

Second-Party Opinion

İşbank Sustainable Finance Framework

Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water, Wastewater Management and Climate Adaptation, Terrestrial and Aquatic Biodiversity Conservation, Access to Essential Services, and Employment Generation Including Through the Potential Effect of SME Financing – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green 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 SDG 3, 4, 6, 7, 8, 9, 10, 11, 12, 14, and 15.



PROJECT EVALUATION / SELECTION İşbank's internal process in evaluating and selecting projects is managed by the Sustainable Finance Working Group (the "SFWG"). The SFWG consists of representatives of various departments, including Investor Relations and Sustainability Division, responsible for İşbank's sustainability oversight. This is in line with market practice. In addition, the Bank's responsible finance approach is applicable to all allocation decisions under the Framework and is viewed as adequate risk management systems. Sustainalytics considers this to be in line with market practice.



MANAGEMENT OF PROCEEDS İşbank's processes for management of proceeds is overseen by the Financial Institutions Division. İşbank will allocate to a portfolio of loans and ensure that the Sustainable Loan Portfolio is adjusted periodically in order to match the amount of net proceeds of outstanding loans and/or bonds issued under the Framework. Pending allocation, proceeds may be temporarily invested in cash and/or cash equivalent, and/or liquid marketable instruments. Sustainalytics considers this to be in line with market practice.



REPORTING İşbank intends to report on allocation of proceeds on its website, on an annual basis, until full allocation. İşbank will also report on the relevant environmental and social impacts of the projects, where feasible. A detailed list of impact metrics can be found in Appendix 4. Sustainalytics views İşbank's allocation and impact reporting as aligned with market practice.

Date	August 03, 2021
Issuer Location	İstanbul, Turkey

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	15

For inquiries, contact the Sustainable Finance Solutions project team:

Begum Gursoy (Amsterdam)
Project Manager
begum.gursoy@sustainalytics.com
(+31) 20 205 0082

Charles Cassaz (Amsterdam)
Project Support

Rashmi John (Mumbai)
Project Support

Darshna Jha (Mumbai)
Project Support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Türkiye İş Bankası A.Ş. (“İşbank”, the “Bank, or the “Issuer”) is the largest private bank by assets in Turkey, with its history dating back to 1924. İşbank operates over 1,200 branches and serves approximately 15 million customers across its corporate, commercial, SME, retail and private banking segments.

İşbank has developed the İşbank Sustainable Finance Framework (the “Framework”) under which it intends to issue green, social and sustainability finance instruments (bonds, loans or other debt-like instruments) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to advance the shift to a low-carbon economy and generate positive social impacts in Turkey. The Framework defines eligibility criteria in twelve areas:

1. Renewable Energy
2. Energy Efficiency
3. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
4. Green Buildings
5. Clean Transportation
6. Pollution Prevention and Control
7. Environmentally Sustainable Management of Living Natural Resources and Land Use
8. Sustainable Water, Wastewater Management and Climate Adaptation
9. Terrestrial and Aquatic Biodiversity Conservation
10. Access to Essential Services
11. Employment Generation Including Through the Potential Effect of SME Financing

İşbank engaged Sustainalytics to review the İşbank Sustainable Finance Framework, dated August 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG),¹ Green Bond Principles 2021 (GBP),² Social Bond Principles 2021 (SBP),³ and Green Loan Principles 2021 (GLP).⁴ This Framework has been published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ 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, Social Bond Principles 2021, and Green Loan Principles 2021 as administered by ICMA, 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 1.9.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-100621.pdf>

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association are available at https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

⁵ The İşbank Sustainable Finance Framework is available on Türkiye İş Bankası A.Ş.’s website at: <https://www.isbank.com.tr/en/about-us/sustainability-frameworks-and-reports>

⁶ 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.

As part of this engagement, Sustainalytics held conversations with various members of İşbank'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. İşbank representatives have confirmed (1) they understand it is the sole responsibility of İşbank to ensure that the information provided is complete, accurate or 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 İşbank.

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/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.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond/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 İşbank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the İşbank Sustainable Finance Framework

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

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water, Wastewater Management and Climate Adaptation, Terrestrial and Aquatic Biodiversity Conservation, Access to Essential Services, and Employment Generation including through the Potential Effect of SME Financing – are aligned with those recognized by the GBP, SBP, and GLP.
 - The Renewable Energy category includes loans to wind, solar, geothermal, biomass energy, including related equipment, development, manufacturing, construction, operation and maintenance.
 - Regarding geothermal power, Sustainalytics notes that İşbank may finance energy generating facilities with direct emissions below 100 gCO₂/kWh, which is in line with market practice.
 - Regarding manufacturing of components, İşbank intends to provide financing for manufacturing of components or equipment for renewable energy described above, which Sustainalytics views as being in line with market practice.
 - İşbank limits waste biomass to energy projects selected to those with emission intensity of less than 100gCO₂e/kWh and based on waste feedstock using forestry or agricultural residues. Sustainalytics considers the financing of biomass facilities from waste feedstock to be in line with market practice.

- In addition, İşbank intends to finance and/or refinance expenditures related to the construction, renovation, upgrade, and refurbishment of electrical grids dedicated to connecting renewable power plants to the national grid, which is in line with market practice.
- In the Energy Efficiency category, İşbank may provide loans to energy-efficient assets, including energy storage, smart grids,⁷ and energy efficient building components. İşbank confirmed that eligible activities will be electric and non-motorized systems, products, and appliances. All projects aim at reducing energy consumption by at least by 15%. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold on a portfolio basis for the installations of energy-efficient systems, equipment and technologies.
- In the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies, and Processes category, İşbank may provide financing to the following activities:
 - Solutions that extend the product life cycle, such as applying modular design or design for disassembly, take-back schemes, and redeploying products (reverse logistic), reuse, repair and/or products regeneration/refurbishment.
 - The Framework allows investments in "Production that uses renewable or recycled resources that substitute critical materials with biological or bio-based materials, processes fueled by energy from solar, wind or other renewable energy sources." Such production has the following eligibility criteria: (i) reasonable basis/evidence to support substantial reduction of life-cycle emissions relative to comparable fossil product, or (ii) sustainable sourcing of the proportion of biogenic feedstock if used. While Sustainalytics views the objectives of the category as aligned with market practice, Sustainalytics is not able to opine on the potential net environmental impact of the expenditures due to inadequate insight into some of the expenditures, and this to be a limitation of the Framework. Sustainalytics encourages İşbank to provide full disclosure on the intended projects, the emissions reduction achieved, and the sourcing of the feedstock.
 - The procurement of products that can be recycled or composted, where the input feedstock derives from 100% recycled/reused waste. İşbank excludes virgin raw material as input feedstock, which Sustainalytics considers to be in line with market practice.
- Under the Green Buildings category, İşbank may finance or refinance new, existing or refurbished commercial and residential buildings meeting one of the following standards: (i) building energy performance certificate, (ii) third-party certification standards (LEED Gold and above, BREEAM Very Good and above, DGNB Gold and above, and ÇEDBİK Green Building Certification), or (iii) quantitative improvements. Sustainalytics has conducted an evaluation of these schemes (see Appendix 1) and considers the minimum levels aligned with market practice, noting the below:
 - Regarding BEP-TR, Sustainalytics views positively that this programme is aligned with the EPRD.⁸ According to publicly available data, buildings rated B or above make up the top 34% of those assessed under the scheme.⁹ Sustainalytics notes that only approximately 10-15% of Turkey's building stock has been evaluated using this methodology¹⁰ and that the buildings assessed are generally newer. Therefore, Sustainalytics considers buildings with BEP-TR "B" or above to perform better than the overall stock. Market practice is to finance only the top 15% of buildings, and Sustainalytics encourages İşbank to ensure that the selected rating level aligns with that approach.
 - Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages İşbank to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfill the requirements for BREEAM Excellent in that category.

