



**BIST Sustainability and Participation Indices  
October 11, 2022**

# INDICES OVERVIEW

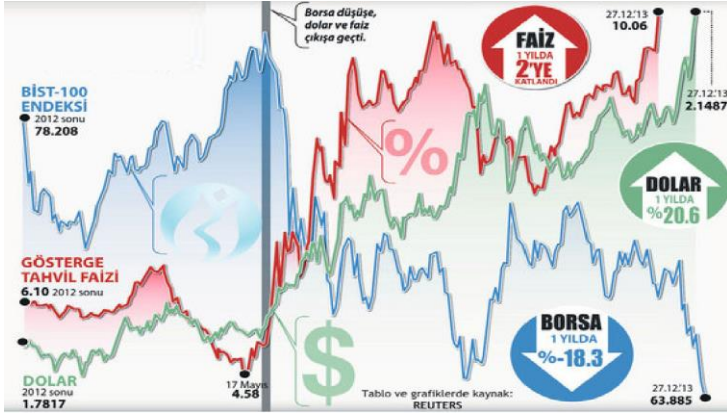
**1 ROLE OF INDICES IN INVESTMENT**

**2 BIST PARTICIPATION (SHARIAH) INDICES**

**3 BIST SUSTAINABILITY INDICES**

# ROLE OF INDICES IN INVESTMENT

## Major barometer of economic condition



Extensively used in investment reports, academic papers and short-term trading strategies



BORSA  
İSTANBUL

Reference portfolio for the investors where selection is based on



Underlying asset or benchmark for financial products

# ACTIVE / PASSIVE PORTFOLIO MANAGEMENT

Fon Kodu	Fon Adı
ALC	AK PORTFÖY BIST DIVIDEND 25 INDEX EQUITY FUND
TTE	İŞ PORTFÖY BIST TECHNOLOGY CAPPED INDEX EQUITY FUND
DZE	DENİZ PORTFÖY BIST 100 INDEX EQUITY FUND
ZPE	ZİRAAT PORTFÖY BIST PARTICIPATION INDEX EQUITY FUND
HBU	HSBC PORTFÖY BIST 30 INDEX EQUITY FUND
MMH	MÜKAFAT PORTFÖY BIST 30 INDEX EQUITY FUND
GAE	GARANTİ PORTFÖY BIST 30 INDEX EQUITY FUND
AKU	AK PORTFÖY BIST 30 INDEX EQUITY FUND
TIE	İŞ PORTFÖY BIST 30 INDEX EQUITY FUND
YEF	YAPI KREDİ PORTFÖY BIST 30 INDEX EQUITY FUND
Tİ3	İŞ PORTFÖY İŞ BANK SUBSIDIARIES INDEX EQUITY FUND
TAU	İŞ PORTFÖY BIST BANK INDEX EQUITY FUND
ADP	AK PORTFÖY BIST BANK INDEX EQUITY FUND
YZH	TEB PORTFÖY BIST BANK INDEX EQUITY FUND
ZSF	ZİRAAT PORTFÖY S&P/OIC COMCEC 50 SHARIAH INDEX EQUITY FUND



**PASSIVE FUNDS**

<https://www.kap.org.tr/en/>

**ACTIVE FUNDS**



Fund Benchmark		
Fund Benchmark	Benchmark Ratio (%)	Date and Number of Fund Board Resolution About Benchmark Determination
BİST Temmettü 25 Getiri Endeksi	95	
BİST-KYD O/N Repo Brüt Endeksi	5	



**BORSA  
İSTANBUL**

# ACTIVE / PASSIVE FUNDS

- ❖ Actively managed portfolios constantly try to beat the return of the benchmark.
- ❖ Frequent trading results in higher trading commission fee.
- ❖ Successful portfolio managers are a few and they charge significant management fee.
- ❖ Research and other expenses may differ depending on the management style.

