



Sweden
Sverige

BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN TÜRKİYE 2022

A REPORT FROM TEAM SWEDEN IN TÜRKİYE

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FOREWORD

Türkiye and Sweden have long standing and important economic ties. In 2021, Türkiye was 19th largest trade partner for Sweden¹. Swedish companies in Türkiye, operate in a wide range of industries, contribute to Türkiye's growth and employment with investing in new factories, building R&D facilities and acquiring companies. Swedish companies also increase Türkiye's export volume with new local production lines and sourcing from Turkish manufacturers.

During 2021, post-Covid period, Türkiye's GDP (grew by 11 per cent²) was the fastest growing among G20 countries. Export volume reached all time high with USD 225.4bn³. Fast growth in the economy attracted global players and FDI inflow has reached USD 14.1bn, higher than pre-pandemic levels. In parallel with accelerating growth, 77 per cent of Swedish companies responded to the survey, stated profitability in 2021. On the other hand, Turkish Lira is highly depreciated; the loss reached out to 49 per cent against USD in the last quarter of 2021. Depreciation is followed by high inflation (79.6 per cent as of August 2022) hence low purchasing power. Macro-economic vulnerability had significant impacts on households and caused uncertainties in the market. 72 per cent of the survey respondents anticipate negative effects in 2022 with the depreciation of Turkish Lira.

Despite ups and downs in the market, our survey shows Swedish companies have a neutral perspective (40 per cent) on the Turkish market. It is worth to mention that good/very good perspective ratio has increased by 7 points compared to last year and reached 33 per cent. The companies were much more optimistic for the upcoming year compared to previous years' surveys. 63 per cent of the companies expect increase in their turnover for the upcoming year. Also, more than half (52 per cent) of the respondent companies are planning to increase their investments in Türkiye. The results of the survey indicate that Türkiye with its 83 million inhabitants and a strategic geographical location is a promising market for Swedish companies.

In this report we aim to quantify opportunities and challenges in the Turkish market from the perspective of Swedish companies present here. We hope that this report will help to increase your understanding of how Swedish companies are performing in Türkiye and give you insights into the opportunities and challenges of the Turkish market. In addition, it will hopefully serve as a reference in bilateral trade dialogues between Sweden and Türkiye.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents who have contributed to this report.



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¹ Statistics Sweden (scb.se), International Trade Statistics

² OECD, Annual GDP Growth

³ Turkish Exporters Association

EXECUTIVE SUMMARY

COVERAGE

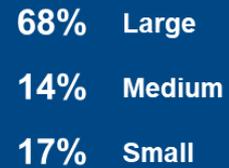


of the contacted Swedish companies responded to the survey

Swedish companies' experience in the market



Global size of Swedish companies in the market



MARKET & ECONOMY



of respondents reported **profitability** for 2021

Business Climate

Neutral



Most satisfying conditions

- Physical infrastructure
- Access to suppliers
- Access to service providers

Least satisfying conditions

- Transparency/equal treatment
- Corporate Taxation
- Financial System

SUCCESS FACTORS



Key Success Factors

Cost efficiency
Sales competence
Brand awareness



Swedish Brand Image

84%

of respondents stated Swedish brand image supports their businesses

SUSTAINABILITY



Low environmental concerns

Only 19%

of respondents stated their customers consider environment aspects much when purchasing

ABOUT THE SURVEY

Business Climate Survey provides insights about Turkish market from Swedish Companies' perspective

Business Climate Survey Türkiye aims to explore Turkish market conditions beyond the macro-economic data and identify opportunities and challenges that Swedish companies face in the market. This year, the survey is conducted in 21 countries and demonstrates deeper insights especially about the differences between regions and previous years in post-Covid period. It is important to note that the response period coincides with Russia's invasion of Ukraine and therefore responses should be read considering these unfortunate developments.

Team Sweden sent out The Business Climate Survey Türkiye 2022 on March 31 to Swedish companies in Türkiye:

- which were originally established in Sweden and which later, as part of their internationalisation efforts, established a Turkish entity according to the Turkish Commercial Code or
- which were originally established in Türkiye and have later been acquired by a company originally established in Sweden.

Responses have been collected until April 20. The survey targeted company representatives who are mostly business unit, country or sales managers of Swedish companies defined above. The survey was sent out to 116 recipients, 65 of which provided answers (56 per cent response rate). Although The Business Climate Survey 2022 does not include every single Swedish company operating in Türkiye, it is a firm barometer of their experience on doing business in the market.

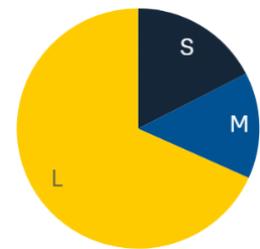
The report is divided into the following sections:

- **Economic outlook:** In the economic outlook section, in addition to macro data, Swedish companies' performance and expectations from Türkiye are defined
- **The market:** Overall activities and Swedish companies' perspective to the market are explained
- **How Swedish companies succeed in Türkiye:** Presentation of Swedish companies' experiences to guide new market entrants
- **Acting sustainably:** The Turkish market is analysed from a sustainability point of view

The panoramic view of the respondent base shows that:

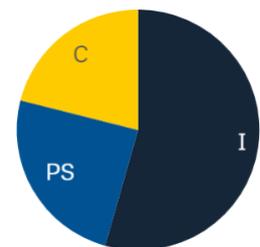
- The respondents of Business Climate Survey Türkiye 2022 are mostly large companies with more than 1,000 employees globally (68 per cent), while 14 per cent are medium and remaining 17 per cent are small companies.
- When it comes to the industries represented, the industrial segment is leading with 48 per cent of the companies, while the professional services segment is second with 22 per cent and the consumer segment follows with 18 per cent.
- Most of the respondent companies are "Experienced" and entered the Turkish market between 2001-2015 (52 per cent). "Mature" companies which entered the Turkish market before year 2000 constitute 36 per cent, while "Newcomers" that entered Turkish market after 2015 are 13 per cent.