⁷ While noting the variety of definitions and applications of "smart grid" technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages İşbank to select projects that are clearly anticipated to deliver tangible efficiency improvements.

⁸ EPRD is the EU's Energy Performance of Buildings Directive, which has been implemented by many countries in the form of EPCs.

⁹ BEP-TR: <http://www.bep.gov.tr/BEPTRWEB/istatistikler.aspx#.Xc7trdpYbop>

¹⁰ The BEP-TR scheme has been in force since 2011. Refer to <https://www.aa.com.tr/tr/ekonomi/binalar-icin-enerji-kimlik-belgesi-aliminda-sonviraj/1546712#>

- Regarding the ÇEDBİK Green Building Certification, Sustainalytics views positively the ambitions of the programme, while noting the limited amount of data on the relevant requirements.
- Sustainalytics views positively the inclusion of a minimum threshold of 30% for commercial and residential refurbishments and energy efficiency improvement projects and considers this to be in line with market practice.
- Clean Transportation expenditures may include the following:
 - Fully electrified or other low-carbon public transport, aiming to convert conventional bus fleets to alternative fuels: electric, biofuel, hybrid; rail transport, subways, and ferries. İşbank confirms that it will limit financing to public bus fleets with direct emissions threshold of less than 50 gCO₂e/p-km, and rail transport with direct emissions threshold of less than 50 gCO₂e/p-km for passenger and less than 25 gCO₂e/t-km for freight transportation. In case of financing freight rail, Sustainalytics strongly encourages İşbank to exclude rail lines/operations where fossil fuel account more than 50% of freight (by t-km) and provide further disclosure on the realized exclusionary criteria.
 - Electric, hydrogen and hybrid passenger vehicles below direct emissions below 75 gCO₂/p-km.
 - Development of transportation infrastructure, including expansion of train/metro networks, construction of bicycle paths, and charging stations for electric vehicles. In addition, the Bank may finance the design and manufacture of components used solely for clean transportation.
 - Sustainalytics considers the means of transportation and associated emission thresholds to be aligned with market practice.
- In the Pollution Prevention and Control category, İşbank may provide loans to the following activities:
 - Recycling activities and plants for metals, plastic, and paper to increase the processing of recyclable waste, which is aligned with market practice.
 - Waste-to-energy facilities that respect the waste hierarchy before incineration to ensure the segregation of recyclables.
 - Measures and technologies to reduce air pollution. Sustainalytics notes that İşbank confirms such measures and technologies exclude pollution from fossil fuel production or pollution that results from technologies inherently dependent on fossil fuels as an energy source.
- Within the Environmentally Sustainable Management of Living Natural resources and Land Use category, the Bank may provide loans to the following agriculture and forestry activities:
 - Sustainable or organic agriculture in compliance with EU Organic, Global G.A.P., or defined by the Government in Turkey in a communiqué titled "Regulation on the Principles and Application of Organic Farming"¹¹ as farming that follows national/international certificates, save water, and advance the improvement and recovery of agricultural lands and local farming. İşbank has clarified that the Bank defines sustainable agriculture as conservation agriculture, which is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers.
 - Forestry activities certified by Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), or an equivalent standard. Sustainalytics views FSC and PEFC schemes as aligned with market practice. For Sustainalytics' assessment, please refer to Appendix 2.
- Sustainable Water, Wastewater Management and Climate Adaptation investments may include projects related to the development, construction, operation and maintenance of wastewater

¹¹ Republic of Turkey/Legislation Information System, "Regulation on the Principles and Application of Organic Farming", at: <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=14217&MevzuatTur=7&MevzuatTertip=5>

management facilities,¹² sewage treatment facilities, expenditures to increase water-use efficiency, recycling, and reuse, and flood control and disaster contingency systems and relevant infrastructure, such as early warning systems to reduce the risk of flood. Sustainalytics considers these activities, broadly, to be aligned with market practice. In addition, Sustainalytics recognizes the potential environmental and social benefits of expenditures related to flood and disaster control infrastructure and encourages the Bank to conduct adequate climate change vulnerability assessments and develop necessary adaption plans prior to implementing such projects.