- ❖ Passively managed portfolios try to replicate the portfolio of the index.
- ❖ Risk is diversified and trading fee is lower due to periodic rebalancing.
- ❖ Less reliance on portfolio managers and so management fee is significantly less than the actively managed portfolios.

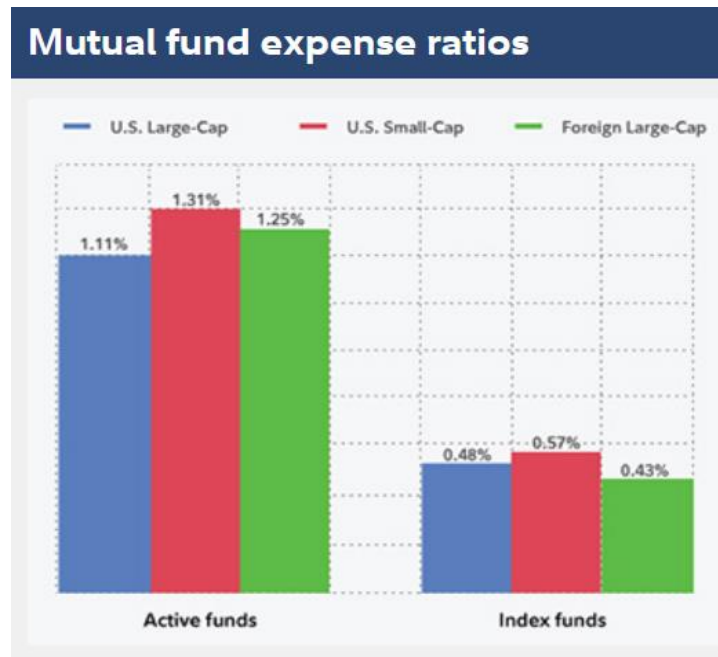


FIGURE 1  
No Clear Winner in Active vs. Passive Large-Cap Funds

■ Winner

Year	Active Large Blend Category (%)	S&P 500 Index Funds (%)
1985	29.46	31.34
1986	17.74	17.28
1987	2.92	4.08
1988	16.09	15.47
1989	27.46	30.45
1990	-3.37	-3.35
1991	33.35	29.50
1992	9.63	7.05
1993	12.40	9.46
1994	-0.74	0.86
1995	33.14	36.87
1996	22.29	22.48
1997	29.88	32.71
1998	20.49	28.20
1999	19.25	20.31
2000	-0.26	-9.45
2001	-8.54	-12.35
2002	-20.15	-22.46
2003	28.85	27.93
2004	10.98	10.32
2005	6.82	4.41
2006	14.52	15.19
2007	7.03	4.97
2008	-36.92	-37.26
2009	28.88	25.98
2010	14.09	14.50
2011	-0.60	1.62
2012	15.29	15.41
2013	32.20	31.71
2014	11.13	13.08
2015	-0.98	0.89
2016	10.21	11.42
2017	20.05	21.26

