

## Welcome to your CDP Climate Change Questionnaire 2022

### C0. Introduction

#### C0.1

##### **(C0.1) Give a general description and introduction to your organization.**

Heading towards celebrating its 100th anniversary in 2024, İşbank has been operating as the symbol of trust and stability in all segments of the society with all the values it has created. Established as the 1st national bank of the Republic, İşbank has been one of the prominent economic actors in the country with its support for economic development. İşbank leads the banking sector in Turkey with its products and services offered in the corporate, commercial, retail and private banking segments. İşbank Group is an integrated group with its subsidiaries operating in many sectors. As of the end of 2021, İşbank has direct partnership in 29 companies. The number of companies controlled directly/indirectly by Bank is 132. With its wide shareholder base, the number of İşbank shareholders is nearly 175 thousand. İşbank Member's Supplementary Pension Fund, an institution that has the membership of nearly 49 thousand employees and retirees, holds 37.26% of the Bank's capital. Representing trust and prestige in the eyes of society, İşbank's 22,802 employees serve approximately 21 million customers as of 2021 year-end. With its total asset size of TRY 926.6 billion along with 1,174 domestic branches & 6,476 ATMs in total, İşbank is the largest private bank in Turkey. With its 21 overseas branches in total, the Bank provides services in 14 branches in the Turkish Republic of Northern Cyprus, two each in the UK, Iraq, Kosovo, and one in Bahrain. Alongside its widespread branch network, İşbank expands its digital service channels day to day and strengthens its competitive position. Global trends, social risks imposed by population growth and inequality, environmental factors related to climate change, and increasing transparency expectations from all stakeholders have been redesigning ways of doing business in the banking sector as well as in many others. This transformation process, offering opportunities if well managed in addition to a number of threats it brings along, obliges banks which are among the key elements of sustainable development, to implement new approaches in business models. We, as the "Bank of Turkey," both contribute to the national economy & social development in line with our founding philosophy & adapt the change and transformation with a holistic viewpoint. Within this framework, we fulfill the commitments of the Principles



of the UNGC, and thus contribute to the SDGs with a responsible financing approach, which handles economic, social & environmental effects as a whole. We've updated our material issues in the field of sustainability considering risks & opportunities and analyzed the global trends that have an influence on our operations, in 2021. Sustainability priorities were revised in accordance with the AA1000 Stakeholder Engagement Standard in such a way that it reflected the opinions of İşbank employees and external stakeholder expectations. Sustainability has been placed among the strategic priorities, and it has been integrated into core business by embedding ESG considerations into risk management processes, product & service development and long-term strategies at İşbank. As a financial institution, we are aware of our responsibility in transitioning to carbon neutral economy. İşbank has determined its emission reduction strategy and targets to become a carbon-neutral bank in terms of environmental impacts arising directly from its operations in 2020. We have further strengthened our commitment to supporting the transition to a net-zero economy by joining the industry-led, UN-convened Net-Zero Banking Alliance (NZBA) in 2022. The Alliance brings together banks worldwide committed to aligning their portfolios with net-zero emissions by 2050 in line with the most ambitious targets set by the Paris Climate Agreement. İşbank provides financial support for renewable energy projects and diversifies the portfolio of environment-friendly products. As of the end of 2021, renewable energy projects accounted for 71% of the total energy generation projects portfolio. While the financing for renewable energy increases, İşbank continues to reduce financing share of energy generation from coal and natural gas fired power plants in the energy portfolio. "Loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" have been added to the Exclusion list in 2020, İşbank has taken another step to lead the sector and decided not to finance "new coal mining investments" and "gold mining conducted by using cyanide" in 2021. Moreover, the Bank develops collaborations with international financial institutions to finance renewable energy and energy efficiency. The weight of products that support the green economy, such as sustainability-linked syndicated loans, sustainability-linked loans, Solar Loan by İşbank, Energy Efficiency Loan, Green Mortgage, Green Vehicle Loan, in the Bank's product portfolio is increasing day by day.

## C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1, 2021	December 31, 2021	Yes	1 year

### C0.3

**(C0.3) Select the countries/areas in which you operate.**

Turkey

### C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

TRY

### C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

Operational control

### C-FS0.7

**(C-FS0.7) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?**

	Does your organization undertake this activity?	Industry sectors your organization lends to, invests in, and/or insures
Banking (Bank)	Yes	Exposed to all broad market sectors
Investing (Asset manager)	No	
Investing (Asset owner)	No	
Insurance underwriting (Insurance company)	No	



## C0.8

**(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?**

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	TRAI5CTR91N2 (for Group C shares)

## C1. Governance

### C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

#### C1.1a

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board-level committee	The Board of Directors has ultimate oversight of the Bank's work to identify, assess and integrate climate-related risks and opportunities throughout the organization. The Board of Directors has also tasked a sub-committee, the Sustainability Committee, to focus on sustainability & climate-related issues. One expression of the importance of sustainability & climate related matters at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as ten Deputy Chief Executives. By the leadership of Chairperson, the Board of Directors considers climate-related issues when reviewing & guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting our performance objectives, monitoring implementation and performance. The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. In 2021, the Sustainability Committee met 4 times with the full

	<p>participation of the members and took 4 decisions. One of the decisions taken in 2021 is the introduction of environmental and social risk assessment to the commercial loan portfolio.</p> <p>İşbank has already been using a specific Environmental and Social Risk Assessment Tool to evaluate potential environmental and social risks of new investment projects (with a total investment sum of over USD 10 million). According to decision taken at the Committee, we initiated E&amp;S due diligence process for the commercial loan portfolio which is not within the scope of E&amp;S Risk Assessment Tool.</p> <p>The aim of the decision is to assess customers' ESG maturity and awareness and resilience levels against climate risks with the help of questionnaires including one about E&amp;S due diligence questions as well as climate-focused questions. Once the new structure is implemented and fully integrated into IT systems, E&amp;S risk assessment will be on the agenda of employees at every level from front office to head office. This will improve the understanding and know-how about climate-related issues at the Bank and allow İşbank to undertake climate-related risk assessments during the client onboarding.</p>
<p>Board-level committee</p>	<p>Risk Committee is responsible for articulating risk management strategies (including climate change risk) and policies İşbank will adhere to on both bank-only and consolidated basis, presenting them to Board of Directors for approval and monitoring compliance with them. Committee is the common communication platform for the Bank's executive divisions in terms of assessing the risks the Bank is exposed to, making suggestions about the actions to be taken and approaches to be followed. Committee Chairman is a Board member and elected by the Board. Members of the Audit Committee, CEO, Deputy CEO who is in charge of Internal Systems Divisions, Heads of Risk Management Division, Compliance Division and Internal Control Division are fundamental members of the Risk Committee. In addition to these members, a Board Member appointed by the Committee Chairman and three Deputy Executives appointed by the CEO also serve as Committee members. In terms of climate change risk, Risk Committee has oversight responsibility and is appointed as "Accountable" on the following activities regarding climate risk management and governance:</p> <ul style="list-style-type: none"> <li>- Reporting of climate change risk indicators included in the bank's risk appetite framework</li> <li>- Establishing and reviewing climate change risk policies,</li> <li>- Creating, developing, periodically reviewing and updating the climate change risk questionnaire,</li> <li>- Designing, monitoring and updating the climate change risk heat map,</li> <li>- Designing, monitoring and updating climate change risk scenario analyses,</li> <li>- Periodic review and calibration of models used in the measurement of climate change risk,</li> <li>- Monitoring climate change risk indicators and reporting to relevant committees,</li> <li>- Periodic review and updating (if necessary) of climate change risk indicators.</li> </ul>

	<p>In September 2021 , with the oversight of the Risk Committee and approval of the Board, İşbank has added the risk indicator "Share of Sectors With High Climate Change Risk Within Total Commercial Portfolio" to its solo risk appetite framework. The motivation was to prevent the credit risk concentration within the bank’s commercial loan portfolio on the sectors that are highly exposed to climate change risks and to provide guidance for a lower-carbon portfolio composition in subsequent periods. This indicator is quarterly measured and reported to the Board by Risk Committee.</p>
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## C1.1b