- As for the Terrestrial and Aquatic Biodiversity Conservation, the Bank may provide loans for the prevention or reduction of coastal, marine, river and watershed pollution and invest in measures, technologies and expenditures that enhance the conservation and sustainable use of oceans, seas and rivers. Intended examples include the cleaning of mucilage and aquaculture activities. Sustainalytics notes that while most sources consider the long-term positive environmental impacts resulting from mucilage cleaning operations to be limited, that financing of improved sewage treatment facilities, also considered under the Framework, could generate positive structural impacts on mucilage pollution.¹³ Aquaculture activities are limited to those certified against Best Aquaculture Practices or Aquaculture Stewardship Council or equivalent schemes. For more information regarding the certification schemes, please refer to Appendix 3.
- Sustainalytics considers the specified certification schemes under forestry and aquaculture activities to be credible and notes that it is market practice to provide transparency on the intended schemes. Therefore, Sustainalytics encourages İşbank to provide disclosure on the equivalent schemes that the Bank intends to use.
- Within Access to Essential Services, the Bank may provide loans to improve access to healthcare and education. The Bank may provide financing for:
 - The construction, equipment and operation of free or subsidized, publicly accessible healthcare infrastructure. Sustainalytics considers the provision of free or subsidized, and accessible healthcare services to be aligned with market practice and views positively the financing of facilities providing services under Turkey's healthcare system.
 - The production, purchase, and distribution of healthcare material for the prevention and treatment of health disasters and for R&D aimed at preventing and treating health pandemics. Sustainalytics considers such expenditures to be aligned with market expectations in response to public health emergencies.
 - İşbank may provide loans to education facilities, including public schools, universities, and vocational training centers. Additionally, the Bank may finance the development of technologies and programs to improve public education and training.
- Within Employment Generation Including Through the Potential Effect of SME Financing, İşbank intends to allocate the proceeds to all small and medium-sized enterprises (SMEs),¹⁴ including those meeting one of the following criteria:
 - SMEs located in underdeveloped regions in Turkey.¹⁵
 - SMEs where more than 50% of the shares belong to women or where the company has at least 20% female ownership and women occupy at least one managerial role or where the overall operational management responsibility is held by a woman (or women). Sustainalytics believes that İşbank's lending to women-owned or run businesses promotes gender equality in business leadership and female entrepreneurship in general, as well as promoting employment and economic growth.
 - SMEs owned and/or operated by youths (< 35 years) or vulnerable groups.
 - SMEs affected by natural disasters or health pandemics.

¹² Projects related to wastewater management facilities directly associated with fossil fuel operations would not be eligible.

¹³ Mucilage formation in the Sea of Marmara is primarily due to the release of sewage and wastewater in the sea without treatment, and removal of the mucilage without addressing the root cause of the issue does not offer a permanent solution. Nevertheless removal, when done in an environmentally cautious manner, has the potential to restore ecosystems and prevent further degradation or die-off of other marine species.

¹⁴ The Framework defines SMEs as companies with fewer than 250 employees and turnover or total assets below TL125 million, which is in line with Turkey's legislation for SMEs. OECD iLibrary, SME Policy Index: Western Balkans and Turkey 2019 - Chapter 19. Turkey: Small Business Act profile: <https://www.oecd-ilibrary.org/sites/f565e33c-en/index.html?itemId=/content/component/f565e33c-en&mimeType=text/html>

¹⁵ Areas/cities in Turkey that have income lower than the country's GDP average

- Overall, Sustainalytics considers that lending to SMEs in Turkey is aligned with market expectations, and considers the specific targeting described above to further enhance the social benefits for disadvantaged populations.
- The Framework specifies that all of İşbank's lending is subject to an Exclusion List,¹⁶ per the Bank's Environmental and Social Impact Policy and includes specific exclusions for "nuclear power generation" and "fossil fuel".¹⁷ For more information, please refer to the environmental and social risk mitigation in Section 2.
- Project Evaluation and Selection:
 - İşbank has a dedicated Sustainable Finance Working Group (the "SFWG") in place in order to assess and determine eligible loans. The SFWG will be responsible for approval of the final portfolio of loans, the Sustainable Loan Portfolio. The SFWG consists of representatives from İşbank's Commercial Loans Underwriting, Corporate Loans Underwriting, Corporate and Commercial Banking Marketing, Project Finance, Investor Relations and Sustainability, and Financial Institutions Divisions. The SFWG is also responsible for reviewing the Framework on a regular basis and updating when necessary.
 - İşbank's Environmental and Social Risk Evaluation Tool (ERET) assesses new investments worth more than USD 10 million on basis of potential environmental and social impact. Sustainalytics considers these environmental and social risk management systems, along with the Bank's responsible finance approach, to be adequate and aligned with market expectation. For additional detail see Section 2.
 - Sustainalytics considers this to be aligned with market practice.
- Management of Proceeds:
 - İşbank's Framework outlines that the proceeds will be allocated to a portfolio of loans, and managed by the Financial Institutions Division. The Bank will monitor the Sustainable Loan Portfolio and make periodic adjustments as needed in order to ensure that the net proceeds of the outstanding loans and/or bonds issued under the Framework matches the total allocation.
 - Pending allocation, the proceeds may be temporarily invested in cash and/or cash equivalent, and/or liquid marketable instruments.
 - İşbank intends to fully allocate net proceeds related to within three years of issuance. In case of refinancing OPEX activities, İşbank intends to refinance OPEX with a look back period of up to three years.
 - Sustainalytics considers this to be aligned with market practice.
- Reporting:
 - İşbank intends to annually report on its website, the allocation and impact of the loans and/or bonds until full allocation.
 - Allocation reporting may include, to the extent feasible, the total amount of proceeds allocated to eligible loans, the number of eligible loans, the balance of unallocated proceeds and the portion of new financing and refinancing.
 - The impact reporting may include qualitative and quantitative indicators, where feasible, such as expected annual renewable energy generation; estimated annual GHG emission avoided or reduced; annual energy savings; energy storage and distribution capacities; annual resource savings; annual water savings; number of low carbon transport; number of passengers; type and amount of waste recycled, organic farming certifications achieved; protected area under maintenance; number of beneficiaries financed, including SMEs and number of women-owned businesses financed.
 - İşbank's proposed allocation and impact reporting is aligned with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the İşbank Sustainable Finance Framework aligns with the four core components of the GBP, SBP, SBG, and GLP. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

¹⁶ İşbank's Exclusion List can be found in its Environmental and Social Impact Policy of İşbank: <https://www.isbank.com.tr/en/about-us/Documents/sustainability/environment-and-social-impact-policy.pdf>

¹⁷ This applies to all aspects of the supply chain, including extraction, production, refining, transmission and distribution, of nuclear power generation and fossil fuels.

Section 2: Sustainability Strategy of İşbank

Contribution of Framework to Türkiye İş Bankası A.Ş.'s sustainability strategy

İşbank has incorporated environmental and social sustainability considerations into its business operations through the establishment of the İşbank Banking Model, which focuses on creating shareable and sustainable value for all of its stakeholders.¹⁸ Through this responsible banking approach, İşbank has been developing products, services, and solutions in several areas such as (i) financing renewable energy projects (ii) strengthening women entrepreneurs, SMEs and agriculture sector, and (iii) managing environmental and social risks.¹⁸ The Bank has demonstrated a commitment to create positive social and environmental impact from its core business through the following efforts:

Within its Sustainability Policy, İşbank adopted sustainability principles, such as monitoring and managing the environmental and social impacts of the business, contributing to resilience against climate change through responsible banking, and creating a work environment where social justice and working rights are respected and improved continuously, amongst others. These principles will help facilitate the transition to a low-carbon and sustainable economy while minimizing the negative environmental and social impacts of the business. Additionally, the Bank has adopted medium and long-term sustainability strategies and discloses its progress with its stakeholders. In 2020, İşbank established a Sustainability Committee to oversee sustainability related issues, under the oversight of the Board of Directors.¹⁸ Employees are responsible for internalizing and applying sustainability related policies and objectives. The implementation's key performance indicators are monitored through regular audits and evaluated by top management during management review processes.¹⁹

İşbank provides disclosure on the progress of its environmental financing efforts. For 2021 and beyond, the Bank aimed to provide financial support to all renewable energy projects, especially Wind Energy Power Plants (WPP) and Solar Power Plants (SPP) projects. In 2020, İşbank provided financings to 45 renewable energy projects with a total installed capacity of 1,950 MW.¹⁸ Additionally, the amount of clean energy generated by the projects financed by the Bank was 6,370 TWh in the last 3 years.¹⁸ The Bank launched a commercial loan product called "Solar Loan by İşbank", which intended for financing unlicensed solar energy plants²⁰ to be installed on the roofs of industrial facilities for self-consumption. In addition, İşbank offers its customers Energy Efficiency Loan, Unlicensed Electricity Generation Loan, Environment-friendly Mortgage, Green Car Loan, Green Office Premises Loan, Maximum TEMA Card, Environmental Variable Fund, and Renewable Energy Mix Fund as part of its portfolio of products contributing to green economy. In 2020, İşbank financed the largest sustainability-linked loan deal in Turkey as part of a consortium of seven banks, where a total amount of EUR 650 million credit was extended to Enerjisa Uretim, a leading power generation company in Turkey.²¹ As part of the agreement, commitments were made to significantly increase the share of renewable energy and to attain the best international standards in gender equality.²¹ Moreover, İşbank has set partnerships with International Financial Institutions (IFIs) for financing renewable energy and energy efficiency projects. Since 2008, İşbank has been procuring medium/long term financing from various IFIs including KfW, EIB, EBRD, Proparco, DFC and IFC to provide financing to women entrepreneurs, SMEs, agricultural businesses, businesses located in priority development areas, energy efficiency and renewable energy projects, amongst others.¹⁸ İşbank's efforts to carry its SME financing effectively relates to its collaborations with various SME development institutions, such as KOSGEB (Small and Medium Enterprises Development Organization). Moreover, to address financing requirements of SMEs and women entrepreneurs, the Bank has dedicated loan products such as (i) Support Loan for Small-Sized Businesses, and (ii) Women Entrepreneur Loan with favorable interest rates. As part of these efforts, total lending to SMEs provided by the Bank was EUR 11.03 billion in 2020. Upon the emergence of the pandemic, the Bank launched economic relief packages concurrently with the public banks. With the Solidarity and Support Packages, the Bank extended its support particularly to small business and SMEs impacted by the pandemic.¹⁸

In terms of the environmental targets for its internal operations, the Bank has developed an emission reduction strategy, and aimed to reduce Scope 1 and Scope 2 emissions by 38% by 2025, 65% by 2030, and zero by 2035.¹⁸

¹⁸ İşbank, "İşbank 2020 Integrated Report", at:

<https://www.isbank.com.tr/contentmanagement/IsbankSurdurulebilirlikEN/pdf/2020IntegratedReport.pdf>

¹⁹ İşbank, "İşbank Sustainability Policy", at: <https://www.isbank.com.tr/en/about-us/Documents/sustainability/sustainability-policy.pdf>

²⁰ As per the new Regulation on Unlicensed Electricity Production Generation and the Presidential Decree Number 1044 dated 10 May 2019, is to bring in small-sized plants into the economy by allowing them to generate energy for mainly self-consumption purposes, without the need to obtain a license or establish a company.

Mondaq, "Turkey Adopts New Regulation On Unlicensed Electricity Production In The Electricity Market", (2019), at: <https://www.mondaq.com/turkey/oil-gas-electricity/818764/turkey-adopts-new-regulation-on-unlicensed-electricity-production-in-the-electricity-market>

²¹ PR Newswire, "Enerjisa Uretim signs the largest Sustainability-linked Loan Deal in Turkey", at: <https://www.prnewswire.com/news-releases/enerjisa-uretim-signs-the-largest-sustainability-linked-loan-deal-in-turkey-301134647.html>

Sustainalytics is of the opinion that İşbank's Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on supporting its financing of investments in the transition to a low-carbon and inclusive economy. Sustainalytics notes that the Bank has not established publicly available quantitative, time-bound targets for future sustainable financing and encourages the establishment of such targets.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, 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, could include occupational health and safety, community relations, biodiversity and ecological risks related to the construction, renovation, expansion and reconstruction of large-scale infrastructure and land use change. Sustainalytics highlights the following risk mitigation processes of İşbank:

- As part of the Environmental and Social Risk Evaluation Tool (ERET), the Bank assesses all new investment projects (including project finance, corporate and commercial loans) worth more than USD 10 million based on potential environmental and social impact including the use of natural resources, solid waste, air, soil and water quality, occupational health and safety, public health and safety, involuntary resettlement, and stakeholder engagement. After the initial assessment, the Bank evaluates investments against national legislation and international best practices such as International Finance Corporation (IFC), Performance Standards, European Bank for Reconstruction and Development (EBRD)'s requirements, and the Equator Principles. For high-risk projects, the Bank requires an additional Environmental Impact Assessment Report (EIA) and Environmental and Social Management Plan (ESMP) to ensure proper management of the risks associated with the investments. In 2020, the Bank utilized ERET to assess 12 projects and financed 7 projects considered eligible with a financing sum of USD 365 million.^{18,22}
- İşbank's risk mitigation requirements from financed companies include the following considerations; (i) facilitating forestation efforts to reduce and offset carbon emissions, (ii) protecting biodiversity in specific and protected areas and adopting a Biodiversity Action Plan, (iii) adopting a "Stakeholder Engagement Plan" for investments in order to take into consideration the opinions of locals and other stakeholders, (iv) promoting cumulative impact analyses and ecological impact assessment, and (v) ensuring the compliance with the Occupational Health and Safety (OHS) legislation while developing emergency action plans.²³ As per the Environmental and Social Impacts Policy, İşbank's company-wide exclusion list designates the activities in which the Bank refuses the provision of loans. The exclusion list includes investments involving forced child labor, the production of weapons of mass destruction and land mines, the production and trading of internationally prohibited chemicals, drugs or substances that are harmful to the ozone layer.¹⁸ In 2020, loans for financing greenfield investments of coal and natural gas-fired thermal power plants to be established for electricity generation were added to the İşbank Exclusion List.¹⁸
- As part of the Sustainability Management System, İşbank tracks the environmental impact of its facilities, manages environmental and social impacts caused by credit allocation services, develops capability through sustainability trainings, and monitors key performance indicators of sustainability by conducting regular audits.¹⁸ İşbank has established Occupational Health and Safety Policy, with an aim to establish a safer and healthier working environment that complies with laws concerning occupational health and safety. İşbank has a dedicated Occupational Health and Safety Committee, which is created in accordance with Articles 22 and 30 of the Occupational Health and Safety Law. The Bank reviews its health and safety policy regularly and amend it according to current legislation, codes of practice and changing working conditions.²⁴