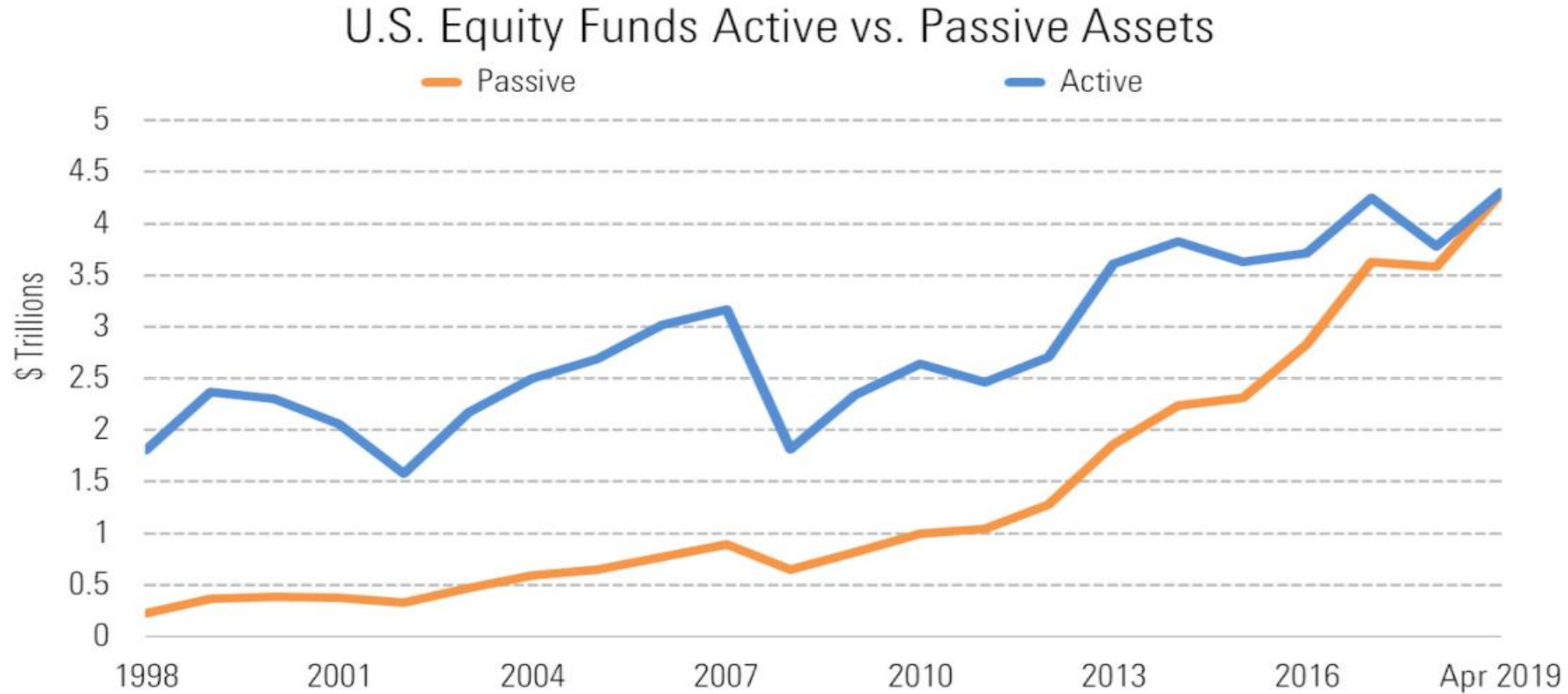
Data source: Morningstar, 1/18

\*Active Large Blend is made up of funds from the Morningstar Large Blend category that are not index or enhanced index funds.

\*S&P 500 Index Funds is represented by the Morningstar S&P 500 Tracking Category.



# ACTIVE / PASSIVE FUNDS



Source: Morningstar Direct

# BIST PARTICIPATION (SHARIAH) INDICES

- BIST PARTICIPATION ALL SHARES
- BIST PARTICIPATION 100
- BIST PARTICIPATION 50
- BIST PARTICIPATION 30
- BIST SUSTAINABILITY PARTICIPATION
- BIST PARTICIPATION 30 EQUAL WEIGHTED



# BIST PARTICIPATION INDICES

- ❖ Index Ground Rules is based on «Standard» and «Guide» written by the Türkiye Participation Banks Association (TKBB) Advisory Board (Shariah Board).
- ❖ Any question not addressed in documents arising from investors or companies redirected to the Advisory Board and necessary revisions are made based on the decision of the Advisory Board.
- ❖ Constituent selection is based on the following 5 main criteria:
  - ❖ Business activities written in articles of association
  - ❖ Preferred shares (dividend and liquidation privileges)
  - ❖ Non-compliant revenue (5%)
  - ❖ Non-compliant assets (33%)
  - ❖ Non-compliant debts (33%)



<https://en.tkbbdanismakurulu.org.tr>





# BIST PARTICIPATION INDICES

- ❖ To evaluate the companies based on the 5 main criteria, a new information form called «Participation Finance Principles Information Form» is formed in Public Disclosure Platform (PDP).
- ❖ Companies regularly disclose their relevant information using this form after the financial reports are published.
- ❖ Consistency checks are made using the financial reports and relevant footnotes if possible.
- ❖ Investors have immediate access to view and analyze the information published at the PDP.