### (C1.1b) Provide further details on the board’s oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	<ul style="list-style-type: none"> <li>Reviewing and guiding strategy</li> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding annual budgets</li> <li>Reviewing and guiding business plans</li> <li>Setting performance objectives</li> </ul>	<ul style="list-style-type: none"> <li>Climate-related risks and opportunities to our own operations</li> <li>Climate-related risks and opportunities to our banking activities</li> <li>The impact of our own operations on the climate</li> <li>The impact of our banking activities on the climate</li> </ul>	<p>Climate-related issues are raised to the agenda of the board by our board level Sustainability Committee with scheduled meetings. Climate-related issues are embedded in the most material decisions, such as reviewing and guiding strategy, major plans of action, risk management policies, business plans and sustainability policies.</p> <p>The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. Deputy Chief Executive in charge of Investor Relations &amp; Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank’s sustainability initiatives and represents the Bank in sustainability communication including stakeholder engagement. Apart from board-level Sustainability Committee and the CSO, there is Sustainability Coordinator and Sustainability Working Group (WG). Head of Investor Relations &amp; Sustainability serves as the Sustainability</p>

	<p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>Coordinator to ensure sustainability issues are effectively embedded in the Bank's executive bodies. To this end, the Sustainability WG is convened regularly, which contains representatives from all key areas of the Bank, such as credit underwriting, risk management, project finance, product development and marketing, procurement, construction &amp; real estate management, talent management. The objective of the Sustainability WG is to ensure sustainability &amp; climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions.</p> <p>Our Sustainability Coordinator who is responsible for ensuring effectiveness of work among the executive organs, is able to raise any related issue, progress or proposal anytime as important matters arise, on the agenda of the Board of Directors through the Sustainability Committee.</p> <p>In 2021, the details of the Carbon Border Adjustment Mechanism was announced by the European Commission. As the mechanism aims to charge a certain carbon price on the goods imported into the EU, Turkey is expected to be one of the most affected countries since it is the sixth largest trading partner of the EU. The Sustainability Coordinator raised the issue of possible effects of CBAM on İşbank's exporting customers to the agenda of the Sustainability Committee. The committee decided to follow the issue with a dedicated working group in order to seize opportunities and manage risks that will arise from the new mechanism. Upon the decision, a dedicated working group is convened on a weekly basis to develop alternatives on providing financial assistance to our exporter customers, especially SMEs who will be affected by the regulation. Going beyond financing, we are working on consulting our customers in their transition to low carbon economy as well. This working group is organizing online and face-to-face meetings for the SMEs to enhance their awareness on the issue.</p>
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<p>Scheduled – some meetings</p>	<p>Reviewing and guiding risk management policies</p>	<p>Climate-related risks and opportunities to our own operations                      Climate-related risks and opportunities to our banking activities                      The impact of our own operations on the climate                      The impact of our banking activities on the climate</p>	<p>Risk management activities of the Bank are conducted by the Risk Management Division reporting to the Risk Committee and the Board of Directors. Financial &amp; non-financial risks are reported to the Risk Committee on a monthly basis and, through the Audit Committee to the Board of Directors respectively.</p> <p>İşbank’s Climate Change Risk Taxonomy, Climate Change Risk Policy, Methodology and Principles Regarding the Measurement and Management of Climate Change Risk and Climate Change Risk RACI Matrix have been established by Risk Committee, approved by the Board and came into effect in March 2021. These policies/documents are reviewed at least annually by Risk Management Division and Risk Committee and any changes made come into effect by Board’s approval. Risks related to climate change were classified under strategic risks of the Risk Catalogue of the Bank by the approval of the Board of Directors. Any changes related to climate risk management framework are presented and raised to the agenda of the Board by the outlined governance structure.</p> <p>İşbank integrated climate risk into its risk appetite framework in September 2021, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transportation, cement production, etc. Bank’s risk profile of climate related risks and any breaches in the risk appetite or risk tolerance limits are monitored by Risk Management Division/Risk Committee and escalated to the Board for further actions. In addition, İşbank disclosed its climate change risk management framework and objectives in its 2020 and 2021 ICAAP reports.</p>



## C1.1d

### (C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues
Row 1	Yes	<p>At İşbank, the Board of Directors has ultimate oversight of considering, evaluating, and integrating climate-related issues into the risk management structure and strategy. All the members of the Board have sufficient awareness and understanding of the ways in which climate change may affect the way of doing business.</p> <p>Since 2020 when a project about the management of climate change risks was launched at İşbank, the Board and more specifically the Sustainability and Risk Committees are provided information about climate related issues on a regular basis. In 2020, various informative presentations were made by the consultant firm Oliver Wyman to the Risk Committee which includes Board members, in order to enhance the awareness about the importance of climate action in terms of the SDGs, the importance of climate change risks for the İşbank and our stakeholders, the current regulatory examples on climate change published by regulatory bodies. In 2021, climate change risks were integrated into the risk management structure and Climate Change Risk Policy was approved by the Board. Since then, various indicators related to portfolio-level risk assessment are reported to the Risk Committee and the Board of Directors on a quarterly basis. What is more, Risk Committee and the Board are informed about climate change risks on a regular basis via quarterly Board level risk reports.</p> <p>Sustainability Committee which includes three Board level directors are also informed on the committee meetings about the latest developments about climate change and its implications. For example in one meeting in 2021, the Sustainability Committee was informed about voluntary and mandatory carbon markets along with international practices and the implications for Turkey and İşbank. As sustainability has become a strategic priority for İşbank and the climate considerations has been integrated to way of doing business, the climate competence of the Board has increased considerably. One of the Board members is enrolled in a PhD program in Banking and his research focuses</p>

		on climate change risks in terms of capital requirements in the banking sector.
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## C1.2

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Sustainability Officer (CSO) ☞ <sub>1</sub>	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our banking Risks and opportunities related to our own operations	Quarterly

☞<sub>1</sub>Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) (Sustainability Leader) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication

## C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	All C-Suite executives at İşbank have cost optimization targets, which include the energy costs of their respective units. These targets are included in their performance cards which affects their annual remuneration. The CSO has an additional target of taking part in BIST Sustainability Index assured via performance card which affects annual remuneration.  In 2022, we expanded and revised the scope of sustainability-related KPIs in the performance cards of C-Suite

		executives to be aligned with the sustainability related targets in our Strategic Plan.
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### C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Chief Sustainability Officer (CSO)	Monetary reward	Energy reduction target Company performance against a climate-related sustainability index	All C-Suite Executives, including CSO, have cost optimization targets including the energy costs of units inside İşbank. This target is included in their performance cards which affects their annual remuneration.  In addition to energy reduction target, the CSO has an annual target of taking part in BIST Sustainability Index assured via performance card, which affects annual remuneration. Taking part in the mentioned Index requires fulfilment of several climate-related tasks and getting an ESG score above predefined threshold from Refinitiv.

### C-FS1.4

**(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG criteria, including climate change?**

	Employment-based retirement scheme that incorporates ESG criteria, including climate change	Provide reasons for not incorporating ESG criteria into your organization's employment-based retirement scheme and your plans for the future
Row 1	No, and we do not plan to in the next two years	Pension rights of our employees at our bank are realized within the framework of the conditions specified in the legal legislation.

## C2. Risks and opportunities

### C2.1

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

### C2.1a

**(C2.1a) How does your organization define short-, medium- and long-term time horizons?**

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	30	

### C2.1b

**(C2.1b) How does your organization define substantive financial or strategic impact on your business?**

İşbank's definition of substantive financial impact (or strategic impact) relies on its four-point-scale risk assessment methodology, which is based on the comparison of the magnitude of the expected loss (or a decrease in profits) from a risk factor (or types of risks with the same underlying root cause) with Bank's average yearly expected operational income for the next 3 years, and its likelihood. Impact categories are identified as "low", "mid-low", "mid-high" and "high" and their impact components are determined as a specific proportion (%0,01, %0,1 and %1) of yearly average of next 3 years' estimated Net Operating Income (NOI = Gross Operating Income – Expected Credit Loss – Other Provision Expenses – Personnel Expense – Other Operating Expenses), which is calculated in ICAAP. For instance for 2021, an expected financial impact magnitude up to 1,4 million TRY was defined as "low", between 1,4 million and 14 million TRY as "medium-low", between 14 million TRY and 140 million TRY as "medium-high", above 140 million TRY as "high". Any risks with an expected loss amount above 14 million TRY (high and mid-high categories) are by definition considered to have a substantive financial impact on our business. Combining the potential impact of a risk with its likelihood (low, mid-low, mid-high and high) gives us the Expected Gross Loss Matrix. By adding control efficiency to the picture, we reach to the Net Risk Matrix.

