

Second-Party Opinion

Istanbul Metropolitan Municipality Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Istanbul Metropolitan Municipality Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023, and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy, Climate Change Adaptation, Pollution Prevention & Control, Affordable Basic Infrastructure, Access to Essential Services, Food Security and Sustainable Food Systems, Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 7, 9, 10, 11, 12 and 13.



PROJECT EVALUATION AND SELECTION Istanbul Metropolitan Municipality's Sustainable Working Committee is responsible for reviewing and overseeing the project evaluation and selection process in accordance with the Framework's eligibility criteria. Additionally, Istanbul Metropolitan Municipality has processes in place to identify and manage environmental and social risks associated with the eligible projects in line with regional, national and international laws, standards and regulations. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Istanbul Metropolitan Municipality will oversee the allocation of the proceeds using an internal tracking mechanism. Istanbul Metropolitan Municipality intends to allocate all proceeds to eligible projects within 24 months of issuance. Pending full allocation, proceeds will be managed as per the Istanbul Metropolitan Municipality's general cash management policy. This is in line with market practice.



REPORTING Istanbul Metropolitan Municipality commits to report on allocation of proceeds on its website on an annual basis from the issuance of the first sustainable finance instrument until full allocation. The allocation report will include the amount of proceeds to be allocated to the eligible projects, the amount of unallocated proceeds, the share of financing versus refinancing and the proceeds allocated as per geographical distribution. Istanbul Metropolitan Municipality intends to report on relevant impact metrics where feasible. Sustainalytics views Istanbul Metropolitan Municipality's allocation and impact reporting as aligned with market practice.

Second-Party
Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



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Issuer Location Istanbul, Turkey

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For inquiries, contact the Sustainable Finance Solutions project team:

Mousumi Bej (Mumbai)

Project Manager

mousumi.bej@morningstar.com

Amrita Kaur (Mumbai)

Project Support

Ayushi Agrawal (Mumbai)

Project Support

Zoe Wittmann (Amsterdam)

Project Support

Andrew Johnson (Paris)

Client Relations

susfinance.emea@sustainalytics.com

(+44) 20 3880 0193

Introduction

Istanbul Metropolitan Municipality (“IMM” or the “Issuer”) is the main governing authority of Istanbul, Turkey. Established in 1984, IMM is responsible for the management and provision of public services in the city, which range from transportation and infrastructure to healthcare and cultural events. IMM has jurisdiction over all districts of Istanbul, including the historic peninsula, and is headed by the Istanbul Metropolitan Mayor.

IMM has developed the Istanbul Metropolitan Municipality Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainability bonds, loans, and sukuk, and use the proceeds to finance and refinance, in whole or in part, existing or future projects that are expected to create positive environmental and social impact in Istanbul.

The Framework defines eligibility criteria in four green areas:

1. Clean Transportation
2. Renewable Energy
3. Climate Change Adaptation
4. Pollution Prevention & Control

And four social areas:

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. Food Security and Sustainable Food Systems
4. Socioeconomic Advancement and Empowerment

IMM engaged Sustainalytics to review the Istanbul Metropolitan Municipality Sustainable Finance Framework, dated June 2023, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)¹, Green Loan Principles 2023 (GLP), and Social Loan Principles 2023 (SLP)². The Framework will be published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13.3, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of IMM’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. IMM representatives have

¹ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

³ The Istanbul Metropolitan Municipality Sustainable Finance Framework will be available on the Istanbul Metropolitan Municipality’s website at: <https://www.ibb.istanbul/>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

confirmed (1) they understand it is the sole responsibility of IMM to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and IMM.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, IMM is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that IMM has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Istanbul Metropolitan Municipality Sustainable Finance Framework

Sustainalytics is of the opinion that the Istanbul Metropolitan Municipality Sustainable Finance Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of IMM's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Renewable Energy, Climate Change Adaptation, Pollution Prevention and Control, Affordable Basic Infrastructure, Access to Essential Services, Food Security and Sustainable Food Systems, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the SBG, GBP, SBP, GLP and SLP. Sustainalytics is of the opinion that the bonds, loans, and sukuk financed or refinanced under the Framework are expected to facilitate a shift to a low-carbon economy and bring positive socioeconomic impacts in Istanbul.
 - IMM has defined a three-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Clean Transportation category, IMM may finance or refinance the acquisition, construction, modernization, maintenance and operation of electric vehicles (EVs), zero-emission vehicles (ZEVs) and associated infrastructure. The expenditures may include the following:
 - EVs for public and passenger transport, such as passenger cars, bikes, buses, electrified rail, trams and water ferries with zero tailpipe emissions. Freight transportation may include freight rail with zero tailpipe emissions. IMM has confirmed that the freight transportation will exclude transport dedicated to fossil fuels.
 - Infrastructure for EV charging stations.
 - Infrastructure for public transportation like electric railways, subways and metro lines.
 - Management systems, such as electric rail traffic management systems, road safety management systems, including tunnel lighting and lighting control systems,

emergency exit systems, aqueous fire suppression systems, traffic control systems, safety strips, tunnel radio and radio systems, and tunnel ventilation and ventilation control systems. Expenditures may also include rail service facilities, such as periodic monitoring of rail, scissors, fasteners, carrier layers, and maintenance and repair of electromechanical systems, like escalators, elevators, ventilation drainage systems and emergency stations. The Issuer has confirmed that eligible infrastructure projects under this category will be limited to supporting EVs and zero-emission transport only. Cycling facilities including bicycle path and the integration of bicycle paths with public transportation, bicycle parking areas, and bicycle maintenance stations. Sustainalytics notes that financed projects will exclude the funding of parking spaces.