Publish Date 07.09.2022 18:45:59	Disclosure Type DG	Year 2022	Period 6 Months	Notifications
Display Signed				Financial Statements
				Corporate Actions

## Participation Finance Principles Information Form

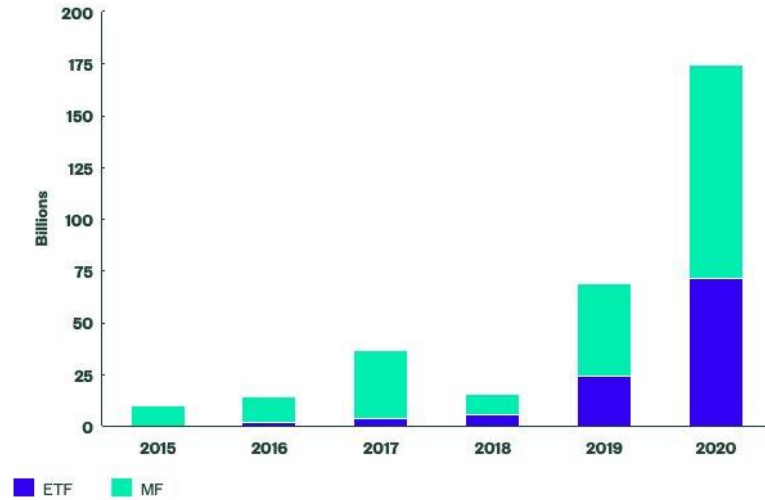
A+ A-

SUMMARY INFORMATION	
Presentation Currency	1.000 TL
Financial Statement Year / Period	2022 / 6 Months
Nature of Financial Statements	Consolidated
1) Are there any activities that do not comply with the Participation Finance Principles written in the article of association?	NO
2) Are there any share privileges that do not comply with the Participation Finance Principles written in the article of association?	NO
3) The ratio of the company's total income that do not comply with the Participation Finance Principles (%) $[(3A+3B-3C) / 3D] * 100$	3,44
4) The total of the company's assets that do not comply with the Participation Finance Principles (4E-4F)	5.174.419
5) The total of the company's liabilities that do not comply with the Participation Finance Principles (5H-5I)	4.384.488

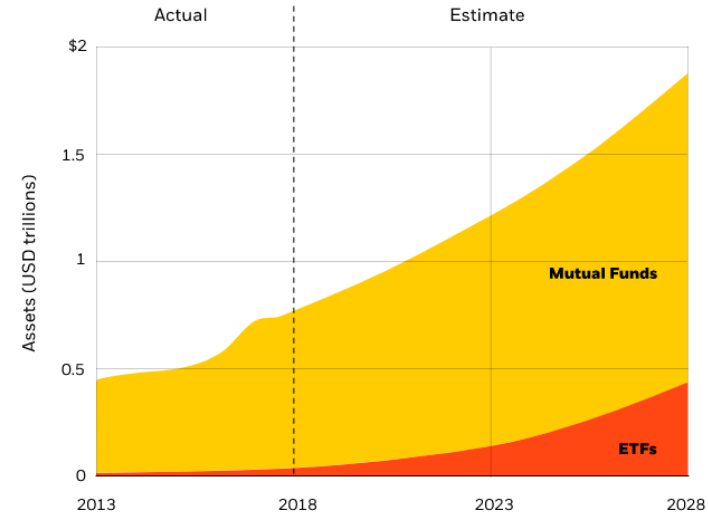
# SUSTAINABILITY (ESG) BASED INVESTMENTS

**Figure 1: Global ESG Fund Flows Surge in 2020**

Global ESG Flows



Morningstar, as of 12/31/2020. Calculations by SPDR Research Americas.