SIZE OF COMPANIES



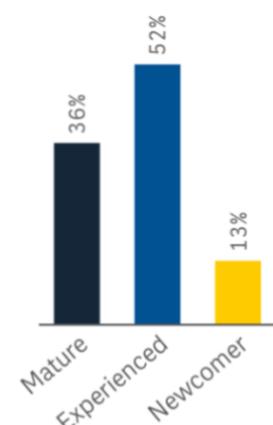
NOTE:
Global employees.
Large >1000
Medium 250-1000
Small 0-249

MAIN INDUSTRY



NOTE:
Industrial 48 per cent
Professional services 22 per cent
Consumer 18 per cent

AGE OF COMPANIES



NOTE:
Mature (-2000)
Experienced (2001-2015)
Newcomer (2016-)

ECONOMIC OUTLOOK

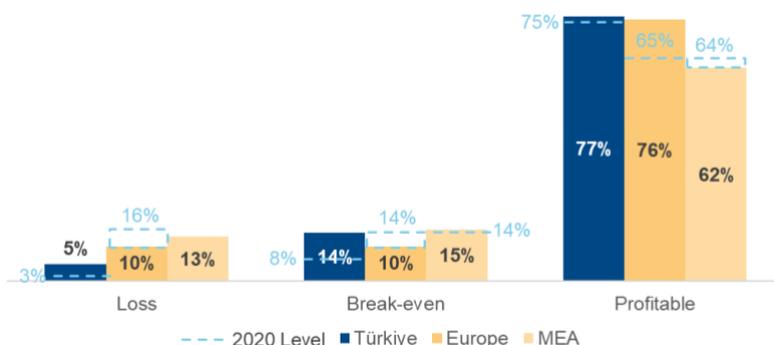
Türkiye, with its unique geographic position, young population, and strong production network, offers great opportunities for Swedish companies

Türkiye, with its strategic geographical location between Europe and Asia, and its young population (53 per cent of the population is under 35⁴) strengthened its position in global value chains in the post pandemic period. In 2021, export volume reached all time high with 225.4 billion USD⁵. Export trend continues to increase in 2022; when the first five months are compared, the export volume increased by 20 per cent y-o-y¹. Increase in exports demonstrates, with new investments and production networks, that Türkiye aims to be a regional hub for global supply chains. In 2022, the sanctions and import measures that many countries started to apply against Russia, and operational impossibilities in Ukraine increased importance of Türkiye as a global value chain partner.

Although Türkiye has been positively affected by the transformation of global supply chains, Turkish economy continues to suffer from the long-term effects of Covid-19. Low interest rate policy started in the beginning of pandemic, caused high fluctuation, and decrease in the Turkish Lira value. Between October 1 and December 20, Turkish Lira lost 49 per cent of its value against USD⁶. Despite the sudden increase in value of Turkish Lira with the currency-linked deposit that the government announced, the depreciation trend continues. Depreciation in Turkish Lira also caused high inflation rate (79.6 per cent as of August 2022) and decrease in purchasing power.

On the other hand, 2021 was a very successful year for Swedish companies, despite ups and downs on the market. Benefiting from Türkiye's unique position, Swedish companies in Türkiye have over the years invested in new factories, built R&D facilities, acquired local Turkish companies, contributed to Turkish exports, and provided thousands of job opportunities – and continue to do so. As can be seen in the graph below, most of the companies (77 per cent) closed the year profitable. The higher ratio – 84 per cent of Swedish companies operating in industrial sector that stated profitable year demonstrates Türkiye continues to offer great manufacturing network opportunity with its diverse sectors ranging from automotive, machines, industrial equipment and more.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN YOUR COUNTRY IN 2021?



NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

⁴ Turkstat, Population Statistics

⁵ Turkish Exporters Assembly (TIM), Monthly Export Statistics

⁶ Central Bank of the Republic of Türkiye (TCMB), Daily Indicative Foreign Currency

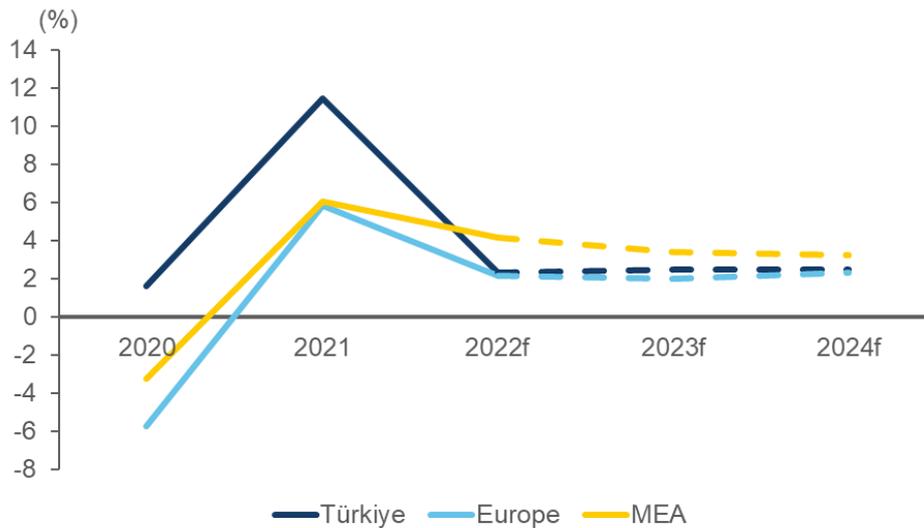
SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Despite the challenging situation in Turkish economy, Swedish companies are optimistic about the future

Türkiye, with the normalisation of pandemic and high export value, had a strong GDP growth in 2021 by 11 per cent – highest growth among G20 countries⁷. That surpassed Europe and MEA averages as well. In 2022 and beyond, forecasted growth is slower, mainly due to base effect similar to neighbouring regions. However, low interest rate policy that is followed by high fluctuation in Turkish Lira and high inflation cause uncertainty in the market. Most of the respondents (72 per cent) to the survey stated the currency devaluation is expected to affect their business negatively in 2022.