²² İşbank, "İşbank Environmental and Social Impact Policy", at: <https://www.isbank.com.tr/en/about-us/Documents/sustainability/environment-and-social-impact-policy.pdf>

²³ İşbank, "İşbank 2019 Integrated Report", at: <https://www.isbank.com.tr/contentmanagement/IsbankSurdurulebilirlikEN/pdf/2019IntegratedReport.pdf>

²⁴ İşbank, "Occupational Health and Safety Policy", at: <https://www.isbank.com.tr/en/about-us/Documents/sustainability/OHS-Policy.pdf>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that İşbank is well positioned to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Section 3: Impact of Use of Proceeds

All twelve use of proceeds categories are aligned with those recognized by GBP, SBP, SBG, and GLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

The importance of financing public education and healthcare facilities in Turkey

According to the World Bank, Turkey has experienced steady economic and social growth in the recent decades with the annual GDP growth rate averaging nearly 5.5% from 2010 to 2020.²⁵ Public expenditures on primary, secondary and tertiary educational institutions in the country increased by 24% (as % of GDP) between 2010 and 2016.²⁶ Despite increases in overall spending, access to education in Turkey remains low compared to other OECD countries. In 2018, 17% of youth were out of school at the upper secondary level, almost double than the OECD average of 7.65%.²⁷ Additionally, there is significant difference in resource allocations between public and private institutions. Expenditure per student on private educational institutions is higher than on public institutions in Turkey, where total expenditure on public institutions amounts to USD 4,732 per student, compared to USD 15,180 on private ones.²⁸ Moreover, the education system has been adversely affected by wide gaps in the quality of education among schools.²⁹ In the 2015 Programme for International Student Assessment (PISA) results, Turkey ranked second to last among OECD countries with 31.2% of the tested students underperforming in mathematics, sciences and reading while OECD average for the same indicator was 13%.³⁰ In the 2018 PISA results, 17.1% of the tested students underperformed in mathematics, sciences, and reading in Turkey, while the OECD average for the same indicator was 13.4%. Sustainalytics recognizes that increased funding for Access to Essential Services including public education infrastructure would help close the gap in the quality of, and access to, free or subsidized education.

In the early 2000s, Turkey underwent major health reforms, and with the support of the World Bank Group, introduced universal health coverage, which is commonly referred to as the Universal Health Insurance system (UHI).³¹ Under UHI, residents who are registered with the Social Security Institution (SGK) can receive medical treatment free of charge from hospitals that have a contract with the SGK. However, data from 2019 suggests that around 7.3% of Turkey's population still faces the unmet medical needs due to reasons such as long waiting lists, distance and/or transportation problems, amongst others.³²

In addition, the Covid-19 pandemic has exposed numerous inadequacies of existing healthcare infrastructure. Turkey's healthcare infrastructure has been underfunded for several years. With spending only 4.3% of the GDP on health expenditure, Turkey has the lowest expenditure on health among the OECD countries.³³ The country also lags in hospital beds per person, where only three beds are available per 1,000 inhabitants.³⁴ Turkey's underfunded healthcare infrastructure led to several constraints during the pandemic and had to respond to a rapid increase in demand for personal protective equipment, sampling and laboratory materials, and other medical supplies.³⁵ By financing prevention, pharmaceuticals, medical supplies, and equipment, İşbank can help Turkey increase its capacity and access to affordable healthcare in disasters and pandemic response.

²⁵ World Bank Data, "GDP growth (annual %) – Turkey", (2021), at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=TR>

²⁶ OECD, "Educational At A Glance 2019-Turkey", (2019), at: https://www.oecd.org/education/education-at-a-glance/EAG2019_CN_TUR.pdf

²⁷ OECD, "Education at a Glance 2020- OECD Indicators", (2020), at: <https://www.oecd-ilibrary.org/docserver/69096873-en.pdf?expires=1623306980&id=id&accname=guest&checksum=F3C185C53A8EE25E30E4C029EF171A2A>

²⁸ OECD, "Educational At A Glance 2020-Turkey", (2020), at: https://www.oecd-ilibrary.org/education/education-at-a-glance-2020_1701b91e-en;jsessionid=KVK8XMQv6GGY0LLtY4UFxcMz.ip-10-240-5-89

²⁹ OECD, "Economic Policy Reforms Going For Growth 2018", (2018) at: <http://www.oecd.org/economy/growth/TUR.pdf>

³⁰ OECD, "PISA 2015- Results in Focus", (2018), at: <https://stats.oecd.org/index.aspx?queryid=30183#>

³¹ World Bank Group, "Universal Health Coverage for Inclusive and Sustainable Development- Country Summary Report for Turkey", (2014), at: <https://documents1.worldbank.org/curated/en/883571468172768922/pdf/912210WP0UHC0C0Box385329B00PUBLIC0.pdf>

³² EuroStat, "Unmet health care needs statistics", (2021), at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unmet_health_care_needs_statistics

³³ OECD Stat, "Health expenditure and financing", (2019), at: <https://stats.oecd.org/index.aspx?queryid=30183>

³⁴ OECD data, "Hospital beds", (2019), at: <https://data.oecd.org/health/hospital-beds.htm>

³⁵ WHO, "WHO reinforces COVID-19 response efforts in Turkey: millions of protective items distributed", (2020), at: <https://www.euro.who.int/en/health-topics/health-emergencies/coronavirus-covid-19/news/news/2020/6/who-reinforces-covid-19-response-efforts-in-turkey-millions-of-protective-items-distributed>

Considering the above, Sustainalytics is of the opinion that İşbank financing for improvements in public healthcare services, including hospitals, clinics, and health care centers, will provide a meaningful contribution to Turkey's healthcare system by helping serve populations with unmet needs.