There's no guarantee that forward-looking estimates will come to pass.

Sources: BlackRock, with data from Broadridge/Simfund, June 2018. Notes: The chart shows the total assets under management in ESG mutual funds (MFs) and ETFs globally. The 2019 to 2028 figures are based on BlackRock estimates, assuming a 5% annual growth rate in the underlying markets. Other assumptions: MF asset growth starts at 5% in 2019 and declines by 0.5% annually through 2022, then at a zero-to-0.5% rate annually thereafter. ETF asset growth starts at 45% and decreases by 5% annually through 2022, with a zero-to-3% pace thereafter.

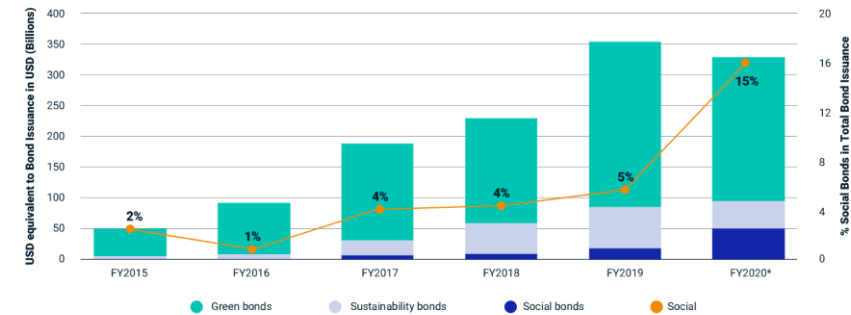
**FIGURE A**  
Sustainable Investing in the United States 1995-2020



SOURCE: US SIF Foundation.

**USD Value of Social, Sustainability and Green Bond Issuances 2015-2020**

Social bond issuances have grown in 2020, many have been focused on mitigating the negative impacts of the pandemic. The interactive chart below details their rise compared to the historically more popular green bonds. Hover over the different bars to see some examples of the different bonds that have been issued throughout the year.



# INVESTORS PERSPECTIVE

75% of the institutional investors include ESG principles into the investment processes. This ratio was 70% in 2019.

Institutional investors started to believe that ESG principles lowers their portfolio risk/return profile.

84% of the survey respondents believe that ESG based portfolios will perform better than the portfolios lacking of ESG factors.

With the COVID-19 pandemic, investors look for more information related with social benefits offered to employees like health services and remote work opportunities.

2020 RBC Global Asset Management (“RBC GAM”) Responsible Investment Survey.

# BIST SUSTAINABILITY INDEX

## COLLABORATION WITH REFINITIV

- ❖ Transparency in ESG scores is increased.
- ❖ All companies disclosed their ESG information can be assessed for inclusion to the index.
- ❖ There is no extra fee for companies.
- ❖ Companies have access to detailed information about other companies in same sector, country and region.
- ❖ Companies enter their ESG information into the <https://contribute.refinitiv.com/> and they contact with the company analysts if there exists any missing/wrong information for correction.
- ❖ Based on the minimum requirement scores, companies included in the index are determined as result of the periodic review.