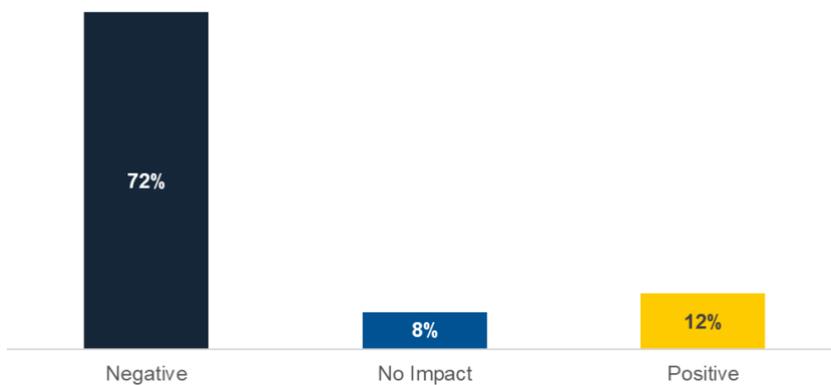
⁷ OECD, Annual GDP Growth

PROJECTED GDP GROWTH IN TÜRKİYE, EUROPE AND MEA



NOTE: Constant prices.
SOURCE: Oxford Economics, GDP, real, annual growth, Last update 25 April 2022

HOW WILL THE CURRENCY DEVALUATION OF THE TURKISH LIRA AFFECT YOUR BUSINESS IN 2022?



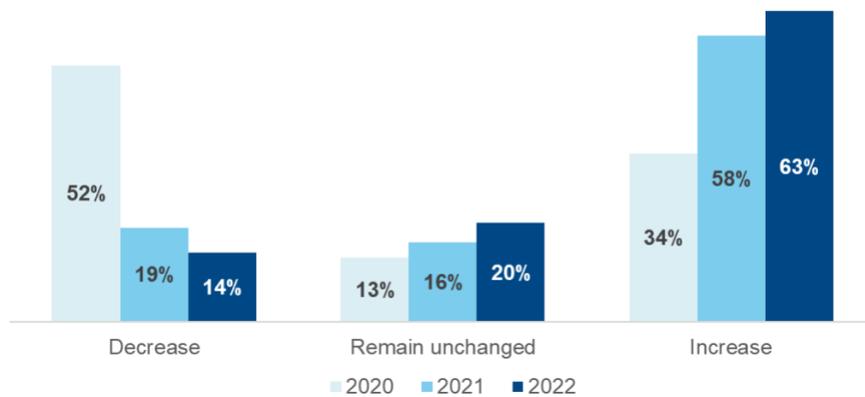
NOTE: The number of respondents for this question was 60. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Despite the challenging situation on the Turkish market, Swedish companies are more optimistic for the upcoming year as the economy started to recover after Covid-19 crisis. 63 per cent of the respondents stated they expect increase in their turnover (in the 2021 Business Climate survey this number was 58 per cent). The results of the survey show that, especially small and medium enterprises are overwhelmingly optimistic about 2022. 82 per cent of respondent small companies and 89 per cent of medium companies anticipate turnover to increase compared to last year.

“ High inflation has a negative impact on our business that prolongs the decision-making process and creates difficulty in retaining the workforce. High increase in the raw material and energy prices are also influencing our sourcing operations in a negative way.

Swedish Company Representative

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN TÜRKİYE REGARDING TURNOVER?



NOTE: The number of respondents for this question was 65. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

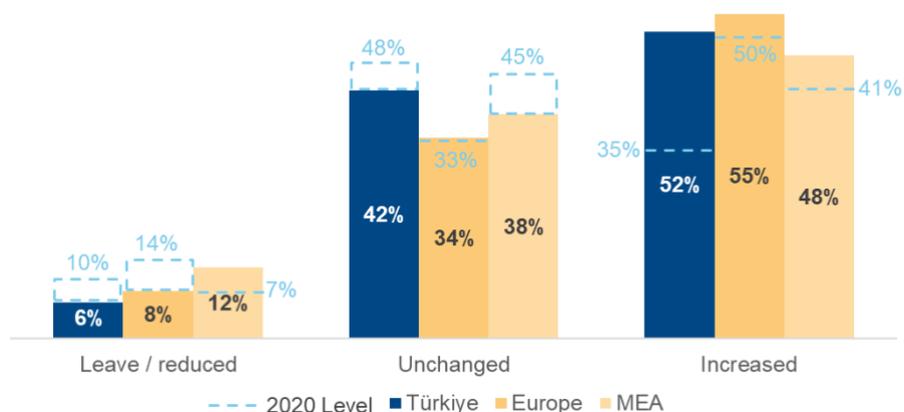
Swedish companies are planning to invest more in Türkiye in parallel to overall FDI trend

Record export numbers and transforming global supply chains contributed to Türkiye's investment attractiveness. In 2021, Foreign Direct Investments (FDI) to Türkiye increased 81 per cent y-o-y and reached USD 14.1 billion⁸ which was even higher than pre-pandemic levels. Investors from EU and UK constitute 54 per cent of overall FDI in 2021⁴.

Similar to many global players, Swedish companies are planning to invest more in Türkiye. More than half of the respondents of our survey (52 per cent) anticipate increase in their investments in the market. Investment expectation in 2022 is the highest ratio for the last three years on Business Climate Survey. In parallel to turnover expectations, small & medium companies are planning to invest more in Türkiye (82 per cent and 72 per cent respectively); since they anticipate more growth opportunities in the market.

⁸ International Investors Association (YASED), 2021 Annual Report

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN YOUR COUNTRY, COMPARED TO THE PAST 12 MONTHS?