Sustainalytics considers these expenditures to be aligned with market practice.

- Under the Renewable Energy category, IMM may finance or refinance the generation of renewable energy using solar photovoltaics. IMM may finance advanced stage research and development of solar energy technology. The expenditures may also include conducting training and awareness programmes for employees of municipality owned and managed institutes and industries for the incorporation of renewable energy and improving energy efficiency of such facilities. Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Climate Change Adaptation category, IMM may finance or refinance R&D of monitoring and forecasting technologies for climatic events, such as droughts, desertification, natural disasters, rising sea levels and extreme climate-related events. Other expenditures in this category will be limited to infrastructure and programmes, such as: i) increasing water storage capacity to combat droughts; ii) carrying out tree plantation to mitigate the heat island effect using native tree species well adapted to the site conditions, and accompanied by a sustainable forest management plan; iv) carrying out the rehabilitation of streams and river banks; and v) regular cleaning of drains to prevent urban floods. Further, IMM confirmed that vulnerability assessments and a necessary adaptation plan will be in place for such projects. Sustainalytics considers these investments to be aligned with market practice.
- Under the Pollution Prevention and Control category, IMM may finance and refinance the installation, development, operation, construction, upgrade, management and maintenance of the following:
 - Air quality improvement devices and monitoring tools for data collection, and late-stage R&D projects that aim to reduce air pollution and do not rely on fossil fuels.
 - Soil treatment through application of compost that acts as soil conditioner. Compost produced from organic wastes from households, parks and gardens are used for landscaping purposes in parks and gardens in Istanbul and in flower production.
 - Waste prevention and reduction: i) composting of municipal waste and garden waste; ii) recycling facilities for domestic solid waste and non-hazardous waste, with segregation at source; iii) waste to energy generation using mixed residual waste including municipal waste; and iv) recycling of plastic. Regarding municipal waste, IMM has confirmed that plastics and recyclables will be segregated before energy conversion. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of a zero-waste circular economy, i.e., waste prevention and recycling. Additionally, in order to have low emissions intensity in such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends IMM to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities. Moreover, IMM has confirmed the exclusion of chemical recycling of plastic.

Sustainalytics considers the expenditures under this category to be aligned with market practice.

- Under Affordable Basic Infrastructure, IMM may finance or refinance the following expenditures:

- Provision of free travel passes for senior citizens⁵, disabled population⁶ and mothers with children aged one to four to access public transportation.
- Improve access to telecommunication services by providing free internet services by installing wi-fi in public parks, metro stations, railway stations, bus stops and other public areas to enable digital inclusion.

Sustainalytics considers that investments made under this category are expected to provide and improve basic infrastructure for people who currently lack access to such facilities and that such activities can create a positive social impact for the people benefitting from it.

- Under Access to Essential Services, IMM may finance or refinance services that improve access to education, healthcare, elderly care and emergency relief via the following expenditures:
 - Through its Genc Universiteli programme, IMM aims to provide cash support⁷ as scholarships to students with a low-income background, residing in Istanbul, who wish to continue their education either in a state-owned university or foundation or private university. Additionally, IMM will also provide dormitory accommodation to such students at lowest cost. Students are selected based on an evaluation of their family's income status falling below the minimum wage thresholds in Istanbul.⁸
 - Construction of nurseries that will be accessible to the disadvantaged population at a subsidized rate. IMM identifies children belonging to the disadvantaged group based on families income falling below the minimum wage threshold, disability in the household or being a martyr's or veteran's child.
 - IMM intends to deliver supplies such as diapers, clothes, toys and baby products that meet the needs of a newborn child up to 4 months of age. These will be directly delivered to the families that are eligible for receiving social assistance from the state based on their income group and disability status subject to review by the IMM Social Team. The families that fall under the low-income category will be targeted through this activity.⁹
 - IMM will provide care for hospice residents who are: i) over 55 years old (women) or 60 years old (men) residing within Istanbul; ii) have no legal dependents; and iii) belong to a disadvantaged socioeconomic background.¹⁰ Such services will be provided free of cost after background verification of the patients based on medical and financial history. IMM screens patients using medical reports obtained from government health services.
 - Projects that cater to urgent needs of the population during an emergency, such as in a natural disaster (earthquake) or a pandemic. Expenditures may include logistics and distribution of essential products and supplies, such as medical aids, food, water, clothing, hygiene kits, shelter and shower stalls, restoring telecommunication, along with trained technical workers, search and rescue teams, medical teams and veterinarians. IMM has confirmed that these services will only be provided during a disaster and will be provided to all disaster-affected populations free of cost.
 - To increase accessibility to community and recreational infrastructure and facilities IMM intends to develop and rehabilitate parks and recreational areas, such as common playing grounds which will be accessible to all free of cost.