# BIST SUSTAINABILITY INDEX

<https://www.refinitiv.com/en/sustainable-finance/esg-scores>

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) DATA

## Refinitiv ESG company scores

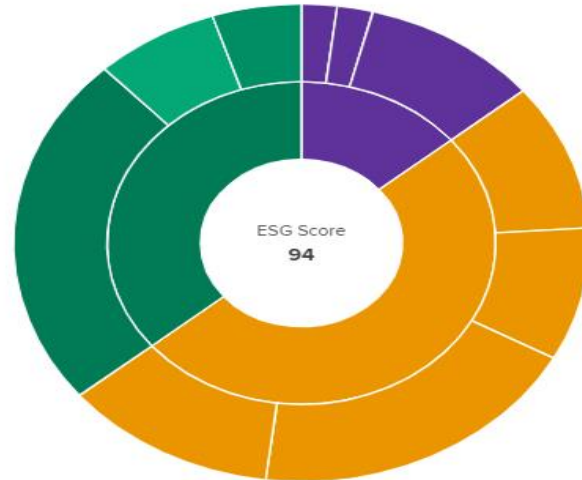
Our ESG scores are designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data.

[Request details](#)

Company ESG scores   Contribute   Methodology   Data process   Global coverage   Blogs

Türkiye İş Bankası AS  
ESG score (out of 100): **94**

<b>Environment</b>	97
Emissions	95
Resource Use	98
Innovation	97
<b>Social</b>	97
Human Rights	96
Product Responsibility	100
Workforce	98
Community	93
<b>Governance</b>	90
Management	96
Shareholders	71
CSR Strategy	89



#### COMPARISON AND RANK

Türkiye İş Bankası AS is a Banking Services company. Below is the rank of this company out of all the companies in its industry. Get the most comprehensive, detailed, and up to date sector and industry classification available with the Refinitiv Business Classification [here](#)

**1/982**

Out of Banking Services Companies.

#### USEFUL LINKS

[ESG brochure](#) →

[Contribute ESG data](#) →

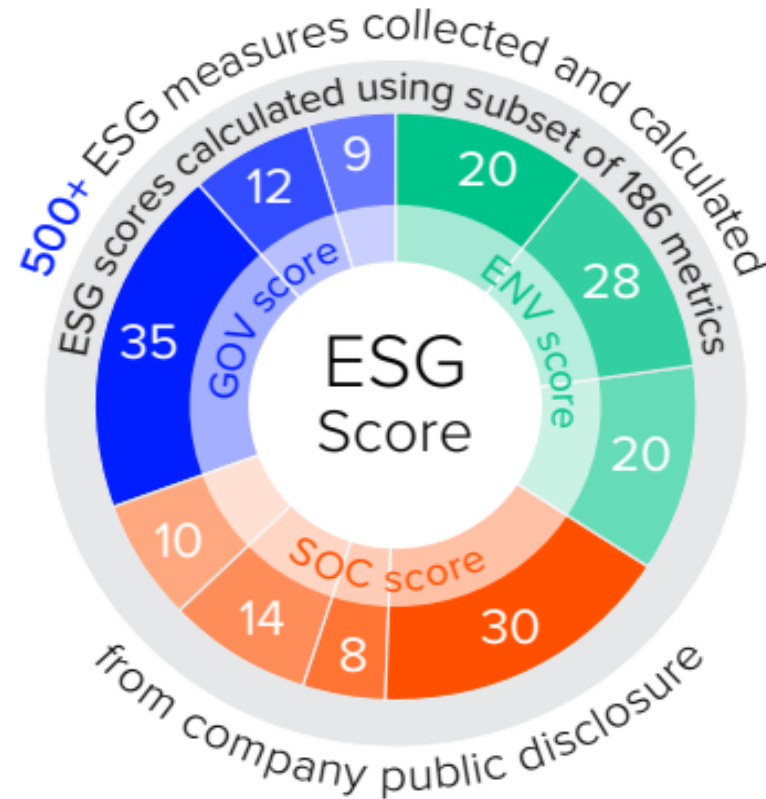
[ESG scores methodology](#) →



# SUSTAINABILITY METHODOLOGY

Refinitiv has a sustainability methodology in 3 dimensions; environmental, social and governance areas and total of 10 sub-categories.

