE FAST

# 3



Mistakes and calibration of plans are the norm when talking about generating results. In any new business, or in new fields such as sustainability, allowing time to understand how to get things done, and how to get them right is part of the game. A test and learn approach will allow businesses to scale faster and give them the opportunity to expand the organizations' capabilities and resources. This is not a solo game, it's a matter of orchestrating all of the organization's assets, and people should be at the top of this list.



# HAVING A CLEAR ROADMAP AND COMMUNICATION PLAN

# 4



Delivering on sustainability means starting a journey. When dealing with fluid regulations and standards, however, it can be easy to lose the path. To remain on track, businesses must set clear milestones and design a reliable roadmap, with a precise dashboard to track performance. In addition, understanding how to orchestrate communication and reporting is a must in building a bridge between effort and market/stakeholders perception.



# EMBEDDING ESG MINDSET BALANCING ESG AND FINANCIAL IMPACT

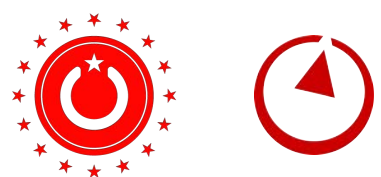
# 5

THE NEXT STEPS ON THE ESG ROUTE



ESG,  
NOT A  
SOLO  
GAME

Financial sustainability is a key part of the equation. Many companies are unable to measure the economic impact of sustainability, which makes it more difficult for them to see the value creation opportunities offered by ESG. In our experience, we have seen a potential impact of 10%-15% on EBITDA<sup>28</sup>, depending on the industry and sector, within companies that engage and measure sustainable practices. This is a significant result that can pave the way of cultural change towards the creation of an ESG DNA in businesses.





ESG momentum is building, and the next step is to transform the ambitious commitment that many companies have into targets and concrete actions. ESG transformation is the single biggest challenge facing businesses today, but those that seize the opportunities it offers will be the ones that see the most success in the years ahead.

**Now is the time to push forward at speed.**



# THANK YOU

We would like to take the opportunity to thank every participant and contributor to the Report, for taking the time to share their views and experiences on the ESG challenges that lie ahead.

The individual efforts made at business level can be amplified by joining forces along the entire value chain and by inviting governments and institutions to help accelerate change.

A commitment at all levels, within companies, across value chains and with institutions, is fundamental to achieving the ambitious goals we have as a country on our path to create a more sustainable world.

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