Sustainalytics considers that investments made under this category are expected to provide access to essential services, such as education and healthcare, for people who currently lack access to such activities, as well as relief to victims of natural disasters and can create a considerable positive social impact.

- Under the Food Security and Sustainable Food Systems category, IMM may finance and refinance the following initiatives under the Askida Futura initiative, to increase food security: i) milk support packages including eight litres of milk per month to children aged three to six

⁵ Senior citizens are defined by those having age above 65.

⁶ Disabled people are classified according to their medical report which is provided by government health services.

⁷ IMM provides a total of TRY 4,500 non-refundable cash support to eligible students via the IMM Social Services Branch.

⁸ IMM has confirmed to Sustainalytics that the low-income thresholds are updated on a monthly basis in Turkey according to the country's macroeconomic data. The minimum wage in Turkey as of 1st January 2023 is TRY8,506.80 (EUR 335), at: <https://wageindicator.org/salary/minimum-wage/turkey>

⁹ Low-income category is defined as the families falling below the minimum wage thresholds in Turkey. The minimum wage in Turkey as of 1 January 2023 is TRY 8,506.80 (EUR 335), at: <https://wageindicator.org/salary/minimum-wage/turkey>

¹⁰ Families with disadvantaged socioeconomic background will be determined by minimum wage thresholds.

- belonging to low-income families who receive social assistance from state; and ii) monthly food service, including free food and beverage distribution through mobile kiosks¹¹ and medical support packages, provided to citizens whose average monthly per capita income is lower than one-third of the monthly minimum wage. Sustainalytics notes that IMM conducts physical verification of low-income households before determining eligibility and that the services are free of cost. Further, IMM has confirmed to Sustainalytics that the above activities will be limited to enhancing food security for the target population, and IMM will have measures in place to avoid the risk of double counting under any other category of the Framework. Sustainalytics is of the opinion that investments under this category are expected to enhance food security for the target population and, therefore, views these investments as socially impactful.
- Under the Socioeconomic Advancement and Empowerment category, IMM may finance and refinance social assistance services for disabled and elderly people and low-income citizens.¹²
 - This includes the following social support services for disabled people and their families: i) educational, professional and psychological development services; ii) individual and group counselling services; iii) family training and seminars; iv) speaking therapy services; v) scholarship for disabled students; and vi) public transportation services. IMM has confirmed to Sustainalytics that disabled people have medical reports authorized by the government and that the targeted household wage is below the minimum wage. Sustainalytics notes that such services are free of cost.
 - Social support to families with low-income through the Askida Fatura programme. The targeted low-income citizens are defined as the ones whose average monthly income is lower than one-third of the minimum wage. Through this programme, IMM brings together philanthropists who want to voluntarily support such families by providing cash aids, paying off utility bills, and supporting the needs of babies aged zero to four. IMM has confirmed to Sustainalytics that there will be no double counting of underlying projects related to the Askida Fatura programme. Further, to provide social benefits to families that include people with disabilities, the per capita income threshold is kept lower and the income is calculated by incorporating the disability factor. IMM also aims to provide non-refundable cash assistance to the target population via the Istanbulkart social support card,¹³ under which cash cards will be provided to citizens to enable them to access necessities, such as transportation, daily commodities being purchased from the market or for accessing public grocery points. Sustainalytics notes that some expenditures may take the form of direct financial transfers to individuals, and as such there can be no assurance as to the end use of the proceeds, which represents a distinction from other commonly financed projects in social bonds. Nevertheless, based on the criteria, Sustainalytics recognizes the overall positive social impact of these schemes for the targeted individuals.
 - Sustainalytics is of the opinion that such investments are expected to enhance access to social services for low-income citizens and families that include people with disabilities, and therefore, views these investments as socially impactful.

Sustainalytics notes that the projects and programmes under this category are intended to bring socioeconomic advancement and empowerment for the target population and create positive social impact.
 - Sustainalytics notes that the Framework excludes financing in activities involved in:
 - Burning fossil fuel for power generation and transportation
 - Rail infrastructure dedicated to the transportation of fossil fuels
 - Nuclear power generation
 - Products considered illegal by international conventions and agreements or part of international prohibitions, such as war weapons, illegal activities, such as child labour or forced labour, gambling, tobacco and alcohol
 - Project Evaluation and Selection:
 - IMM's Sustainable Working Committee (SWC) will be responsible for reviewing and overseeing the project evaluation and selection process in accordance with the Framework's eligibility

¹¹ IMM has confirmed that the mobile kiosks will follow applicable national and regional emission thresholds and subject to exhaust gas emission testing.