NOTE: "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

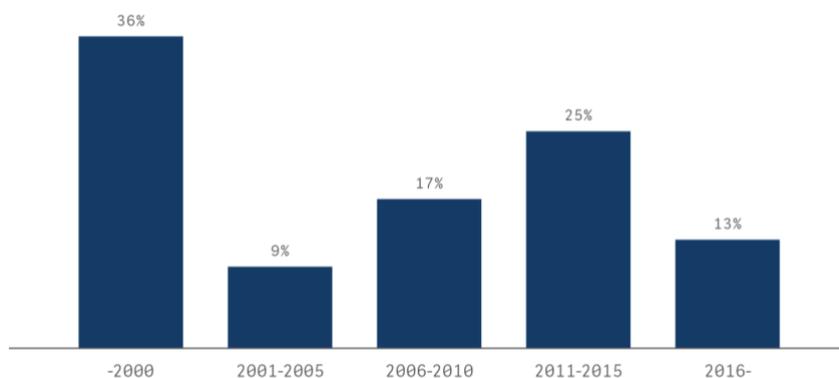
THE MARKET

Türkiye - with its diversified opportunities - hosts many Swedish companies in various sectors

Türkiye, one of the largest young population centres in Europe, is geographically and logistically well connected to the world – around 40 per cent of global trade occurs within a four-hour direct flight radius⁹. Leveraging on its logistical advantage and strong infrastructure, offering lower labour costs and flexible production capabilities, Türkiye can be an interesting market for Swedish companies looking for diversifying their supply chain, for new production capacities as well as expanding into new markets. In recent years, the competitive market environment is further strengthened by increased investment in advanced manufacturing technologies, as well as through significant growth in the “service as product” model.

In addition to Türkiye’s welcoming business climate, a strong and active Team Sweden presence – consisting of the Embassy of Sweden in Ankara, the Consulate General of Sweden in Istanbul, Business Sweden in Istanbul and the Swedish Chamber of Commerce in Istanbul – is continuously working to promote and support Swedish companies in Türkiye.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN TÜRKİYE?



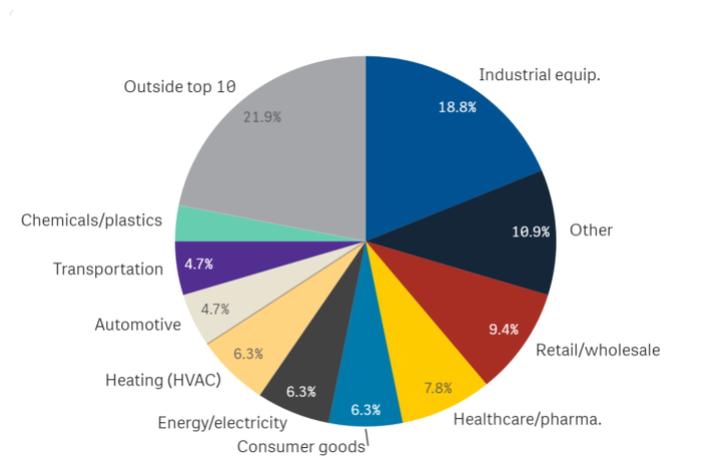
NOTE: The number of respondents for this question was 65. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Swedish companies currently active in Türkiye are well established companies, having good partner networks and settled operations. As such, 41 per cent of the companies entered Türkiye between 2001-2015 and 36 per cent of the respondent companies have had presence in Türkiye for more than 20 years. In addition to the mature companies in the market, 13 per cent of the respondent companies entered the market after 2016; demonstrating the solid growth of Swedish business presence in Türkiye.

⁹ Türkiye Investment Office, Invest in Türkiye Roadshow

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN TÜRKİYE?



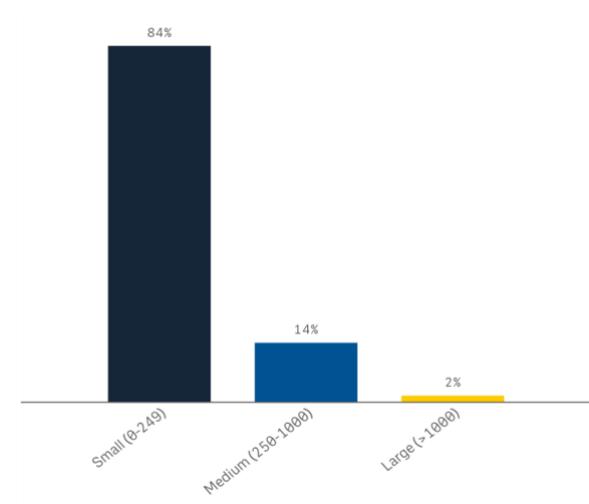
NOTE: The number of respondents for this question was 64. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Opportunities in various industries in Türkiye led Swedish companies' presence in various sectors. In the Business Climate Survey 2022, 20 different sectors were defined as possible response options for the main industry question. Results show that there is at least one company active in 18 of the 20 defined sectors. Similar manner is observed when focused on newcomer companies; three Retail and wholesale companies, two healthcare and pharmaceutical companies and nine companies with other various sectors have recently started their operations in the market, demonstrating that Türkiye continues to offer diversified potential. Among the overall respondents though, industrial equipment, with a 19 per cent ratio, is the leading sector that Swedish companies are active in. The retail/wholesale, healthcare/pharma and consumer goods sectors follow closely.

Similar to last year's survey, the majority of companies (84 per cent) employ between 0-249 local employees; 35 per cent have 0-9 employees, 25 per cent have 10-49 employees and 25 per cent have 50-249 employees, while 14 per cent stated that they have more than 250 local employees in Türkiye. Swedish companies, with their supply chain operations contribute to much more indirect and induced employments in Türkiye (based on Swedish Value in Turkey report done by Team Sweden in Türkiye in 2019, Swedish companies are estimated to contribute with 61.900 direct, indirect and induced employments in Türkiye).