For any risks that might have financial and strategic impact on our business, such as climate change risk, definition of substantive impact and its thresholds does not differ from the methodology explained above. For example, according to our scenario analysis conducted for 2021YE, a \$15/tCO<sub>2</sub>e carbon tax enforcement on non-renewable energy generation sector in a 3-years horizon, with a “mid-high” likelihood, is expected to lead to approximately a 1.9 billion TRY potential increase in Bank’s ECL in total, which indicates a highly critical risk and a substantive impact on Bank’s financials. In order to mitigate transition risks stemming from these exposures, “loans for financing greenfield investments of coal-and natural gas-fired thermal power plants to be established for electricity generation” has been added to the Exclusion List of İşbank and funding of this type of projects are prohibited. Activities of these SPVs in the portfolio are closely monitored and any decrease in the payment capability is reflected on ECL to prepare for the possibility of these facilities becoming stranded.

## C2.2

**(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.**

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**Value chain stage(s) covered**

Direct operations

Upstream

**Risk management process**

A specific climate-related risk management process

**Frequency of assessment**

Annually

**Time horizon(s) covered**

Short-term

Medium-term

**Description of process**

Although İşbank's most important climate-related risks are related to financing, upstream and operational climate risks are also taken into account in the Bank's risk management processes. Upstream and operational risks are managed in two main areas at the Bank. The first is

upstream risks, which are managed by ensuring that our suppliers compliance with the Bank's minimum environmental and social assessment criteria. In accordance with the Sustainability Policy, İşbank endeavors to minimize the negative environmental and social impacts caused by suppliers, and to raise the positive effects to maximum levels. In this context, the Bank respect environmental and social criteria in its supplier selection. The requirement to take environmental impacts into consideration during procurement activities is set out in the Procurement Policy. Various criteria are evaluated, such as whether the supplier company has an active environmental management system in place, whether the legal requirements for the disposal of waste generated from the activities carried out for the Bank are met, whether recycled materials are used, and the frequency of environmental emergencies. In procurements with high environmental impact, suppliers are expected to submit the required documents related to the subject. No goods or services are purchased from those suppliers who fail to meet the expectations.

As part of supply chain management, İşbank expects its suppliers to:

- meet the Bank's expectations of quality-logistics performance,
- act in accordance with the environmental and ethical rules,
- keep up with the developing and changing industry conditions,
- make plans in cooperation with the Bank in order to reduce the negative impact of production processes on the environment,
- prefer raw materials and materials with minimal impact on the environment during their procurement activities,
- try to minimize the environmental impact associated with their production and logistic processes, and
- prefer packaging materials with minimal environmental impact.

Also risks related to our direct operations are mainly associated with our head office buildings, data center and branches. Paperless banking activities are carried out and performance indicators of waste generation, water and energy consumption and carbon emission in the head office, technology and operations centres as well as data centre and branches are monitored. Environment friendly buildings play a key role in reducing the environmental impact of İşbank's activities. İşbank's big buildings such as the head office, operations center and data center were designed to minimize their environmental impact. İşbank head office building in Levent, Istanbul has a BREEAM In-use Excellent certificate. Tuzla Technology and Operations Center (TUTOM) received the LEED Gold certificate. The Bank's Tuzla Data Center (Atlas) building has been certified with LEED v4 Gold for Data Centers. Atlas is the first data center in Turkey that meets such high standards. At İşbank, an ISO 14001 Environmental Management System Project has been in place since 2018 in order to reduce its environmental impact and build an environmental management system that complies with international standards. As of 2021, İşbank has ISO 14001 Environmental Management System Certificates for 847 locations. The Bank aims to achieve ISO 14001 Environmental Management System Certification for all of its locations by receiving certification for 492 locations by year-end 2022. As of yearend 2021, the ratio of certified locations to the total number of locations of the Bank is 63%, which is expected to be increased to 100% by year-end 2022. İşbank aims to maintain its environmental management system which complies with international standards in the coming years.

## C2.2a

### (C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	<p>İşbank’s climate change risk assessments are based on its climate change risk taxonomy, which is reviewed regularly and upgraded to reflect the latest recommendations from reputable sources such as TCFD and publications of international supervisors. Therefore, the Bank considers both transition and physical risks and their sub-categories in the risk assessment. İşbank categorizes current policy/regulatory risks under transition risks. Examples of the regulation considered include regulations for carbon emission disclosures (The Bank itself has to calculate and report its scope 1 and 2 emissions as a requirement of Capital Markets Board of Turkey, if not it has to explain) and the filtration/carbon emission requirements (regulated by “Ministry of Environment, Urbanization and Climate Change”s “Environmental Law” and “Communique on Monitoring and Reporting of Greenhouse Gas Emissions”) for companies that operate in carbon intense sectors such as energy generation. Bank not only monitors, reports and verifies these types of regulation, but also expects its customers to comply and in case of non-compliance, it factors in developments into its periodic credit reviews and provision calculations. Examples of the regulation considered include i) the monitoring, reporting and verification regulation for energy intensive industries, and ii) the filtration requirements for energy generation companies.</p> <p>The Bank expects its customers to comply with such requirements and in case of non-compliance, it factors in developments into its periodic credit reviews and provision calculations.</p>
Emerging regulation	Relevant, always included	<p>As part of İşbank’s risk taxonomy the Bank considers emerging regulation under transition risks. For bank-related and customer-related regulations the Bank’s business lines, underwriting, E&amp;S, legal and compliance teams monitor regulations that are under consideration and relevant.</p> <p>A significant risk driver in terms of emerging regulation is Carbon Border Adjustment Mechanism (CBAM), which will introduce a carbon price on certain products imported by the EU in the scope of cement, electricity, fertilizers, iron and steel, and aluminium sectors. For that matter, Bank has recently conducted a scenario analysis to assess the impact of CBAM on its commercial loan portfolio by considering its customers’ current compliance with CBAM’s carbon emission standards and their dependences on revenues generated from imports to EU. Another example of the emerging climate regulation includes the evolution of existing GHG emission monitoring, reporting and verification regulation of the Ministry of</p>

		<p>Environment, Urbanization and Climate Change towards a Carbon Tax or Emission Trading Scheme, which implies an increased cost of GHG emissions. Such developments are considered in the climate risk assessment. Specifically, for carbon pricing the bank is also running scenario analysis to understand its exposure to high-risk sectors in terms of climate risks.</p> <p>In terms of regulatory activities in Turkey, Banking authority in Turkey (BRSA) has announced “Sustainable Banking Action Plan” on 24.12.2021. Within the scope of the plan, it is aimed to establish a financial sector that can effectively manage climate-related risks and opportunities and provide the necessary financing for sustainable investments and projects under appropriate conditions in order to effectively implement the commitments made by our country and the announced plans and policies within the scope of the Paris Climate Agreement. The Plan includes actions to measure, analyse and manage the physical risks related to climate change, to which the financial system, especially the banking sector, are increasingly exposed, and the transition risks related to the transition to a low carbon economy. Also, the Bank reviews potential foreign regulations that may affect its direct operations as well. For example, in the UK, the PRA’s BES2021 requires banks to conduct climate related stress testing of their portfolio. Anticipating similar developments, the bank is also advancing its climate risk management capabilities.</p>
Technology	Relevant, always included	<p>As part of İşbank’s risk taxonomy, the Bank considers technology risk under transition risks. The transition to a low-carbon economy will result in displacement of existing technologies and therefore lead to additional cost or loss of competitive advantage for some companies, which in turn lead to increased credit risk for the Bank. One powerful example of technology risk is the technological development in the area of renewable energy. The price of wind turbines and solar panels have fallen so steeply in the last decade, they are now cost competitive and even cheaper than traditional power generation technologies that are reliant on fossil fuels. That creates an important transition risk for older assets that are reliant on older technologies, making them less economical and even stranded. Another example of a technology risk could be the displacement of existing combustion engine vehicles by electric vehicles. Continuing cheapening and improvement of battery technology constitutes a huge threat to transportation sector, which is increasingly prone to technology risks and assets stranding. This could materially affect Automotive OEMs’ financials due to the requirement for additional investment. Another example is that new climate-friendly ventilation and cooling technologies create additional investment needs in the Bank’s service buildings by rendering old technologies idle. We are closely monitoring and taking into account the evolution of the technological and digital transformations in the economy that might create additional transition risk, as well as other risks that are not intuitively fall in the scope of climate change.</p>