¹² Low-income category is defined as families falling below the minimum wage thresholds in Turkey or individuals whose average monthly income is lower than one-third of the monthly minimum wage.

¹³ Social support card, "Istanbulkart", at: <https://sosyalyardim.ibb.gov.tr/s%C4%B1k-sorulan-sorular>

- criteria. The SWC includes members from the Department of Railway, Directorate of Finance, and Department of Environmental Protection and Control.
- The project evaluation and selection process will consider regional, national and international laws, standards and regulations pertaining to environmental and social risks associated with the eligible projects. For additional details, refer to Section 2.
 - Based on the establishment of the SWC and the presence of risk management systems, Sustainalytics considers IMM's project evaluation and selection process to be in line with market practice.
 - Management of Proceeds:
 - IMM's Sustainable Working Committee will be responsible for the management of proceeds on a portfolio basis using an internal tracking system subject to approval from the Ministry of Treasury.
 - IMM commits to fully allocate the proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be managed as per the Istanbul Metropolitan Municipality's general cash management policy. If certain expenditures are removed due to budget adjustment, delayed disbursements, changes in the eligibility status of the identified expenditure, or ceasing to meet the Framework's eligibility criteria, IMM will allocate the proceeds to other expenditures that meet the criteria.
 - Based on the management of proceeds and disclosure of the temporary use of proceeds, Sustainalytics considers IMM's process to be in line with market practice.
 - Reporting:
 - IMM commits to report on the allocation of proceeds and corresponding impact on its website annually from the first issuance of the sustainable finance instrument until full allocation. The allocation report will include the amount of proceeds to be allocated to the eligible projects, the amount of unallocated proceeds, the share of financing versus refinancing and the proceeds allocated as per geographical distribution.
 - In addition, IMM is committed to reporting on impact metrics, where relevant, such as annual GHG emissions reduced or avoided (in tCO₂e), annual renewable energy generation (in MWh, GWh, GJ or TJ), number of R&D projects, area of rehabilitated or newly created living and recreational space (in m²), and waste avoided, reused or recycled (in tonnes). For the full list of impact metrics, refer to Appendix 1.
 - Based on IMM's commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Istanbul Metropolitan Municipality Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Istanbul Metropolitan Municipality

Contribution to Istanbul Metropolitan Municipality's sustainability strategy

The Istanbul Metropolitan Municipality has developed a strategic plan for the years 2020-2024, which focuses on the following environmental and social pillars: i) improving urban transportation under sustainable mobility; ii) reinforcing sustainable environment and energy management; iii) building a city that meets social needs equally and inclusively; and iv) developing institutional structures with fair, participatory and innovative methods, amongst other key pillars.¹⁴ In addition, IMM has established a Climate Change Action Plan in 2021, with the overarching target of becoming carbon neutral by 2050, and interim targets of reducing absolute GHG emissions by 52% by 2030 and 89% by 2040 compared to 2019 levels.¹⁵

IMM has developed a roadmap to achieve its climate targets, prioritizing climate mitigation actions in five areas: i) net zero buildings; ii) increase the use of renewable electricity; iii) clean transportation; iv) waste management and recycling; and v) water and wastewater management.¹⁶ IMM targets to achieve 80% net zero of all renovated existing buildings between 2019 and 2040, using measures related to cooling, heating,

¹⁴ Istanbul Metropolitan Municipality, "2021 Istanbul Annual Report", (2022), at: <https://finansman.ibb.istanbul/en/wp-content/uploads/2022/10/2021-Annual-Report-1.pdf>

¹⁵ Istanbul Metropolitan Municipality, "Climate Vision of Istanbul", (2021), at: <https://ipa.istanbul/en/yayin/climate-vision-of-istanbul/>

¹⁶ Istanbul Metropolitan Municipality shared the Istanbul Climate Change Action Plan (2021) with Sustainalytics confidentially.

lighting and installing appliances to increase energy efficiency.¹⁷ To increase the generation of electricity from renewable sources, IMM focuses on developing waste-to-energy plants, solar energy and wind energy generation programmes. In relation to clean transportation goals for all of Istanbul's modes of transportation, IMM aims to achieve 65% electric passenger vehicles and taxis by 2030, 30% electric buses by 2030, 100% electric commuter rail by 2040 and 100% electric ferry boats by 2050. IMM is also working towards increasing active mobility and public transit systems in the city to further reduce emissions from the transport sector.¹⁸ With regard to waste management and recycling, IMM aims to achieve 100% diversion of waste from landfill by 2050 and increased waste recycling and landfill gas capture.¹⁹ IMM has also committed to reduce water loss by 18%, water use by 8%, and improve wastewater reuse to 72% by 2030, compared to 2019 levels.²⁰

In 2021, IMM's started a nursery project to provide 150 nurseries in neighbourhoods across Istanbul, enabling equal education opportunities for three to six-year-old children.²¹ In addition, IMM offers educational assistance to 30,000 students at universities who have financial difficulties.²² In relation to food security, IMM launched a project to provide two litres of milk a week to 115,000 three- to six-year-old children in 39 districts, and delivered 560,000 food and hygiene packages during 2021 and 2022, as part of a support programme during the COVID-19 sanitary restrictions.²³

Sustainalytics is of the opinion that the Istanbul Metropolitan Municipality Sustainable Finance Framework is aligned with IMM's overall sustainability strategy and initiatives and will further its action on the noted environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the financing issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues related to land use and biodiversity issues associated with large-scale infrastructure development, waste management, occupational health and safety, bribery and corruption, and community relations. In addition, social projects may lead to exacerbation of social inequality if the social initiatives are not appropriately targeted.