Importance of financing SMEs to support employment generation and reduce inequalities in Turkey

Turkey has one of the largest regional disparities among OECD countries in terms of unemployment rate and economic development.³⁶ In Turkey, the top 20% of richest regions have a more than three times of GDP per capita compared with the bottom 20% of the poorest regions.³⁷ Similarly, unemployment rates varied significantly across regions, with the top 20% performing regions averaging 9.2% while the bottom 20% regions averaging 21.7% as of 2019.³⁷ However, in Turkey, SMEs are the backbone of the economy and provide significant contributions to regional development, social cohesion, and reducing regional inequalities. As SMEs account for 99.8% of the number of enterprises in Turkey and generate 73.9% of national employment, facilitating the growth of SMEs is a central need to create employments in Turkey.³⁸

SMEs play a vital part of Turkey's economy, and yet they are an underserved segment of the market and face difficulties in accessing finance.³⁹ Moreover, SMEs are substantially impacted by the Covid-19 pandemic, with 80% of SMEs suffering substantial negative impacts such as temporary suspension of activities and a decline in revenues, and 71% identify financial support necessary for business continuity.⁴⁰ Upon the emergence of the pandemic, the Government of Turkey announced an Economic Stability Shield package in March 2020. As part of the Economic Stability Shield stimulus package, the Credit Guarantee Fund limit has been doubled to TL 50 billion and expanded to SMEs providing financial support in need of additional liquidity.⁴¹

In Turkey, women-owned SMEs face greater difficulty in accessing capital and are less likely to receive the full amount of financing that men do. A study shows that only 47% of women-owned SME applications are granted a loan, where the loan amount is 7.5% lower compared to loans men receive.^{42,43} According to the IFC, empowering more Turkish women-owned SMEs and increasing financial access will unleash significant growth potential and can bring positive benefits for other underserved groups by facilitating employment.⁴⁴

Based on this context, Sustainalytics is of the opinion that İşbank's financing to SMEs operating in underdeveloped regions and owned or led by women or vulnerable groups (such as youth), will reduce regional disparities, and bring positive social impacts by increasing employment generation, providing access to finance, supporting female entrepreneurship, and ensuring business continuity for SMEs affected by natural or health disasters, including Covid-19.

The contribution of Renewable Energy, Energy Efficiency, Green Buildings and Low Carbon Transportation to Turkey's climate-related targets

In the past two decades, Turkey's rapid economic and population growth have strongly driven up its energy demand. Between 2005 and 2018, the final energy consumption in Turkey increased by 58%.⁴⁵ Fossil fuels continue to have a major share in Turkey's energy mix, accounting for 83% of the total energy supply.⁴⁶ Considering its heavy dependence on fossil fuel-based sources, Turkey has prioritized the diversification of its energy mix and security of energy supply under its energy strategy. Since 2010, renewable energy has received strong growth, almost doubled the electricity generation from renewable sources.⁴⁷ However,

³⁶ OECD, "Job Strategy- Turkey", (2018), at: <https://www.oecd.org/turkey/jobs-strategy-TURKEY-EN.pdf>

³⁷ OECD, "Regions and Cities at a Glance 2020 – Turkey", (2020), at: <https://www.oecd.org/cfe/Turkey-Regions-and-Cities-2020.pdf>

³⁸ European Commission, "2019 SBA Fact Sheet. Turkey", (2019), at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_turkey.pdf

³⁹ IFC, "IFC Supports SMEs in Turkey During the COVID-19 Slowdown", (2020), at: <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=17783>

⁴⁰ UNDP, "Four in every five SMEs substantially impacted by COVID-19 crisis!", (2020), at: <https://www.tr.undp.org/content/turkey/en/home/presscenter/pressreleases/2020/04/B4G-anket.html>

⁴¹ UNESCAP, "Turkey- COVID Country profile", (2021), at: https://www.unescap.org/sites/default/d8files/202103/Turkey_COVID%20Country%20profile%20230321.pdf

⁴² World Bank, "Is your bank officer gender-biased? The case of SME lending in Turkey", (2020), at: <https://blogs.worldbank.org/allaboutfinance/your-bank-officer-gender-biased-case-sme-lending-turkey>

⁴³ World Bank, "Gender Bias in SME Lending Experimental Evidence from Turkey", (2019), at:

<http://documents1.worldbank.org/curated/en/244611577766368167/pdf/Gender-Bias-in-SME-Lending-Experimental-Evidence-from-Turkey.pdf>

⁴⁴ IFC, "New Financing Tools Empower Turkey's Women Entrepreneurs", News, (2020), at:

https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/turkey-women-entrepreneurs

⁴⁵ IEA, "Key Energy Statistics", (2018), at: <https://www.iea.org/countries/turkey>

⁴⁶ IEA, "Energy supply- Total energy supply (TES) by source, Turkey 1990-2019", at: <https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=Energy%20supply&indicator=TPESbySource>

⁴⁷ IEA, "Energy supply- Electricity generation by source, Turkey 1990-2019", at: <https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=Energy%20supply&indicator=ElecGenByFuel>

renewable energy still accounts for only 17% of the total energy supply, highlighting the considerable scope for Turkey to target more ambitious growth in renewables.⁴⁶ The government set a goal to increase the share of renewable energy sources in total electricity generation to 30% by 2023.⁴⁸ To support the execution of these goals, the Turkish government has mandated a series of national climate-related strategies, including the National Energy Efficiency Action Plan (NEEAP) 2017-2023, which draws upon the National Climate Change Strategy of 2010- 2023 and the Energy Efficiency Strategy of 2012-2023.

Under NEEAP, the government intends to increase energy efficiency and reduce GHG emissions across various sectors. Specifically, the strategy set the goal of reducing Turkey's primary energy consumption by 14% by 2023 as compared to a 2017 baseline.⁴⁹ In order to reach this goal, NEEAP outlines 55 actions defined in various categories, including buildings and services, and transport. In Turkey, the building and the transport sector cumulatively account for 60% of the total final energy consumption and nearly one-third of the total CO₂ emissions.^{50,51} Turkey's building sector has witnessed rapid growth and transformation, indicating an opportunity to constructing new energy-efficient buildings, along with improving existing structures. In this context, the government established the Energy Efficiency Strategy in 2017. The strategy defines actions to "introduce maximum energy requirements for buildings and limits for maximum emissions" and sets a goal to transform at least one-fourth of the building stock in 2010 to sustainable buildings by 2023.⁵² İşbank intends to allocate a portion of its net proceeds to new and/or existing buildings which are/will be certified with recognized third-party standards, such as LEED, or BREEAM. In addition, regarding Turkey's efforts towards transportation, the government has set the Transport and Communications Strategy Goals. Under these goals, Turkey aims to increase the share of railroad transport in freight transport beyond 15% and in passenger transport beyond 10%, thereby reducing road transport's share in freight to under 60% and passenger under 72% by the end of 2023.⁴⁹ Thus, Sustainalytics is of the opinion that İşbank's intent to invest in rail transport for passengers and goods aligns well with Turkey's climate-related goals in the context of decreasing road transportation through an increase in the availability of railroad transport.