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN TÜRKİYE IN 2022



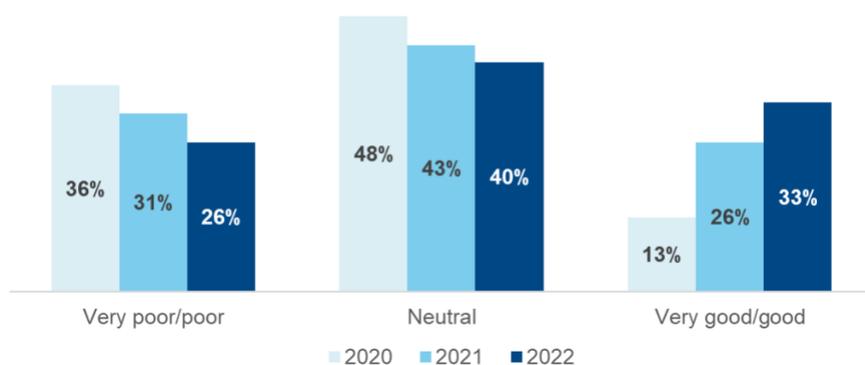
NOTE: The number of respondents for this question was 64. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Business climate perception of Swedish companies continues to improve

Improvement trend continues on Swedish companies' perception of Turkish business climate. Although still most of Swedish companies perceive Turkish business climate as neutral, Very good/good responses increased by +seven per cent and reached 33 per cent. With this improvement, Türkiye has passed the MEA average of 29 per cent and started to close the gap with Europe which has average of 44 per cent good/very good response. The respondents specified fluctuation of Turkish Lira value and high inflation as negative factors. On the other hand, the respondents think increasing investments in industrial sector driving Turkish market with transforming global supply chains.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN TÜRKİYE?



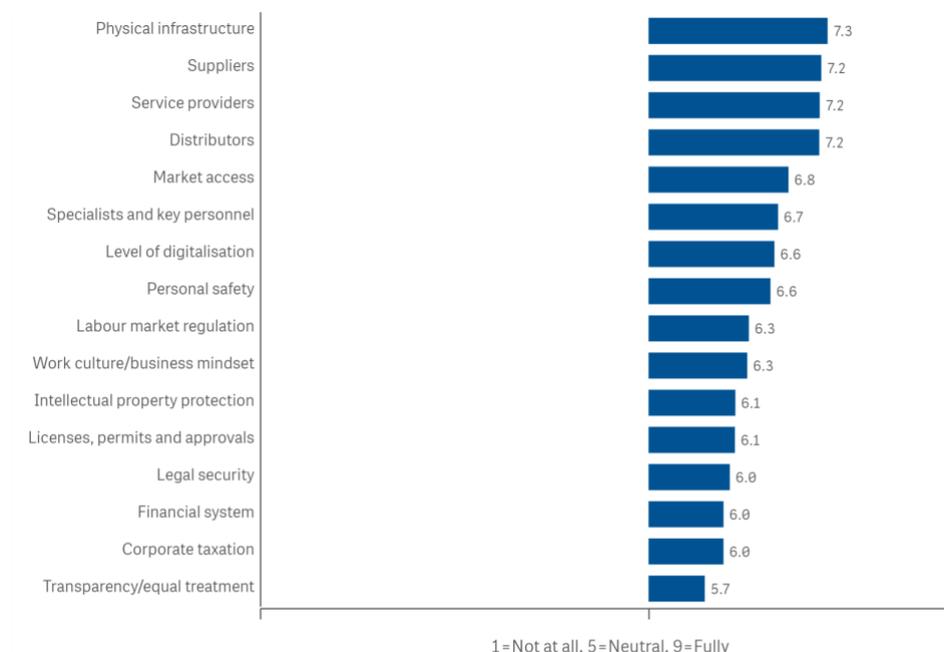
NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Turkish market conditions are slightly improved this year

Similar to last year's survey as Swedish companies are asked to grade pre-defined conditions in the market according to their satisfaction, and respondents indicated that all of the pre-defined conditions are met in Türkiye. Satisfaction of market conditions are slightly improved this year; while the ranking of conditions are not much changed. Still, physical infrastructure is the most satisfying condition (7.3) (not surprisingly since the large infrastructure investments continued in 2021). Besides infrastructure, access to providers, suppliers, and distributors, as well as to the market are among the top-rated conditions having scores above 6.8/9.0.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN TÜRKIYE?



NOTE: The number of respondents for this question was 65.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Inefficient customs procedure is one of the main obstacles to improve competitiveness of Turkish market

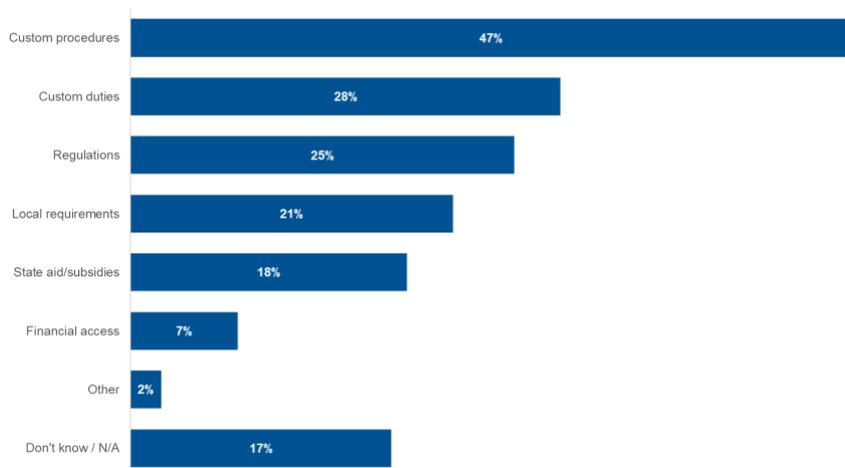
Customs procedures and custom duties remained the most challenging processes of doing business in Türkiye. Additional custom tax applications, changes in application methods, lack of standardised customs clearance processes, long documentation procedures and tight standards requirements lead to inefficiencies and delays in Turkish customs. Although there is a customs union agreement between Türkiye and EU and no additional customs duties exist for the trade, inefficiencies in Turkish customs push some global companies to manufacture in the EU instead, despite several competitive advantages and incentives in Türkiye¹⁰.