Legal	Relevant, always included	<p>As part of İşbank's risk taxonomy, the Bank considers legal risks under transition risks. Examples of legal risks include risks that may result from clients' non-compliance to regulations and protocols associated to climate change. Lawsuits, compensation requests or suspension of operations that İşbank customers may face can cause deterioration of financial performance and an increase in the PD (probability of default).</p> <p>In this context, the Bank is closely monitoring developments on potential litigation, and "suspension of activity" cases in energy and cement sectors and takes firm-level business decisions considering implications of such developments. One particular risk realization took place in early 2020, in which several conventional energy generation plants operating in Turkey faced legal fines and suspension of their operations because of non-compliance with filtration requirements and lack of necessary environmental investments. Suspension of operations resulted in the loss of income due to a reduction in the electricity generation capacity for some of İşbank's customers. Changes in generation capacity caused a deterioration of the customers' payment capacity and consequently increased credit provisions allocated for these facilities. In our scenario analysis framework, we closely monitor these facilities' compliance with regulatory requirements and estimate the financial impact of a potential re-suspension in the future.</p>
Market	Relevant, always included	<p>As part of İşbank's risk taxonomy, the Bank considers market risk under transition risks. Market risks arising from changes in supply and demand dynamics of products and services are a type of transition risks for the Bank.</p> <p>Examples of market risk include abrupt and unexpected shifts in input (e.g. oil price), electricity costs or changes in consumer behavior (e.g. favoring "green" products). Such changes may impact heavy industries or the transportation sector which account for a sizable portion of the credit portfolio. Similarly, the Bank's direct operations might be exposed to market risks since an increase in input price (electricity price) due to climate-related events or regulations will have an impact on Bank's operational expenses.</p>
Reputation	Relevant, always included	<p>As part of İşbank's risk taxonomy, the bank considers reputation risk as a type of transition risk. Examples of reputation risk include loss of investor appetite, loss of access to green facilities or inability to meet customer expectations related to climate change or non-compliance to certain commitments that İşbank makes publicly or non-publicly (e.g. commitments to Development Finance Institutions when sourcing green funds). Similarly, the Bank's customers may be exposed to reputation risk due to their carbon-intensive or unsustainable activities. Examples include misconduct in terms of reporting emissions or damages to environment due to their activities. Aligned with its ambition to manage these risks, the Bank does not finance certain sectors (such as greenfield investments of coal- and natural gas-fired thermal power plants, coal mine investments, production of materials that may damage the ozone layer) to mitigate potential risks.</p>

Acute physical	Relevant, always included	Acute physical risks such as increased frequency or severity of weather events, may affect both Bank’s customers and its direct operations. Examples of acute physical risks include damage to the Bank’s facilities and damage to collateral the Bank has in relation to its lending activities. Similarly, Bank’s customers are exposed to acute physical risks, for example agriculture companies may lose their income due to acute wildfires, hail storms or floods. In addition, acute extreme weather events may trigger liquidity risk for the Bank, due to the damages and uncertainty that may be caused by the weather events. Specifically, food and health products shortages, as well as repair costs, might create a high demand for deposit withdrawals.
Chronic physical	Relevant, always included	İşbank considers the impact from long-term “chronic” changes in climate. Given governments are taking major action to mitigate the impacts of climate change, the Bank expects chronic risks to materialize in considerably longer term compared to transition risks. Nonetheless, chronic physical risks are important and taken into account. An example of chronic physical risk would be a long-term drop in precipitation levels, which could threaten the productivity of hydropower generation plants, and thus affect the payment capacity of customers operating such plants.

### C-FS2.2b

**(C-FS2.2b) Do you assess your portfolio’s exposure to climate-related risks and opportunities?**

	<b>We assess the portfolio's exposure</b>
Banking (Bank)	Yes

### C-FS2.2c

**(C-FS2.2c) Describe how you assess your portfolio’s exposure to climate-related risks and opportunities.**

Type of risk management process	Proportion of portfolio covered by risk management process	Type of assessment	Time horizon(s) covered	Tools and methods used	Provide the rationale for implementing this process to assess your portfolio's exposure to climate-related risks and opportunities

Banking (Bank)	A specific climate-related risk management process	74	Qualitative and quantitative	Short-term Medium-term Long-term	UNEP FI Portfolio Impact Analysis Tool for Banks Scenario analysis Internal tools/methods	Pursuant to its commitment the Principles of Responsible Banking, in 2021 İşbank has started its first round of impact analysis of its loan portfolio by utilizing the Portfolio Impact Analysis Tool (Tool) which has been developed by Principles for Responsible Banking Signatories and UNEP FI Member Banks. The Tool focuses on maximizing the positive impacts and reducing the negative impacts by identifying the positive and negative impact areas resulting from the banking activities which creates valuable data and insight for target setting. Since the Tool is specifically designed to enable Banks to comply with the reporting and self-assessment requirements under Principle 2 on Impact Analysis and Target-setting of the Principles for Responsible Banking (PRB), it is widely accepted and fit for purpose. As an initial step towards impact analysis, non-retail loans portfolio (corporate, commercial, SME segments) which constitutes 74% of the total loan portfolio of İşbank is included in the impact analysis process. Retail portfolio is not included in the impact analysis study at this stage, yet it is aimed to be included in the upcoming years. As the vast majority of the operations of the Bank originate from Turkey, activities in other countries were not considered in the impact analysis. The banking activities covered by the tool have been categorized into four main categories: Consumer Banking, Business Banking, Corporate Banking and Investment Banking. İşbank's business segmentation is different from the tool's.
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					<p>Because of that reason the Bank adapted its internal loan segmentation while using the tool rather than the tool's breakdown in order to reach meaningful results. With respect to İşbank's definition of loan categories the Bank analyzed Corporate and Commercial segments in Corporate Banking category; SME segments in Business Banking category respectively. Results of the tool indicate that "Climate", "Inclusive and Healthy Economies" and "Waste" emerge as three significant areas of impact.</p> <p>In addition to the Portfolio Impact Analysis Tool of PRB İşbank uses a sectoral "Climate Change Risk Heatmap" to identify sectors that should be prioritized in climate change risk assessment and risk appetite framework. The heatmap helps to determine to what extent each sector is affected by the risks of climate change, and to what risk types and risk events these sectors will be exposed to. In this context, the identification of priority sectors and risk events in terms of climate change risk constitutes the main objective of the climate change risk heat map study. We combine climate risk related literature, external studies and expert input to assess climate risk level. The qualitative assessment is translated into a 5-grade risk scale (high, high-mid, mid, mid-low, low) to assess vulnerability of each sector to climate change risks. High-risk sectors are prioritized in the scenario analysis to be carried out after the creation of the heat map. Also; in order to prevent the credit risk</p>
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					<p>concentration within bank’s commercial loan portfolio on the sectors that are highly exposed to climate change risks and to provide guidance for a lower-carbon portfolio composition a risk tolerance in term of loans outstanding for the future, İsbank defined Board approved risk tolerance limits for sectors with a high climate risk in the Heatmap.</p> <p>Climate change risk impact quantification for the determined sector and risk events is conducted by Bank’s “Scenario Analysis” approach which incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman’s “Transition Check” methodology. The scenario analysis aims to calculate the projected effects of a climate related risk event (such as an emerging Carbon Tax or Emission Trading Scheme regulation) on client firms’ PD rates and corresponding ECL, as these factors are likely to have a direct substantive financial impact on Bank’s financials. The scenario analysis focuses on sectors where the risk of climate change is determined as high risk in the heat map. The rationale behind choosing the scenario analysis method for measuring climate change risk: 1. Quantification requirement: Climate change risk has an expected credit loss (ECL) effect on the portfolio. Scenario analysis is used to quantify this effect. 2. Lack of statistical data: Data sources that can be used for statistical purposes in bank systems or external sources related to climate change risk are</p>
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						limited. This situation creates the need for scenario analysis for climate change risks. 3. Uncertainties about how the risks will emerge: Risk events that can be handled within the framework of climate change may differ significantly from each other in terms of their impact patterns and mechanisms. This structural differentiation between risk events prevents traditional models from dealing with all risks together and creates the need for scenario analysis for each risk event.
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### C-FS2.2d