In conclusion, Sustainalytics is of the opinion that İşbank's use of proceeds for renewable energy, energy efficiency, green buildings and clean transportation will create positive environmental benefits and contribute to Turkey's national climate-related goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the İşbank Sustainable Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.
Energy Efficiency		
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
Pollution Prevention and Control		12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

⁴⁸ IEA, "National Energy Efficiency Action Plan", (2020), at: <https://www.iea.org/policies/7964-national-energy-efficiency-action-plan-2017-2023>

⁴⁹ IEA, "Turkey 2021 Energy Policy review", (2021), at: https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf

⁵⁰ IEA, "Energy consumption- Total final consumption (TFC) by sector, Turkey 1990-2018", at: <https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=Energy%20consumption&indicator=TFCShareBySector>

⁵¹ IEA, "Energy consumption- CO₂ emissions by sector, Turkey 1990-2018", at: <https://www.iea.org/data-and-statistics/data-browser?country=TURKEY&fuel=CO2%20emissions&indicator=CO2BySector>

⁵² The Asian and Pacific Energy Forum, "Turkey: National Energy Efficiency Action Plan (NEEAP) 2017-2023", at: <https://policy.asiapacificenergy.org/node/3903>

Green Buildings	9. Industry, Innovation and Infrastructure	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.
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.
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.
Sustainable Water and Wastewater Management and Climate Adaptation	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
	11. Sustainable Cities and Communities	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. 11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.
Terrestrial and Aquatic Biodiversity Conservation	6. Clean Water and Sanitation	6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.
	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.
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.
	4. Quality Education	

		4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
Employment Generation Including Through the Potential Effect of SME Financing	8. Decent Work and Economic Growth 10. Reduced Inequalities	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 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

İşbank has developed the İşbank Sustainable Finance Framework under which intends to issue green, social and sustainability bonds and loans, using the proceeds to finance eligible project categories: (i) Renewable Energy, (ii) Energy Efficiency, (iii) Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, (iv) Green Buildings, (v) Clean Transportation, (vi) Pollution Prevention and Control, (vii) Environmentally Sustainable Management of Living Natural Resources and Land Use, (viii) Sustainable Water and Wastewater Management and Climate Adaptation, (ix) Terrestrial and Aquatic Biodiversity Conservation, (x) Access to Essential Services, and (xi) Employment Generation Including Through the Potential Effect of SME Financing. Sustainalytics considers that the projects funded by the sustainability bond proceeds has the potential to facilitate the transition to a low-carbon economy and advance socio-economic development in Turkey.

The İşbank Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the İşbank's Sustainable Finance Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 8, 9, 10, 11, 12, 14, and 15. Additionally, Sustainalytics is of the opinion that İşbank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that İşbank is well-positioned to issue green, social and sustainability bonds and loans and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021 and Green Loan Principles 2021.

Appendices

Appendix 1: Certification schemes for Green Buildings

	BREEAM ⁵³	LEED ⁵⁴	DGNB ⁵⁵	CEDBIK ⁵⁶	BEP-TR ^{57, 58}
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	CEDBIK (Turkish Green Building Council) is a rating system for residential and commercial buildings that is used in Turkey.	Building Energy Performance of Turkey (BEP-TR) Certification is a building energy performance calculation methodology that focuses on district heating and/or renewable energy for buildings above a certain threshold. BEP-TR was developed in alignment with Turkey's regulations and based on the EU's Energy Performance of Buildings Directive (EPBD).
Certification levels	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Certified Good Very Good Excellent	A B C D
Areas of Assessment	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	Environment Economic Sociocultural and functional aspects Technology Processes Site	Energy Efficiency Water Efficiency Land use Health and Comfort Materials and Resources Life on Property Operation and Maintenance Innovation	Outdoor climatic conditions of a building's location Minimum energy performance (MEPs) of retrofits for existing buildings
Requirements	Prerequisites depending on the levels of certification	Prerequisites independent of level of	Percentage-based performance index	Prerequisites (independent of level of certification) + additive	BEP-TR calculates the

⁵³ BREEAM, Building Research Establishment LTD; <https://breeam.com/>

⁵⁴ USGBC, LEED: www.usgbc.org/LEED

⁵⁵ DGNB GmbH, "DGNB", at: <http://www.dgnb-system.de/en/>

⁵⁶ Cedbik: <https://cedbik.org/>

⁵⁷ BEP, Energy Performance of Buildings: <http://www.bep.gov.tr/default.aspx>

⁵⁸ International Partnership for Energy Efficiency Cooperation, http://www.gbpi.org/sites/default/files/Turkey_Country%20Summary_0.pdf

	and credits with associated points This number of points is then weighted by item⁵⁹ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	certification, and credits with associated points. These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment. The environmental, economic, socio-cultural and functional aspects and technical quality each account for 22.5% of the total, process accounts for 10% and the site quality is given a separate grade.	Credits with associated points.	maximum energy needed for heating, cooling hot water, ventilation and illumination of new existing buildings using an hourly calculation. Building Energy Performance Certificates (EPCs) are granted under the "Regulation on Energy Performance in Buildings". An EPC will not be granted to buildings with less than a C rating.
Performance display					N/A
Accreditation	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor	LEED AP BD+C LEED AP O+M	DGNB Certification body		Aligned with EU EPBD
Qualitative considerations	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (fewer minimum thresholds) than LEED certifications.	Widely recognised internationally, and strong assurance of overall quality.	DGNB certification is based on current European Union Standards.	There has been one CEDBIK-certified project in Turkey since CEDBIK's launch in 2016.⁶⁰	The application of BEP-TR is mandatory for all new buildings in Turkey except for industrial buildings, temporary buildings (used for less than 2 years), buildings with a total useful floor area of less than 50m², greenhouses, workshops, and

⁵⁹ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

⁶⁰ DergiPark, Credit Success Rates of Certified Green Buildings in Turkey: <https://dergipark.org.tr/en/download/article-file/683057>

					stand-alone buildings with no heating or cooling requirements.
--	--	--	--	--	--

Appendix 2: Certification Schemes for Forestry

	Programme for the Endorsement of Forest Certification (PEFC)⁶¹	Forest Stewardship Council (FSC)⁶²
Background	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
Basic Principles	• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements	• Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
Types of standards/benchmarks	• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and	• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all