Going forward, new large-scale EU-wide policy initiatives could impact Türkiye's competitiveness in the near future. Turkish Ministry of Trade announced "Green Reconciliation Action Plan" on July 2021 to comply with EU policies. Still, the application risks could lead to border adjustment taxes affecting Türkiye's exports, as well as a wide range of other environmental policies that could impact the cost of production and the eligibility of Turkish goods to enter the EU market. Moreover, the proposed Digital Single Market Strategy is significantly changing the regulatory environment for the digital economy in the EU, bringing significant policy uncertainty for non-EU firms operating in the EU market – including Turkish firms¹¹.

¹⁰ The World Bank, Turkey Economic Monitor February 2022

¹¹ The World Bank, Turkey Economic Monitor April 2021

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN TÜRKİYE WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 65.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

HOW SWEDISH COMPANIES SUCCEED IN TÜRKİYE

Export based manufacturing became one of the most important drivers of the Turkish market

Türkiye has differentiated itself during post-pandemic period by following low-interest rate policy that resulted in the depreciation of the Turkish Lira against other global currencies. This policy supported increase in exports; to the costs of high inflation and decrease of purchasing power. Consequently, sectors that have high export volumes such as automotive, chemicals & chemical products, textile & white goods attracted investments, while companies that have B2C model expect challenging year ahead considering lower disposable income of consumers.

In parallel with the global supply chain shift trend, the depreciation of the Turkish Lira also provided favourable environment for exports. Companies that have export-based revenue have experienced more profits, thus increased their investments. This trend is expected to be accelerated in 2022 and beyond via government policy to increase exports and increased efficiency concerns with recent hikes in global energy prices. Also, the EU Green Deal is expected to force manufacturing companies to modernise their manufacturing lines.

Considering recent trends, Swedish companies can benefit from Türkiye via:

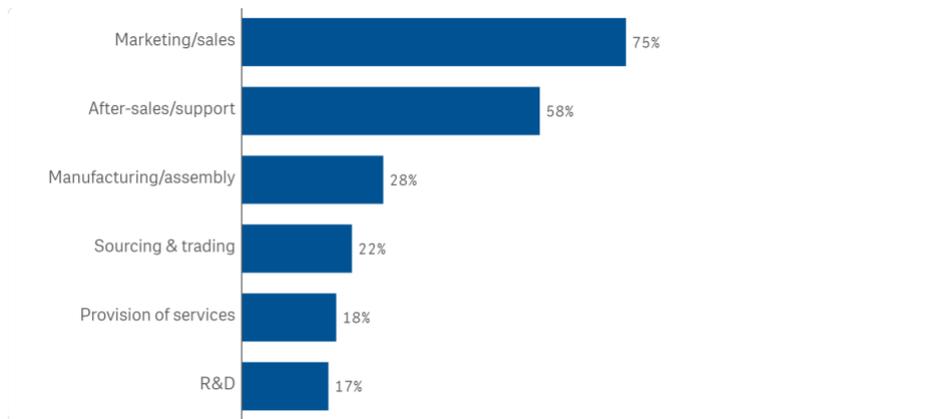
- **Sourcing:** Türkiye, with its proximity to Europe and customs union agreement, offers high quality manufacturing with competitive prices for Swedish companies.
- **Manufacturing:** With its unique geographical position, government incentives, low labour wages and qualified talent, Türkiye can be evaluated as a manufacturing location and hub including R&D activities.
- **Becoming technology suppliers to Turkish exporters:** Swedish companies with their efficient, high quality and competitive solutions can provide technology to the sectors that have high export volume.

In addition to recent trends in manufacturing, the digitalisation and the e-commerce trends continue to accelerate in Türkiye especially in the B2C market. In 2021, Turkish start-up ecosystem experienced the largest investments in its history. Trendyol, the largest e-commerce website in Türkiye, raised USD 1.5 bn in August 2021 and reached USD 16.5 billion valuation; earning “decacorn” status¹². Recent USD 768 million investment in Getir, grocery delivery app, raised its valuation to USD 11.8 bn in March 2022, and Getir became the second Turkish decacorn. Dream Games (mobile gaming) and Insider (SaaS) became unicorns with their recent investments while also Hepsiburada (the second largest e-commerce company in Türkiye) was listed on NASDAQ in 2021.

Swedish companies currently in the market are mostly focused on “Marketing and Sales” (75 per cent). 58 per cent of the respondents stated they have after-sales and support operations, whereas 28 per cent of the respondents have manufacturing/assembly operations in Türkiye. This indicates that Swedish companies enjoy supplying the market while also using local workforce resources to be more competitive.