Sustainalytics is of the opinion that IMM is able to manage and mitigate potential risks through implementation of the following:

- The Istanbul Metropolitan Municipality has a process in place to monitor, assess and report climate change mitigation and adaptation actions, which includes: i) track prioritized actions performed by IMM's internal units; ii) conduct impact analysis of adaptation actions, including the evaluation of GHG emissions at sectoral level and social dimensions; and iii) publicly report on the progress in its annual climate change activity report.²⁴
- With regard to land use and biodiversity issues, operators of certain projects must apply for an "EIA Positive" decision from the Turkish Ministry of Environment and Urbanization. The decision depends on obtaining an environmental impact assessment report and includes holding a public meeting with stakeholders potentially affected by the project.²⁵ In addition, the Turkish Ministry of Agriculture and Forestry has a National Biodiversity Action Plan 2018-2028, which outlines actions on seven national objectives to maintain biodiversity and natural ecosystems²⁶ and is updated regularly following the UN Convention on Biological Diversity, which Turkey signed in 1992.²⁷
- IMM's processes on handling waste follow Turkish regulation on collection, treatment and disposal of waste in landfill, incineration of waste, take-back and recycling, and protection of

¹⁷ Ibid.

¹⁸ Istanbul Metropolitan Municipality shared the Istanbul Climate Change Action Plan (2021) with Sustainalytics confidentially.

¹⁹ Ibid.

²⁰ Istanbul Metropolitan Municipality shared the Istanbul Climate Change Action Plan (2021) with Sustainalytics confidentially.

²¹ Visit Istanbul, "Social Services", at: <https://visit.istanbul/en/social-services/>

²² Ibid.

²³ Ibid.

²⁴ Istanbul Metropolitan Municipality shared the Istanbul Climate Change Action Plan (2021) with Sustainalytics confidentially.

²⁵ Thomson Reuters Practical Law, "Environmental Law and Practice in Turkey – Environmental Impact Assessments", at:

[https://uk.practicallaw.thomsonreuters.com/7-522-2040?transitionType=Default&contextData=\(sc.Default\)#co_anchor_a125051](https://uk.practicallaw.thomsonreuters.com/7-522-2040?transitionType=Default&contextData=(sc.Default)#co_anchor_a125051)

²⁶ Ministry of Agriculture and Forestry of the Republic of Turkey, "National Biodiversity Action Plan 2018-2028", (2019), at:

<https://cdniys.tarimorman.gov.tr/api/File/GetGaleriFile/417/DosyaGaleri/426/ubep-ingilizce.pdf>

²⁷ Convention on Biological Diversity, "The Convention", at: <https://www.cbd.int/convention/>

human health.²⁸ Moreover, Turkey is a signatory to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.^{29,30}

- Turkey's Occupational Health and Safety Law regulates responsibility, authority, rights and obligations of employers and workers on occupational health and safety at workplaces in the public and private sectors.³¹ Turkey has ratified the ILO Occupational Safety and Health Convention of 1981.³²
- The legal framework on anti-bribery and anti-corruption in Turkey includes: the Turkish Criminal Code, the Law on Declaration of Property and Combating Bribery and Corruption, the Law on the establishment of an Ethics Committee for Public Officials, and the Civil Servants Ethical Principles and Application Procedures and Principles.³³ IMM has an Ethical Commission that requires employees to implement ethical principles and procedures, and also offers corresponding training.³⁴ Finally, Turkey is a signatory to international anti-corruption conventions, such as the United Nations Convention against Corruption,³⁵ the OECD Anti-Bribery Convention,³⁶ the Council of Europe Criminal Law Convention on Corruption and the Council of Europe Civil Law Convention Corruption.³⁷
- In relation to community relations, the Istanbul City Council has been established as a platform to discuss and follow up on jointly agreed solutions to the problems of the Istanbul municipality, using the format of working groups. The Council consists of representatives of public institutions, organizations, civil society and political parties.³⁸ IMM also has a municipal unit where residents of Istanbul can submit complaints, requests and opinions, providing 24-hour service on improving IMM services based on the evaluation of incoming requests.³⁹
- In relation to social inequality, IMM complies with the Turkish Constitution, which prohibits discrimination on the basis of ethnicity, race, gender, religion, disability and sexual orientation.⁴⁰