⁶¹ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

⁶² Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview/principles-criteria-v5.a-1112.pdf>

	revision of national forest management standards - Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products - PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo - Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement	operations that want to produce or make claims related to FSC-certified products must possess this certificate) Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)
Governance	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
Scope	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)⁶³ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	- Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC - Only accredited certification bodies can undertake certification - CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. - The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials - The CoC standard includes specifications for the physical separation of certified and non-certified wood	- The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards - CoC standard includes procedures for tracking wood origin - CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products - CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC

⁶³ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

	The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody	
Non-certified wood sources	The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from: - forest management activities that do not comply with local, national or international laws related to: - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labour issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. - genetically modified organisms, - forest conversion, including conversion of primary forests to forest plantations.	FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including: - Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, - Wood harvested in violation of traditional and civil rights, - Wood harvested in forests where high conservation values are threatened by management activities, - Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, - Wood from management units in which genetically modified trees are planted.
Accreditation/verification	Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures. PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.	FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.
Qualitative considerations	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁶⁴ and both have also faced criticism from civil society actors.^{65,66} In certain instances, these	

⁶⁴ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁶⁵ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁶⁶ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

	standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.
--	--

Appendix 3: Overview and Assessment of Aquaculture Certifications

	Aquaculture Stewardship Council⁶⁷	Best Aquaculture Practices⁶⁸
Background	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organization focused on advocacy, the education and leadership of on responsible aquaculture matters.
Clear positive impact	Promoting sustainable aquaculture practices.	Promoting sustainable aquaculture practices.
Minimum standards	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets. As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium’s Seafood Watch programme recommends BAP as a reputable label for freshwater fish, mussels, and shrimp, but not salmon, scallops, or clams. ⁶⁹
Scope of certification or programme	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.	Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star rating display on the label provides this information). Within each fishery-specific standard there are requirements and recommendations which apply to social, environmental, animal health & welfare, and food safety issues.
Verification of standards and risk mitigation	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.	Third-party certification bodies such as Global Trust, Bureau Veritas, Control Union, Lloyd’s Register, NSF, SGS assess compliance against the standard. Non-compliance precludes recertification until the violation is remedied.

⁶⁷ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

⁶⁸ Best Aquaculture Practices, at: <https://www.bapcertification.org/About>

⁶⁹ Monterey Bay Aquarium Seafood Watch, at: <https://www.seafoodwatch.org/seafood-recommendations/eco-certification>.

Third party expertise and multi-stakeholder process	Developed in line with United Nation's Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.	The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments. Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).
Performance display		
Qualitative considerations	Widely recognized and modelled on the successful MSC certification. Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.	Widely recognized within the industry. As the certification process is fishery-specific, the standard may be more robust for some species than for others. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture. GSSI's recognition shows that the two-star Best Aquaculture Practices Certification, for their Salmon Farms, and Finfish and Crustacean Farms standards, is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool. The Tool is underpinned by the FAO Technical Guidelines on Aquaculture Certification and consists of performance areas related to scheme governance, operational management (including chain of custody) and applied aquaculture farm audit standards.

Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:

Türkiye İş Bankası A.Ş.

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:

İşbank Sustainable Finance Framework

Review provider's name:

Sustainalytics

Completion date of this form:

August 3, 2021

Publication date of review publication:

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:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

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 Renewable Energy, Energy Efficiency, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management and Climate Adaptation, Terrestrial and Aquatic Biodiversity Conservation, Access to Essential Services, and Employment Generation Including Through the Potential Effect of SME Financing are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, and Green 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 SDG 3, 4, 6, 7, 8, 9, 10, 11, 12, 14, and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☒ Pollution prevention and control | ☒ Environmentally sustainable management of living natural resources and land use |

- | | |
|--|--|
| ☒ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☒ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☒ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ Other (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---|--|
| ☐ Affordable basic infrastructure | ☒ Access to essential services |
| ☐ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☐ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ 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):

İşbank's internal process in evaluating and selecting projects is managed by the Sustainable Finance Working Group (the "SFWG"). The SFWG consists of representatives of various departments, including Investor Relations and Sustainability Division, responsible for İşbank's sustainability oversight. This is in line with market practice. In addition, the Bank's responsible finance approach is applicable to all allocation decisions under the Framework and is viewed as adequate risk management systems. Sustainalytics considers this to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |

- ☐ Summary criteria for project evaluation and selection publicly available
- ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
- ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

İşbank's processes for management of proceeds is overseen by Financial Institutions Division. İşbank intends to fully allocate net proceeds within three years of issuance and may also use proceeds to refinance loans up to three years preceding the issuance. The Bank will monitor the Sustainable Loan Portfolio and make periodic adjustments as needed in order to ensure that the net proceeds of the outstanding loans and/or bonds issued under the Framework matches the total allocation. Pending allocation, the proceeds may be temporarily invested in cash and/or cash equivalent, and/or liquid marketable instruments. This is in line with market practice.

Tracking of proceeds:

- ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☐ Allocations to future investments only
- ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☒ Allocation to a portfolio of disbursements
- ☒ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (please specify):

4. REPORTING

Overall comment on section *(if applicable)*:

İşbank intends to annually report, on its website, the allocation and impact of the loans and/or bonds until full allocation. Allocation reporting may include, to the extent feasible, the total amount of proceeds allocated to eligible loans, the number of eligible loans, the balance of unallocated proceeds and the portion of new financing and refinancing. In addition, İşbank intends to report on relevant qualitative and quantitative indicators where feasible and has provided indicative metrics in the Framework. Sustainalytics views İşbank's allocation and impact reporting as aligned with market practice

Use of proceeds reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
 ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts
 ☐ Sustainability Bond financed share of total investment
- ☒ Other (please specify): Number of eligible loans, Percentage of new financing and refinancing

Frequency:

- ☒ Annual
 ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
 ☐ Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☒ Decrease in water use | ☒ Number of beneficiaries |
| ☒ Target populations | ☒ Other ESG indicators (please specify): Expected annual renewable energy generation, Storage capacity, Distribution capacity, Annual savings of relevant resources, Annual savings of relevant resources, Number of electric/low carbon vehicles, Number of passengers, Number of km of new electric train/electric bus lines created/maintained, Type and annual amount of recycled waste. Energy generation, Amount and type of pollutant treated per year, Organic farming certification scheme, Sustainable agriculture land area, Land restored, Annual amount of wastewater treated, reduced or avoided, Liters of clean water provided, Maintenance/safeguarding/increase of protected area |

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): report on its website
☐ 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.

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named

2015: Best SRI or Green Bond Research or Rating Firm
 2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
 Principles



The
Social Bond
 Principles