¹² Startups.watch

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



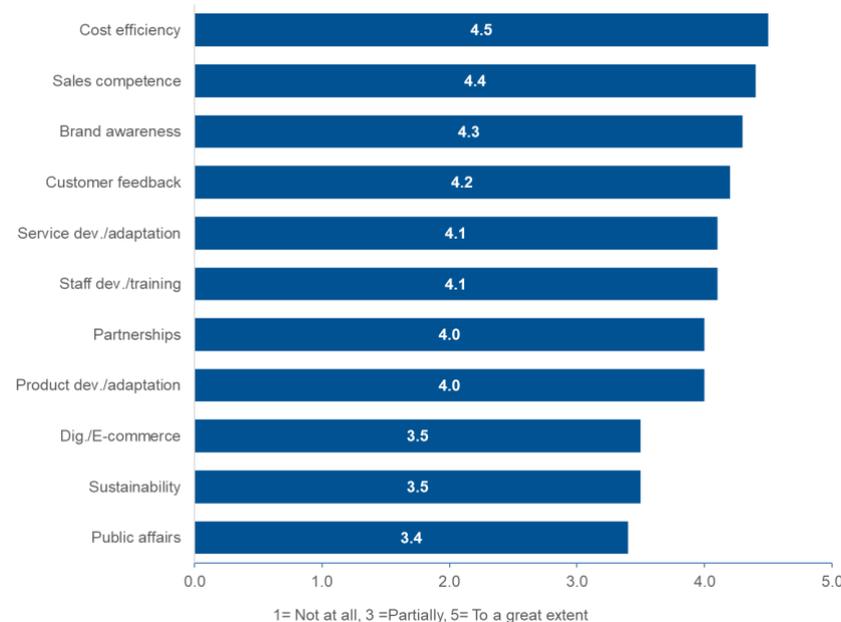
NOTE: The number of respondents for this question was 65. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Key factors to success in Türkiye are cost efficiency, sales competence, and brand awareness

To further explore Swedish companies' success in Turkish market, survey respondents were asked to rate the importance of several factors affecting their competitiveness and cost efficiency continues to be the main factor. The results demonstrate that, in parallel with previous years, sales competence, brand awareness and customer feedback are also considered top key factors for success in Türkiye.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN TÜRKİYE?



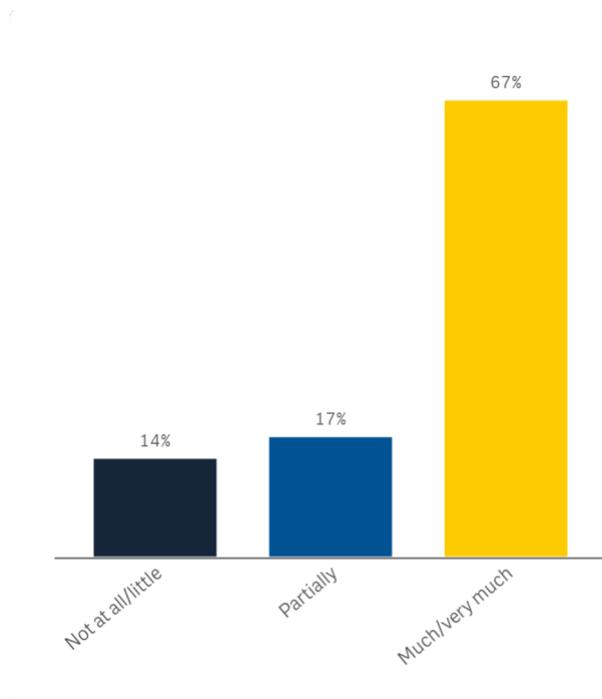
NOTE: The number of respondents for this question was 65. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

“Swedish” solutions are known as high quality and durable in Turkish market

Sweden and Türkiye have political and trade relations dating back to the 17th and 18th century. A long history of friendship between the countries has made the “Swedish brand” a success in Türkiye. Swedish solutions are known for their high quality and durability. In addition to the historical background between the countries, Team Sweden in Türkiye continuously promotes the “Swedish brand” image and Swedish solutions. The survey results also demonstrate that the “Swedish brand” image contributes extensively to Swedish companies’ business in Türkiye. 84 per cent of the respondents stated that the “Swedish brand” image supports their business (17 per cent partially – 67 per cent to an extent or great extent)

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN TÜRKİYE?



NOTE: The number of respondents for this question was 63. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

ACTING SUSTAINABLY

Public awareness continues to accelerate; also with the “Green Reconciliation Action Plan”, sustainability measures of companies became more important

The importance of sustainability continues to increase among the public in Türkiye with the increasing awareness of the younger population. Especially social media campaigns attach greater value to environmental concerns and even lead boycotts towards companies that have unsustainable actions. At the same time, to attract the younger population, companies working with the B2C model, started to invest in sustainability practices by establishing sustainability departments, publishing sustainability reports, and announcing their actions on social media and through advertisement. On the other hand, sustainability was not prioritised among companies and institutions that do not directly sell to consumers. Global companies comply with corporate sustainability actions voluntarily, but the lack of enforcing regulatory framework causes sustainability still to be undervalued.

Türkiye has set many sustainability objectives in the key strategy and policy documents of the government including “National Climate Change Action Plan” in 2011, “National Renewable Energy Action Plan” in 2014, “Increasing Transparency and Fight Against Corruption” in 2016, “National Energy Efficiency Action Plan” in 2017, “11th Development Plan” in 2019 and “2020 Investment Program” in previous years. In 2021, Minister of Trade announced “Green Reconciliation Action Plan” specially to comply with EU Green Deal to avoid customs duties that EU plans to enforce. The action plan has great importance to Türkiye’s integration into global supply chains and improving its competitiveness; with setting development goals for the transition to a sustainable and resource-efficient economy. The plan has nine main targets, 32 goals and 81 actions in various industries¹³. With this initiative, sustainability actions of companies are expected to be accelerated.

Türkiye ratified Paris Climate Agreement in October 2021, public pressure towards environmental protection is increasing

Environmental concerns are one of the most popular topics in Türkiye. Especially, social media campaigns during consecutive forest fires in the summer of 2021, accelerated awareness and increased pressure on public institutions and companies to take concrete environmental protection actions.

Türkiye is the last G20 country that ratified the Paris Climate Agreement in October 2021 and adopt net zero emissions by 2053¹⁴. In addition to that, Türkiye is elevating climate and environmental policies, and linking this agenda to the Economic Reform Package (ERP) launched on March 12, 2021¹⁵. Elements of Türkiye’s stimulus package are



Lack of knowledge and proper regulations create challenges in sustainability related issues. In this matter, Swedish companies can lead the sectors and public authorities while sharing their know-how and experiences.