Based on the policies, standards and assessments, Sustainalytics is of the opinion that IMM has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of clean transportation in Istanbul

The global transport sector accounted for 37% of CO₂ emissions in 2021.⁴¹ Emissions from transport are expected to increase at a faster rate than for any other sectors, posing a challenge to reduce emissions in line

²⁸ IMM, Waste Disposal Procedure, at: <https://cevre.ibb.istanbul/atik-yonetimi-mudurlugu-sube-mudurlugu/atik-imha-islemleri/>

²⁹ Thomson Reuters Practical Law, "Environmental Law and Practice in Turkey – Waste and the Circular Economy", at: [https://uk.practicallaw.thomsonreuters.com/7-522-2040?transitionType=Default&contextData=\(sc.Default\)#co_anchor_a791819](https://uk.practicallaw.thomsonreuters.com/7-522-2040?transitionType=Default&contextData=(sc.Default)#co_anchor_a791819)

³⁰ UNEP, "Basel Convention on the Control of Transboundary Movements of Hazardous Wastes", at: <https://www.unep.org/resources/report/basel-convention-control-transboundary-movements-hazardous-wastes>

³¹ International Labour Organization, "Occupational Health and Safety Law No. 6331 Turkey", at: https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=92011&p_country=TUR&p_count=781

³² International Labour Organization, "Occupational Safety and Health Convention 1981", at: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C155

³³ Aydın, B., et al., "Anti-Corruption in Turkey", Baker McKenzie, at: <https://www.globalcompliancenews.com/anti-corruption/handbook/anti-corruption-in-turkey/>

³⁴ IMM, "Municipality Ethics Commission", at: <https://www.ibb.istanbul/icerik/etik-komisyonu>

³⁵ UN Treaty Collection, "United Nations Convention against Corruption", at: https://treaties.un.org/Pages/ViewDetails.aspx?src=IND&mtdsg_no=XVIII-14&chapter=18&clang=en

³⁶ OECD, "Türkiye – OECD Anti-Bribery Convention", at: <https://www.oecd.org/corruption/anti-bribery/turkiye-oecdanti-briberyconvention.htm>

³⁷ Republic of Turkey Ministry of Foreign Affairs, "Türkiye's efforts in combating corruption", at: https://www.mfa.gov.tr/turkiye_s-efforts-in-combating-corruption.en.mfa

³⁸ Istanbul City Council, "What is the City Council?", at: <https://istanbulkentkonseyi.org.tr/kent-konseyi-nedir/>

³⁹ IMM, "Application", at: <https://cozummerkezi.ibb.istanbul/application/cozummerkezi>

⁴⁰ Republic of Turkey Legislation Information System, "Constitution of the Republic of Turkey", at: <https://www.mevzuat.gov.tr/#anayasa>

⁴¹ IEA, "Transport: Improving the sustainability of passenger and freight transport", at: <https://www.iea.org/topics/transport>

with the Paris Agreement.⁴² According to the International Energy Agency, the transport sector's emissions must be reduced by 20% by 2030 relative to 2021 to achieve net zero emissions by 2050.⁴³

In Istanbul, the transportation sector accounted for 28% of total emissions in 2019, mostly from road transportation, with railways and waterways representing less than 1% of the total.^{44,45} Under Turkey's Climate Action for Urban Sustainability programme, Istanbul set a target to reduce emissions from the city's transportation sector by 26% by 2030, 50% by 2040 and 69% by 2050 from a 2019 baseline.⁴⁶ The key initiatives to achieve this target include promoting the shift to bicycle use and increasing public transit infrastructure, electrification of private, public and government-owned cars, taxis, trucks, motorcycles, buses, rails and ferry boats, increasing the fuel efficiency of vehicles, and developing clean transport supporting infrastructure.⁴⁷ Under its Sustainable Urban Mobility Plan, Istanbul is implementing 26 core projects based on three themes to reduce emissions from land transport by transitioning to low-carbon fuels, seamless transfer and integration of electric mobility, and reducing congestion.⁴⁸ Additionally, IMM's Social Support Istanbulkart Programme provides social assistance to families to alleviate transportation costs.⁴⁹

Sustainalytics is of the opinion that investing in clean transport will support the decarbonization of Istanbul's transport system and contribute to the city's climate goals.