[https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/methodology/refinitiv-esg-scores-methodology.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/refinitiv-esg-scores-methodology.pdf)

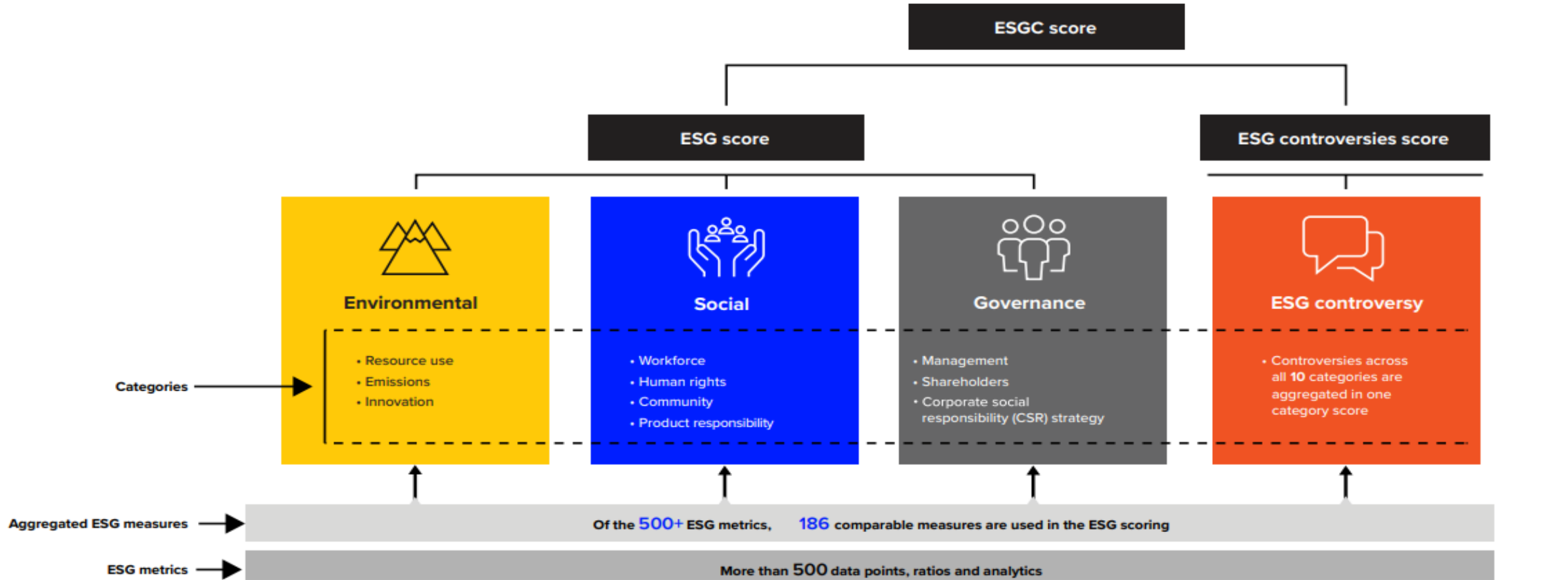


- Environmental
  - Resource use
  - Emissions
  - Innovation
- Social
  - Workforce
  - Human rights
  - Community
  - Product responsibility
- Governance
  - Management
  - Shareholders
  - CSR strategy

Category definitions are available in [Appendix F](#).



# SUSTAINABILITY METHODOLOGY



Refinitiv | Environmental, Social and Governance (ESG) Scores from Refinitiv

[https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/methodology/refinitiv-esg-scores-methodology.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/refinitiv-esg-scores-methodology.pdf)



# BIST SUSTAINABILITY PARTICIPATION INDEX

- ❖ Constituents of BIST Sustainability Participation Index are companies that meet criteria of both BIST Participation and BIST Sustainability Indices.
- ❖ Index can be used by the institutional investors which invests in participation (shariah) funds but also would like to have exposure to ESG factors.
- ❖ Capping ratio is 10% and weighting threshold is 15% so risk of the portfolio is diversified.
- ❖ Periodic rebalancing is applied using the most updated information.





Any questions?

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