**(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?**

	We consider climate-related information
Banking (Bank)	Yes

### C-FS2.2e

**(C-FS2.2e) Indicate the climate-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision-making.**

**Portfolio**

Banking (Bank)

**Type of climate-related information considered**

Emissions data

Emissions reduction targets  
Climate transition plans  
Other, please specify  
CDP disclosures

**Process through which information is obtained**

Directly from the client/investee  
Public data sources

**Industry sector(s) covered by due diligence and/or risk assessment process**

Energy  
Materials  
Transportation  
Automobiles & Components  
Utilities

**State how this climate-related information influences your decision-making**

Climate related information, such as clients' emission intensities, is used in scenario analysis to support portfolio-level decisions. If the results of the scenario analysis indicate a substantive risk for the Bank, the results are escalated to related committees to be taken into account in overseeing Bank's lending strategy. For ex., a carbon intensive sector such as non-renewable energy implies a substantive credit risk in case of a disorderly carbon tax implementation. Parallel to this, "greenfield investments of coal- and natural gas-fired thermal power plants" and "new coal mining investments" are included in the Bank's exclusion list.

Moreover, as a part of our The Client Sustainability Assessment Process, commercial firms with credit limits above 1 million USD and operate in specific sectors with "High" or "Medium-High" climate change risk levels, are evaluated through a "Climate Change Risk Questionnaire". Firms are engaged and asked to answer this questionnaire to determine their level of climate change risk awareness and preparedness to the risks of transitioning to a 1.5°C world. We have currently completed a pilot study covering 40 high volume clients operating in risky sectors. The questionnaire includes questions and collection of data such as;

- Does the company assess climate risks within the scope of the overall risk management framework, and did it establish written risk management policies/processes in this regard?
- Does the company regularly measure carbon emissions? If yes, carbon emissions data from direct operations is collected. This data can be obtained from public data sources such as CDP responses.

- Details about the company's transition strategies and action plans, such as emission reduction targets.
- Does the company need to reduce its carbon emissions to comply with regulations (such as CBAM) on climate change? If so, details and required investment level to reduce emissions is requested.

The questionnaire provides a basic firm based climate due-diligence to be used in the lending process. A loan officer may decide to decline a loan proposal if the borrower has a carbon intensive production process that is non-compliant with CBAM requirements and does not have any type of transition/mitigation strategy. In next phases, we are planning to implement an automated PD adjustment, which relies on this questionnaire. On the other hand, sufficient data accumulation is a core requirement for these developments to be implemented.

## C2.3

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.3a

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

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**Identifier**

Risk 6

**Where in the value chain does the risk driver occur?**

Banking portfolio

**Risk type & Primary climate-related risk driver**

Emerging regulation

Carbon pricing mechanisms

**Primary potential financial impact**



Increased credit risk

### **Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

### **Company-specific description**

A major risk driver in terms of emerging regulation is Carbon Border Adjustment Mechanism (CBAM) regulation, which is considered as one of the key elements of the European Union's "Fit for 55" package which aims to reduce net greenhouse gas emissions at least by 55% until 2030. The main objectives of this regulation is to implement a carbon tariff on certain carbon intensive products to avoid carbon leakage and to encourage related countries to establish carbon-pricing policies to combat climate change. Targets of the regulation are to make imports of carbon-intensive products to be in full compliance with the international trade rules and to prevent non-EU manufactured goods to offset EU's greenhouse gas reduction efforts, since climate change policies might be less ambitious in non-EU countries. CBAM initially covers sectors of cement, electricity production, fertilisers, aluminium, iron and steel, on the other hand extension of scope with a large group of goods in categories of polymers and organic-basic chemicals is highly likely. The regulation is legislated as a part of the European Green Deal and expected to take effect in 2026, and reporting is expected to start in 2023. Since Turkey has the 3rd highest export volume to the EU for the goods that are in the scope of CBAM, the biggest risk that Turkey can face is a substantial decrease in export volume due to additional costs that the tariff implies.

İşbank expects to face the largest impact related to CBAM through its customers, which operate in the sectors that falls into the scope of the regulation and whose revenues are dependent on the EU imports. Any incompliance with the regulation may cause a deterioration in its exporter clients' revenues and payment capacity which leads to an increase of the default risk for customers and in turn a decreased asset quality for the Bank.

### **Time horizon**

Medium-term

### **Likelihood**

Virtually certain

### **Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

689,998,405

**Potential financial impact figure – maximum (currency)**

1,903,810,907

**Explanation of financial impact figure**

In order to calculate the potential financial impact of CBAM on its financials, İsbank conducted a risk assessment on its 51 largest volume EU exporter firms that operate in related sectors. Those firms are engaged and asked to answer a questionnaire to estimate the impact of CBAM on their probability of default. The main determinants of the assessment were the share of exports to EU in customer's total revenue, whether customer's current emission per unit of production exceeds EU thresholds and whether customer has a concrete started/projected investment or plan to reduce carbon emissions in the next 3 years. Answers were consolidated with a general methodology to calculate the aggregated effect on each client's financials. After that, current and after tariff financial stance of the firms are compared. Results of the assessment concluded that 5 customers with a total of 690M TRY outstanding loan amount are expected to default as a result of CBAM regulation. With an outstanding loan amount of 393M TRY, 6 customers' financial structures are expected to be at great risk in the short term and 5 companies with an outstanding amount of 820M TRY are expected to be at risk in short or medium term. As a result, potential outstanding loan amount at significant default risk due to CBAM is calculated to be within a range of 690 million TRY to 1.9 billion TRY.

**Cost of response to risk**

167,000

**Description of response and explanation of cost calculation**

The aforementioned carbon tax to be applied to exports to the EU as well as the introduction of new standards for eco-labelling mean extra burden for those who cannot complete the compliance process in this area. Accordingly, if improvement and compliance studies are not carried out, Turkey may experience a significant market loss in exports. Decrease in revenues will increase the occurrence of defaults, and this have

the potential to adversely affect Banking sector's asset quality, which in turn may deteriorate the soundness of the financial system. Initial response to alleviate these problems should be raising awareness among firms about the risks and implications of CBAM, support firms complying with the new requirements and in their journey of transition to a low-carbon economy. İşbank, as being Turkey's largest privately owned bank, tasked itself to take concrete steps to inform and support its commercial customers about emerging regulations, whether they are in its portfolio or not. For that mission, up to now İşbank organized 4 seminars to inform its customers about the European Green Deal, CBAM, Emission Trading Systems in the EU and sustainable finance products that can ease their compliance to these regulations. 3 of the seminars were held online, so no additional costs occurred for those. One seminar was held physically in Bursa-Nilüfer Organized Industrial Zone. Total cost of the physical seminar for the Bank was 2,000 TRY, including extra payments and travel expenses for the Bank personnel. In addition to this, Isbank was the official sponsor for SolarVizyon Conference (2021) and ICCI-International Energy and Environment Fair and Conference (2022), which covered various topics including CBAM and EU Green Deal. Total sponsorship fee for these conferences were 165.000 TRY.