Swedish Company Representative

¹³ Türkiye Ministry of Trade, Green Reconciliation Action Plan

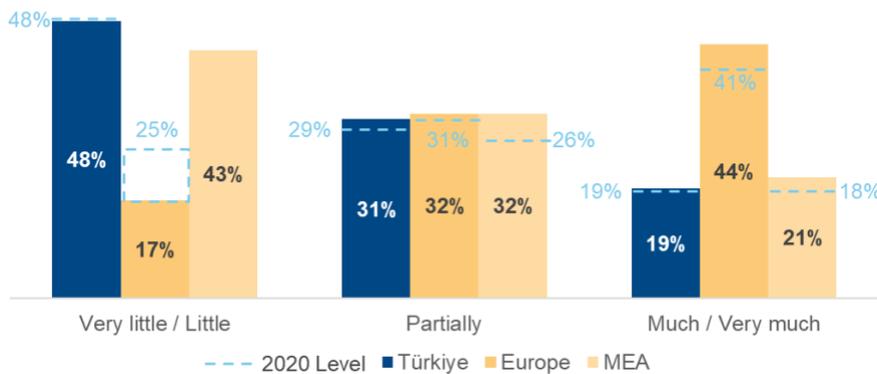
¹⁴ Anadolu Agency, <https://www.aa.com.tr/en/environment/turkiyes-climate-decisions-this-year-to-pave-road-for-2053-net-zero-target/2471972>

¹⁵ The World Bank, Turkey Economic Monitor, April 2021

considered green, including the introduction of a “Green Tariff” for power generated from renewable sources, support for solar power, and extension of the Renewable Energy Support Scheme and commitments to support further green reforms. As of the end of February 2022, renewable energy capacity ratio reached 54 per cent. Also, Energy Market Regulatory Authority has announced USD 5 bn investments on renewable energy for the upcoming two years in March 2022.

Although private companies have some initiatives, most of the investments needed to implement the change are not made due to cost and financing concerns. In parallel with that, Swedish companies responded to our survey indicated environmental concerns mostly (48 per cent) effect very little/little to purchasing decision. While companies in the consumer sector have much lower very little/little responds than average (27 per cent) that demonstrates public awareness is increasing.

TO WHAT EXTENT DO CUSTOMERS IN TÜRKİYE CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



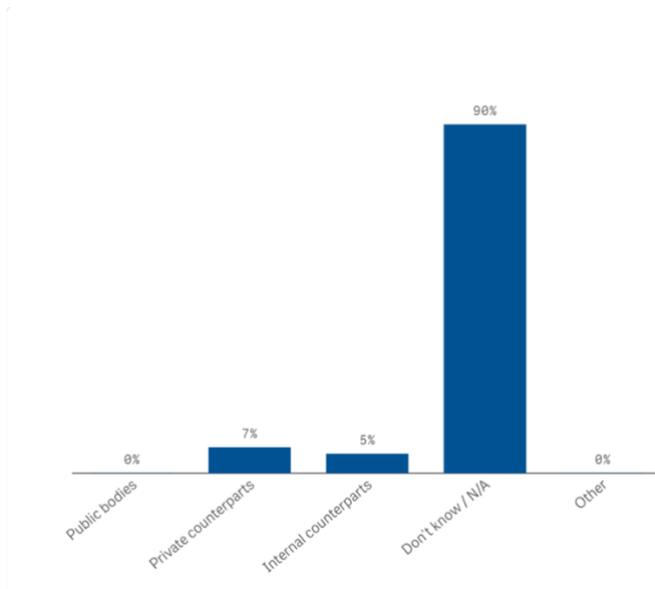
NOTE: “Don’t know/Not applicable” responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

Corruption remains a challenge in Türkiye

The Corruption Perceptions Index (CPI) demonstrates corruption remains a challenge in Türkiye. Compared to last year, score of Türkiye dropped by two points and ended up 96th among 180 countries¹⁶ – which is the lowest ranking of all time. Overwhelming majority of Swedish companies (90 per cent) unanimously chose don’t know / N/A option when their exposure to corruption such as bribery or fraud is asked.

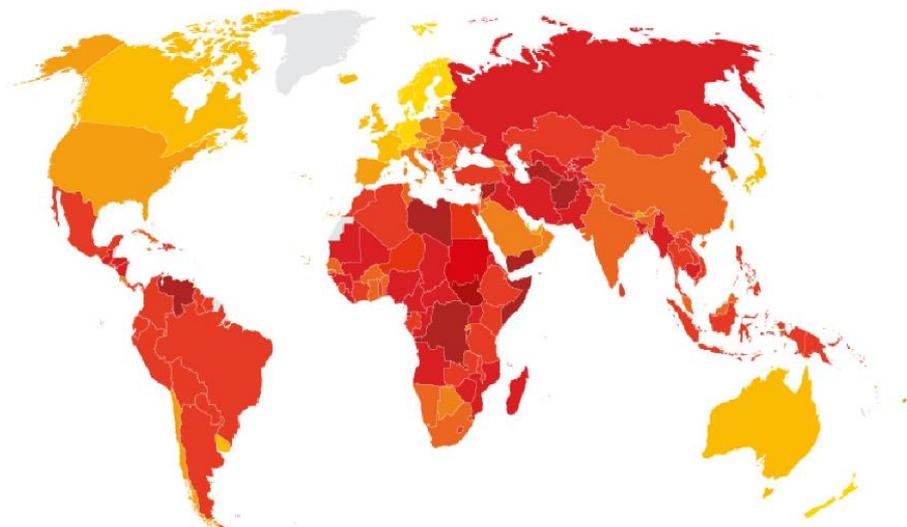
¹⁶ The Corruption Perceptions Index, Transparency International

HAS YOUR COMPANY IN TÜRKİYE BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 65. "Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Türkiye 2022.

CORRUPTION PERCEPTION INDEX 2021



SOURCE: Transparency International.