Importance of socioeconomic advancement and empowerment in Istanbul

Istanbul's population of 15.9 million comprises nearly 19% of Turkey's population, accounting for 38% of the country's industry and more than half of its services.^{50,51} An estimated half of Istanbul's buildings housing up to 70% of the city's population are located in informal or later formalized areas that sprouted outside the realm of institutionalized planning, considering the outsized 63% of the city's population born outside Istanbul.^{52,53} In this context, natural disasters, particularly earthquakes, pose a disaster-in-waiting scenario that could aggravate socioeconomic differences and highlight the need for emergency and humanitarian aid in the city, where an estimated 1.5 million homes, where 5 million people live, are considered at risk.⁵⁴ According to the UNDP, a major earthquake "could result in a humanitarian disaster, damage to regional infrastructure, significant refugee flows, and increased strain on (often limited) state capacity and social cohesion" in Istanbul, where the 1999 Izmit earthquake killed 17,000 people.⁵⁵ Aside from the vulnerability to natural disasters, socioeconomic risks due to income inequality are also acute in Istanbul, where only 8% of the households have a monthly income higher than TRY 3,000 (EUR 116).⁵⁶ For example, more than 1 million families applied to the We Will Succeed Together cash social assistance programme provided by the Istanbul Metropolitan Municipality during the pandemic restrictions in 2020, implying that one in every four families

⁴² Ge, M. et al. (2019), "Everything You Need to Know About the Fastest-Growing Source of Global Emissions: Transport", World Resources Institute, at: <https://www.wri.org/blog/2019/10/everything-you-need-know-about-fastest-growing-source-global-emissions-transport>

⁴³ IEA, "Transport", (2022), at: <https://www.iea.org/reports/transport>

⁴⁴ Ibid.

⁴⁵ Eltis, "Istanbul's new Sustainable Urban Mobility Plan", (2022), at: <https://www.eltis.org/resources/case-studies/istanbuls-new-sustainable-urban-mobility-plan>

⁴⁶ Ibid.

⁴⁷ Istanbul Government, "Istanbul Climate Action Plan", (2021), at: https://cevre.ibb.istanbul/wp-content/uploads/2022/06/istanbul_climate_change_action_plan_v03.pdf

⁴⁸ IMM, "Istanbul Sustainable Urban Mobility Plan SUMP", (2022), at: <https://surdurulebilirulasim.istanbul/wp-content/uploads/2022/12/SUMP-REPORT-rs.pdf>

⁴⁹ Istanbul Metropolitan Municipality, "2021 Istanbul Annual Report", (2022), at: <https://finansman.ibb.istanbul/en/wp-content/uploads/2022/10/2021-Annual-Report-1.pdf>

⁵⁰ TÜİK Turkish Statistical Institute, (2023), "The Results of Address Based Population Registration System, 2022", at: <https://data.tuik.gov.tr/Bulten/Index?p=The-Results-of-Address-Based-Population-Registration-System-2022-49685&dil=2> Istanbul Population 2023, at: Istanbul.com, "Turkey's Demography: The Colorful Population of Istanbul", (2023), at: <https://istanbul.com/city-life/turkey-s-demography-the-colorful-population-of-istanbul>

⁵¹ Cabanes, Y. et al. (2020), "Land disputes on the outskirts of Istanbul: a unique case of legalization amidst demolitions and forced evictions", Environment and Urbanization, at: <https://journals.sagepub.com/doi/full/10.1177/0956247819893187>

⁵² Hürriyet Daily News, "Urban Poverty in Turkey", at: <https://www.hurriyetdailynews.com/opinion/william-armstrong/urban-poverty-in-turkey-105927>

⁵³ Middle East Institute, "Sold Overnight: Istanbul's Gecekondu Housing and the Challenge of Ownership", at: <https://www.mei.edu/publications/sold-overnight-istanbuls-gecekondu-housing-and-challenge-ownership>

⁵⁴ Reuters, "After earthquake, Istanbul gripped by fear that bigger disaster awaits", (2023) at: <https://www.reuters.com/world/middle-east/after-earthquake-istanbul-gripped-by-fear-that-bigger-disaster-awaits-2023-04-14/>

⁵⁵ UNDP, "Poverty, Inequality, and Vulnerability in the Transition and Developing Economies of Europe and Central Asia", (2014), at: <https://www.undp.org/sites/g/files/zskqke326/files/migration/eurasia/Poverty-Inequality-and-Vulnerability.pdf>

⁵⁶ Istanbul Metropolitan Municipality, Istanbul Planning Agency, "Urban Poverty and Vulnerability in Istanbul: The Impact of the Covid-19 Epidemic on Low-Income Households", (2021), at: https://www.researchgate.net/publication/357999350_Urban_Poverty_and_Vulnerability_in_Istanbul_The_Impact_of_the_COVID-19_Epidemic_on_Low-Income_Households

needed social assistance then.⁵⁷ In the month of May 2023, 40.4% of the participants in a municipal survey reported they could barely keep up with their basic needs on their monthly income.⁵⁸

Specifically in relation to urgent needs during natural disasters, IMM already provides medical aid and other essential support, such as providing food, water, hygiene kits, shelter, shower stalls and restored telecommunication; like it did during the February 2023 earthquakes.⁵⁹ In addition, on the matter of income inequalities and social supports, IMM reports the following results of its more recent Askida Fatura programme: i) providing TRY 6 million (USD 255,000) in support packages including food and hygiene items for those affected by the earthquakes; ii) TRY 15 million (USD 638,000) in financial support packages for families in need; iii) TRY 8.6 million (USD 366,000) in education support packages for low-income university students; iv) TRY 72.5 million (USD 3 million) to pay outstanding water and gas bills of low-income households; v) TRY 11 million (USD 468,000) in mother-baby support packages; and vi) TRY 4.5 million (USD 192,000) in transportation support packages for low-income residents.⁶⁰ Further, IMM's Department of Social Services provided social support⁶¹ to 206,813 families through its Social Support Istanbulkart Programme,⁶² and educational support to 80,00 orphans, disabled children and children of martyrs in 2021.⁶³