**Comment**

n/a

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**Identifier**

Risk 7

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Market

Increased cost of raw materials

**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

Other non-financial risk

### **Company-specific description**

Climate transition risks and physical risks encompasses a broad range of potential supply, demand and pricing effects. For financial institutions like İşbank, one of the essential inputs to perform direct operations is electricity. Electricity price is vulnerable to supply and demand shocks related to climate events such as implementation of carbon tax schemes, which may increase the cost of thermal power plants or changes in precipitation and temperature levels, which may decrease the production level of hydropower plants, etc. Bank's direct operations are exposed to these risks since an increase in input price (electricity price) means higher operating costs. İşbank has already addressed this issue in its 2022-2024 Strategic Plan (and previous versions) and implemented several efficiency measures including replacing the lighting systems of our branches with LED lighting that consumes less energy.

### **Time horizon**

Medium-term

### **Likelihood**

Very likely

### **Magnitude of impact**

Medium-high

### **Are you able to provide a potential financial impact figure?**

Yes, an estimated range

### **Potential financial impact figure (currency)**

#### **Potential financial impact figure – minimum (currency)**

8,155,630

#### **Potential financial impact figure – maximum (currency)**

19,013,621

### **Explanation of financial impact figure**

It is challenging to calculate the potential impact figure of a carbon tax on the Turkish electricity market. On the other hand, İsbank conducts a scenario analysis to calculate the potential impact of a carbon tax on its energy generation portfolio in which several carbon tax levels are tested. The scenario analysis also estimates the possible impact on the electricity price by employing supply and demand elasticities of the electricity generation sector. In the scope of the scenario analysis, base level carbon tax is assumed to be 15 \$/tCO<sub>2</sub>e and in the very pessimistic scenario, it is assumed to be 35 \$/tCO<sub>2</sub>e. Electricity price increases corresponding to these tax levels are calculated as 5.04 USD/MWh and 11.75 USD (2021YE TRY figures are 67.2 TRY/MWh and 156.6 TRY/MWh respectively). Using the total electricity consumption of the Bank in 2021, which was 121,403 MWh, corresponding yearly minimum and maximum impact levels of a carbon tax on the Bank's operating costs are calculated by 2021YE values as 8,155,630 TRY and 19,013,621 TRY.

**Cost of response to risk**

7,728,842

**Description of response and explanation of cost calculation**

The cost of response to this risk is associated with Bank's investment in energy efficiency, including replacing lightning systems with LED. LED lighting transformation project on our branches is carried out since 2015. Until 2021YE, LED conversion has been completed in approximately 560 branches. The expenditure made in 2020 was 7,284,412 TRY. In 2021 the project was also kicked off in head office, technology & operations centres and data centre. In that year, 110 branches' transformation is completed and the total expenditure made was 7,728,842 TRY including head office, technology & operations centres and data centre. This figure indicates the total cost of response to this risk in 2021. Lighting fixtures of 125 Branches are planned to be replaced with LED lightings in 2022 and transformation of all our 1,130 branches and head office, technology & operations centres and data centre is expected to be completed in 2025. We are expecting 71,683,681 TRY to be spent in total. Expected lifetime of this initiative is 16-20 years. Waste reduction and energy efficiency are achieved approximately at a level of 50% per lighting. When the transformation of all units is completed, approximately 4,600,000 kWh of electrical energy will be saved annually with a financial equivalent of 11,500,000 TRY calculated by using the current electricity unit price (approximately 1kWh = 2.5 TRY).

**Comment**

n/a

**C2.4**

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

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**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Banking portfolio

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&D and innovation

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

İşbank supports sustainability to create a positive impact on food safety and resource efficiency in the field of agriculture. Water/irrigation systems is the most important issue in agriculture, as agriculture is the largest user of water with almost 75 % of the total consumption in Turkey. The opportunity identified is providing a new credit facility namely Irrigation Systems Loan that serve to increase the quality and efficiency of water usage in agriculture. With the credit extended we aim to transform the existing irrigation systems into a more water efficient pressurized irrigation systems. The productivity of agricultural soil in Turkey is approx. 155 USD for 1000 decare of land (1 hectare). According to our analysis, more efficient irrigation system makes double the productivity. Therefore, we aim to enlarge the impact by providing finance to increasing number of farmers.

As the awareness among the farmers enhance, we expect the demand for Irrigation Systems Loan to increase substantially and the credit balance of the Loan to double every year in 5 years time period. We are working on various informative and marketing solutions to enhance awareness which is detailed in “Strategy to realize opportunity” section of this question. (C2.4.a)

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

7,280,000

**Potential financial impact figure – maximum (currency)**

14,560,000

**Explanation of financial impact figure**

Estimation of financial impact figure is based on the future projections of the credit balance. We expect to extend credits amount to between TRY 17.5 million to TRY 35 million at the end of 2022. We estimate 100% of increase per each year. So in 5 years we expect that we can reach an amount of TRY 280 million (approximatively) at minimum and TRY 560 million at maximum.

Based on a conservative forecast, we considered net interest/comissions income as 2.6%; so for a minimum amount of loans of TRY 280 million

net income is expected to be TRY 7.28 million in total. The maximum potential financial figure is calculated with the same calculation method regarding TRY 560 million credit balance.

### **Cost to realize opportunity**

445,000

### **Strategy to realize opportunity and explanation of cost calculation**

İşbank's strategy to realize opportunity consists of carrying out activities to enhance awareness, coordinating marketing campaigns and conducting engagement activities with influential NGOs. İşbank contributed to the production of a documentary called "Water in Agriculture" which is about the correct use of water in agriculture (modern irrigation techniques, drought, wrong product selection and faulty irrigation methods are discussed). In the documentary we enforced the message that the most of the water sources are consumed in agriculture, therefore farmers should prefer effective and sustainable irrigation systems. The documentary was broadcasted on national TV channels 24 times in total. Besides it is available on youtube and viewed 128,000 times.

In terms of engagement, we contacted Pressure Irrigation Industry Association (BASUSAD- a Turkish NGO) before designing the credit product in order to benefit from their expertise about irrigation systems. We also consulted Frankfurt School of Business. We arranged online meetings with them, and we together put the criteria of eligibility for the credit product. We also conducted a marketing campaign so that the farmers can be informed about this product. Our sales teams tried to reach out the branches of the irrigation systems companies and conducted face-to-face marketing. We also made a marketing communication, like creative hand booklets about the campaign and sending sms texts to the customers. We did not pay any extra fee for the consultancies we get from our engagement efforts. Marketing costs in addition to the broadcast cost of the documentary beared by İşbank amount to TRY 445,000.

### **Comment**

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### **Identifier**

Opp5



**Where in the value chain does the opportunity occur?**

Banking portfolio

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&D and innovation

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

In the Turkish market, there is an increasing demand for electric and hybrid vehicles. In 2021 the sale of electric and hybrid cars increased 110% compared to 2020, thereby increasing the percentage of hybrid&electric cars in total sales in 2021 from 4.1% to 9.3%. In an effort to seize the opportunity, İşbank introduced Green Vehicle Loan for customers purchasing eco-friendly, brand new electric and hybrid vehicles as low/zero carbon vehicles are an important part of meeting global goals on climate change in line with the Paris Agreement's targets limiting warming to well below 2°C or 1.5°C.

As a we identified the opportunity in low/zero carbon vehicle market, we also introduced the Electric Vehicle Charging Station Installation Loan in order to support widespread use of environmentally friendly electric and hybrid vehicles with low energy costs, contribute to the development of the electric vehicle sector, and help EV owners to easily access charging units.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

70,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

It is projected that each and every year there will be TRY 1 billion investment in the sector. İşbank will be applying a gradual progression of the amount of the loans allocated, in accordance with the market share of İşbank on commercial loans.

Estimation of financial impact figure is based on the future projections of the credit balance. We expect to extend credits with the amount of TRY 5 million in 5 years. Out of the credit balance projected, annual interest income of TRY 14,000 is calculated (profit margins are based on conservative forecasts);. In 5 years time period the potential financial impact is expected to reach TRY 70,000.

**Cost to realize opportunity**

50,000

**Strategy to realize opportunity and explanation of cost calculation**

At the end of 2021, Turkey had over 6,000 electric cars on the road and around 3,500 charging units. The deployment of electric car charging stations throughout Turkey is due to accelerate with the adoption of new regulations in 2022. The public authorities in Turkey foresee that the EV charging station sector, which is still at the beginning of its development as of today, will become a large sector with an annual volume of 1 billion dollars, with more than 165 thousand charging sockets established with an investment of approximately USD 1.5 billion until 2030.

As there is an emerging market, İşbank's strategy to realize opportunity consists of carrying out marketing and engagement activities. Until the

beginning of 2024, we are planning to attend trade fairs and conferences in order to sustain close contact with the emerging sector. Radio and social media campaigns are planned for the communication efforts.

## Comment

# C3. Business Strategy

## C3.1

### (C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

#### Row 1

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#### Transition plan

No, but our strategy has been influenced by climate-related risks and opportunities, and we are developing a transition plan within two years

#### Explain why your organization does not have a transition plan that aligns with a 1.5°C world and any plans to develop one in the future

As of reporting year, we've continued to work and contemplate ways to incorporate climate risks & opportunities into key processes, such as the annual strategic planning process, the annual ICAAP process, and the annual Risk Appetite process. Parallel to the establishment of our corporate risk culture related to climate & sustainability, we've set our ambition with short, medium & long-term climate targets (as 2025, 2030, 2035 respectively) approved by our Board covering the direct operations of İşbank. These efforts form the foundations of our low-carbon transition plan which drive our business strategy & financial planning.

As of this year, we have also integrated more ESG focus to our annual reporting and published our first Integrated Annual Report. The 2021 Integrated Annual Report includes İşbank's 2021 performance, the value created for all of its stakeholders with this performance, the risks and opportunities it has faced in the value creation process, and the integration of the Bank's sustainability priorities and strategy into its business model.

Annual Reports should take place as an item in Annual General Meeting agenda according Turkish rules and regulations. Therefore we had a



chance to disclose our sustainability performance through our Integrated Annual Report. This enabled us to demonstrate transparency over our transition ambition and helped our investors, & other stakeholders, to assess the extent to which our Bank is committed to align its business model for successful net-zero carbon economy.

In 2022, İşbank has joined industry-led & UN-convened Net Zero Banking Alliance (NZBA). In accordance with our commitment to NZBA, we are currently working on sector specific action plans in line with 1.5°C world. As the needs and requirements of each and every sector differentiates, we are going to build different action plans. While for the coal sector divestment plans are on the agenda, for other high emitting sectors, we will be working on plans to encourage our customers to transition to low-carbon economy. Measurement, financial planning and business planning of Net Zero transition pathway is the top priority for us and we are developing a transition plan that aligns with 1.5°C world both in terms of our direct operations and financed emissions.

### C3.2

#### (C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

	Use of climate-related scenario analysis to inform strategy
Row 1	Yes, qualitative and quantitative

### C3.2a

#### (C3.2a) Provide details of your organization’s use of climate-related scenario analysis.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios NGFS scenarios Framework	Portfolio		For the qualitative part, İşbank combines climate risk related literature, external studies and expert input to assess climate risk level on a sectoral heatmap. Assessment is translated into a 5-grade risk scale to evaluate vulnerability of each sector in the portfolio to climate change risks. Non-renewable energy generation sector was prioritized for quantitative assessment since by the end of 2021, it accounts for 35% of Bank’s total commercial-loan portfolio emissions and approximately 14 billion TRY outstanding loan amount, which makes it by far the most carbon intense sector in its portfolio. For the quantitative part, İşbank incorporates NGFS reference scenarios framework and UNEP-FI/Oliver



			<p>Wyman’s “Transition Check” methodology. In the reporting year 2021, Bank carried out this study for non-renewable energy generation sector to assess the financial effect of a disorderly transition scenario to a 1.6°C – 2°C temperature alignment which includes a sudden implementation (0 to 3 years) of a carbon tax. The potential impact of a carbon tax is assessed by stressing financial statements of firms operating in the target sector. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply-demand dynamics of the energy sector, as well as expected changes in macroeconomic outlook of the chosen pathway. Based on the firm based stressed financials, ECL calculation process is re-run to analyze impact for each firm. For the carbon tax, 4 different levels (5\$, 15\$, 22\$ and 35\$ per tCO2e) are tested. To calculate the effect of the carbon tax on the energy supply and demand, data such as current electricity price and production in the Turkish economy are gathered from EPIAS and TEIAS. For demand and supply elasticity, academic researches and Oliver Wyman’s expert opinions are taken into account. For macroeconomic assumptions (inflation, FX rates, GDP growth, interest rates, etc.), calculations of Bank’s Economic Research Department are used in order to be in line with Bank’s overall strategy. For electricity and coal price assumptions we use a study conducted specifically for İşbank by one of our advisor firms. For emission parameters for each type of energy source, we use Oliver Wyman’s recommendations, which are based on IPCC’s research. Firm based data such as financials are collected from customers’ financial statements and lastly Turkey’s energy generation mix and firm-level production mix are derived from EPIAS database.</p>
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### C3.2b

**(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.**

Row 1

**Focal questions**

The main purpose of the scenario analysis (SA) is to answer the ultimate question of “How could climate change plausibly affect our company in terms of financial performance, strategy, portfolio composition, etc.?” Some of the focal questions that we seek to address with SA are as

follows: 1. Which climate change risk types are the most relevant for İşbank? 2. Which sectors in İşbank's loan portfolio are most prone to climate change risk and which ones should be prioritized? 3. Considering the slow moving pace of current policies on climate change, how could a likely disorderly transition scenario, including a sudden implementation of a carbon tax, plausibly affect İşbank? 4. What is the expected financial impact of a possible carbon tax on the energy sector on İşbank's financials? 5. Considering the high transition risk of non-renewable energy generation companies, what should İşbank's strategy and risk appetite be in order to mitigate potential losses in case these facilities becomes stranded or go default?

### **Results of the climate-related scenario analysis with respect to the focal questions**

Scenario analysis (SA) helps İşbank to find answers for the focal questions raised and steer its strategy to align with possible future global projected emission trajectories and mitigate risks associated with these pathways. Considering the Bank's operations, qualitative part of SA helps us to understand which risks to focus on with an identification process and assess sectors in terms of identified risks in order to find out the sectors that will get the highest possible hit from climate change. Considering a pathway of well-below 2°C temperature alignment as a target, what we concluded is that, transition risk (mainly emerging regulation-a carbon tax) which can easily translate into credit risk through loan customers could be the main focus of Bank. Next, considering the total of 14 billion TRY loan exposure amount, its carbon intensity and exposure to transition risks, non-renewable energy generation sector generates highest climate change risk (%35 of portfolio emissions) in İşbank's loan portfolio and should be prioritized in terms of SA, since it will also possibly be the focus of the emerging policy implementations. Considering the current policy framework, in order to accomplish 2°C temperature alignment by 2050, a disorderly transition scenario, which includes a rapid implementation of policies, is accepted as plausible. For the quantitative part of the SA, we combined several assumptions and data with our ECL calculation methodology, in order to calculate the effect of a carbon tax for fossil-fuel fired power plants on Bank's financials. We observed that, as the carbon tax level increases the change in ECL increases exponentially and reaches its max at the point where all the plants become stranded. For the base scenario (a tax amount of 15\$/tCO<sub>2e</sub>) we calculated that the increase in ECL will be approximately 1.9 billion TRY (2020 YE – 990M TRY) and in more severe scenarios this figure increased sharply. Since the output of the scenario analysis implies a substantial risk for the Bank, in order to mitigate the potential losses, The Bank has to align its loan allocation strategy and reduce the share of the non-renewable energy sector in its loan portfolio. For that matter, İşbank expanded its exclusion list by adding "Loans for financing greenfield investments of coal- and natural gas-fired thermal power plants" and "new coal mining investments". In addition, In September 2021 İşbank has added the risk indicator "Share of Sectors With High Climate Change Risk Within Total Commercial Portfolio" to its solo risk appetite framework. The motivation was to prevent the credit risk concentration within bank's commercial loan portfolio on the sectors that are highly exposed to climate change risks and to provide guidance for a lower-carbon aligned portfolio composition in subsequent periods.