Based on the above, Sustainalytics is of the opinion that IMM's financing of projects for the socioeconomic empowerment and advancement of the target populations will contribute positively towards its current efforts to increasing access to basic amenities in Istanbul.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Istanbul Metropolitan Municipality Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Pollution Prevention & Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse
Affordable Basic Infrastructure	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport,

⁵⁷ Ibid.

⁵⁸ Istanbul Metropolitan Municipality, Istanbul Planning Agency, "Istanbul Barometresi, May 2023", (2023), at: https://ipa.istanbul/wp-content/uploads/2023/06/BAROMETRE_MAYIS_2023_01.pdf

⁵⁹ IMM, "IMM Became a hope for Earthquake Victims", (2023) at: <https://www.ibb.istanbul/arsiv/40833/ibb-depremzedeler-icin-umut-oldu>

⁶⁰ IMM, Askida Fatura, at: <https://askidafatura.ibb.gov.tr/>

⁶¹ IMM, Social Support, at: <https://sosyalyardim.ibb.gov.tr/s%C4%B1k-sorulan-sorular>

⁶² IMM, Open Data Portal, at: <https://data.ibb.gov.tr/en/dataset/yapilan-ayni-ve-nakdi-yardim-tur-ve-sayilari>

⁶³ Ibid.

	9. Industry, Innovation, and Infrastructure	with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
Socioeconomic Advancement and Empowerment	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

IMM has developed the Istanbul Metropolitan Municipality Sustainable Finance Framework under which it intends to issue sustainability bonds, loans and sukuks, and use the proceeds to finance and refinance, in whole or in part, existing or future projects in certain green and social categories. Sustainalytics considers that the projects funded with proceeds from the instruments issued under the Framework are expected to provide positive environmental and social impact in Istanbul.

The Istanbul Metropolitan Municipality Sustainable Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for reporting on their allocation and impact. Sustainalytics believes that the Istanbul Metropolitan Municipality Sustainable Finance Framework is aligned with the overall sustainability strategy of IMM and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 7, 9, 10, 11, 12 and 13. Additionally, Sustainalytics is of the opinion that IMM has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that the Istanbul Metropolitan Municipality is well positioned to issue sustainability bonds, loans and sukuks and that that Istanbul Metropolitan Municipality Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2023), and Social Loan Principles (2023).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Istanbul Metropolitan Municipality
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Istanbul Metropolitan Municipality Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 23, 2023
Publication date of review publication:	
Original publication date [please fill this out for updates]:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds-Clean Transportation, Renewable Energy, Climate Change Adaptation, Pollution Prevention & Control, Affordable Basic Infrastructure, Access to Essential Services, Food Security and Sustainable Food Systems, Socioeconomic Advancement and Empowerment, are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 7, 9, 10, 11, 12 and 13.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Istanbul Metropolitan Municipality's Sustainable Working Committee is responsible for reviewing and overseeing the project evaluation and selection process in accordance with the Framework's eligibility criteria. Additionally, Istanbul Metropolitan Municipality has processes in place to identify and manage environmental and social risks associated with the eligible projects in line with regional, national and international laws, standards and regulations. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Istanbul Metropolitan Municipality will oversee the allocation of the proceeds using an internal tracking mechanism. Istanbul Metropolitan Municipality intends to allocate all proceeds to eligible projects within 24 months of issuance. Pending full allocation, proceeds will be managed as per the Istanbul Metropolitan Municipality's general cash management policy. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Istanbul Metropolitan Municipality commits to report on allocation of proceeds on its website on an annual basis from the issuance of the first sustainable finance instrument until full allocation. The allocation report will include the amount of proceeds to be allocated to the eligible projects, the amount of unallocated proceeds, the share of financing versus refinancing and the proceeds allocated as per geographical distribution. Istanbul Metropolitan Municipality intends to report on relevant impact metrics where feasible. Sustainalytics views Istanbul Metropolitan Municipality's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Other ESG indicators (please specify):
Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent, length and type of clean transportation infrastructure built, total in kilometres of new or improved |

bicycle lanes, annual GHG emissions reduced/avoided in tonnes of CO2 equivalent, annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy), number of R&D projects carried out, waste prevented/minimised/reused/recycled (tonnes), number of people (e.g. mothers) benefited, number of infrastructure projects built, number of new network users in underserved areas, number of people (e.g. students, senior residents, newborn babies) benefited, number of support packages, area of rehabilitated or newly created living and recreational space in m², number of people (e.g. pupils) benefited, number of bills paid through 'Askida Fatura', number of support packages through 'Istanbulkart'.

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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