### C3.3

**(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	<p>We are proactively scanning the risk horizon considering climate-related risks &amp; opportunities that have a substantive effect on our business strategy from products &amp; services perspective. The majority of influence that climate-related risks and opportunities have on our business strategy is related to opportunities arising from products and services. To assess climate-related opportunities on our products and services, the bank first develops a long list of opportunities by reviewing literatures and market growth estimates for different products &amp; services and by collaborating with leading external climate experts. After that, the bank prioritizes climate related opportunities based on strategic fitness and customer needs. Green opportunities have always been high on İşbank's agenda and the bank has done considerable amount of work in these areas across years. These opportunities include extending green financing provided by International Development Banks to its clients, financing of renewable energy investments, ESG investment products for retail customers and green loans. After 2015, 100% of the new project financing provided by İşbank for electricity generation investments were allocated to renewable energy projects. This is targeted for 2022 as well. In 2021, 114 renewable energy projects were financed by İşbank. As of the end of 2021, total installed power of renewable energy projects financed by İşbank was 1,008 MW while the total installed power to date reached 10,914 MW. The amount of clean energy generated by the projects financed by the Bank was 32.2 million MWh in the last reporting year. İşbank obtained two sustainability-linked syndication loans in 2021 and determined E&amp;S performance indicators in the related loan agreements. On 25 February 2021, the Bank issued its second green bond with an amount of USD 13 million. The İşbank Sustainability Bond Framework, which allows issuing Eurobonds as green bonds, social bonds or sustainability bonds, was updated in 2021 expanding its scope to also cover loan transactions and was renamed as "Sustainable Finance Framework".</p>

Supply chain and/or value chain	Yes	<p>İşbank drives sustainability initiatives throughout the supply chain in order to mitigate risks and to realize opportunities. The Board-approved Supplier Code of Conduct, based on the UN Global Compact and İşbank Human Rights and Human Resources Policy, determine the main principles in purchases of goods and services. Accordingly, the Bank strives to minimize the negative E&amp;S impacts arising from suppliers. In this context, our suppliers are expected to - have a written environmental/sustainability policy in line with the size and nature of their activities to prevent, reduce and control adverse environmental impacts arising from their activities, - have competent and trained staff responsible for managing environmental performance and reporting internal and external data on key environmental indicators and an effective internal environment management system, - comply with all laws and regulations concerning the protection of the environment and the transportation of dangerous goods, - take care to use recycled materials as much as possible in production, keep hazardous substances to a minimum and record all hazardous substances that must be used, - ensure that all production facilities for waste disposal, air emissions, discharges, toxic substances and hazardous waste disposal comply with environmental laws, - verify that materials and components used in the manufacturing process are derived from non-prohibited chemicals consistent with international treaties and protocols, in addition to local laws and regulations. In 2021, İşbank conducted a survey designed to evaluate the performance of its suppliers, determined the suppliers' awareness under specific categories in order to actively manage the environmental and social impact of its supply chain. Survey included 35 questions in the main fields of environment, labor &amp; human rights, ethics and sustainable procurement. This survey was intended to see the current status of suppliers in terms of sustainability and to raise awareness of sustainability among suppliers. As a result of the surveys we conducted with our suppliers, a total of 4 companies operating in related sectors started to calculate scope 1&amp;2 emissions. We engage with suppliers to better understand their processes and to explore how any environmental risks may be mitigated.</p>
Investment in R&D	Yes	<p>As an actor of financial services sector, Investment in R&amp;D from a climate change perspective does not directly influence our business strategy. Yet we are responding to the need of investment in R&amp;D, targeting climate change mitigation &amp; adaptation by the help of our lending activities. As R&amp;D and Innovation are among the most effective tools of today's global economy against climate change, İşbank actively provides financing to different actors with its loan solutions. On the other hand our support in partnership programs is continuous. We have initiated the Impact Entrepreneurship</p>



		<p>Program along with the Koç University Entrepreneurship Research Center KWORKS. The program aims to support the scaling of technology-based initiatives that create an environmental and social impact on areas such as quality education, healthy and quality life, climate, accessible and clean energy, sustainable cities and communities. In this way, we will contribute to the sustainable solution-making process for environmental and social problems.</p>
Operations	Yes	<p>İşbank may suffer from operational losses due to climate change. The bank evaluates &amp; manages risks &amp; opportunities related to its operations, and informs its business strategy and financial planning. To mitigate the risks we have invested in various areas. Environment friendly buildings play a key role in reducing the environmental impact of İşbank's activities. İşbank's big buildings such as the head office, operations center and data center were designed to minimize their environmental impact.</p> <p>İşbank head office building in Levent, Istanbul has a BREEAM In-use Excellent certificate. Tuzla Technology and Operations Center (TUTOM) received the LEED Gold certificate. The Bank's Tuzla Data Center (Atlas) building has been certified with LEED v4 Gold for Data Centers. Atlas is the first data center in Turkey that meets such high standards. ISO 14001 Environmental Management System Project has been in place since 2018 in order to reduce its environmental impact and build an environmental management system that complies with international standards. As of 2021, İşbank has ISO 14001 Environmental Management System Certificates for 847 locations. The Bank aims to achieve ISO 14001 Environmental Management System Certification for all of its locations by receiving certification for 492 locations by year-end 2022. As of 2021 year end, the ratio of certified locations to the total number of locations of the Bank is 63%, which is expected to be increased to 100% by year-end 2022. İşbank aims to maintain its environmental management system which complies with international standards in the following years.</p> <p>In addition as of 2021, İşbank has started to use renewable energy in all of its service &amp; operational points that can be supplied. Moreover; we continue to transform our operations into paperless. We ran a couple of initiatives in order to decrease the consumption of paper. With the option to digitally approve credit card and debit card agreements, the ability to use Registered Electronic Mail (KEP) throughout the Bank, and the implementation of digital signature, the Bank for formal correspondences achieved a total paper savings of 64 million pages, reduced the need for labor by 85 FTE (full-time equivalent) and obtained a TL</p>

		7.6 million reduction in paper costs in 2021.
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### C3.4

**(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Access to capital Assets	Climate-related risks and opportunities influence our business strategy and financial planning as we take current & possible impacts of changing climate on our revenue streams, direct & indirect costs, ability to access capital and assets. From a risk & opportunity perspective, "revenues" component of our financial planning is influenced when we seize the climate-related opportunity, resulting as a revenue increase due to demand for products and services. The Bank sees the largest opportunities related to products and services. İşbank contributes to the green transformation of its customers with different and diverse portfolio of products it offers. While the Bank provides financial support for roof, facade and land type unlicensed solar power plant investments for self-consumption with the "Solar Loan", with the "Green Office Premises Loan" it provides advantageous conditions for the purchase of office premises from buildings with high energy efficiency. In addition to the "Green Vehicle Loan", which provides financing for electric and hybrid vehicles under certain terms, İşbank also offers "Electric Charging Station Installation Loan", which aims to contribute to the development of the electric vehicle industry and encourage vehicle owners to access common charging units easily. "Unlicensed Electricity Generation Loan" supports electricity generation based on solar, wind and other renewable energy sources with an installed capacity of 5 MW or less. "Marine Conservation Loan", which has been added to İşbank's sustainable products portfolio in 2021, offers financing on favourable terms for the businesses that want to invest in a waste water treatment and waste water recycling facility or improve their existing facilities. In contrast, when we cannot cope with today's changing climate reality our revenue streams may suffer badly because of inability to meet the demand, loss of market position & competitiveness. These particular issues highlight the influence of climate-related risks and opportunities on one of the most important components of our financial planning process: Revenues. Apart from revenues, direct & indirect costs arising from climate related risks and opportunities influence our financial planning, varying from costs of response to climate risks, costs to realize climate-related opportunities to possible costs of climate on our assets. Another important dimension of climate's

		influence on the Bank's financial planning is "Access to finance". In case the bank fails to provide enough focus on such investments, existing green financing facilities may be suspended. Such suspension and inability to obtain new green funding may result in the need to arrange for alternative funding, which may not be that favourable. That is why İşbank actively considers scenarios of "decreased access to finance" from a funding risk perspective and take into account its possible financial impact as we go through with our annual financial planning process.
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### C-FS3.6

**(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?**

Yes, our framework includes both policies with client/investee requirements and exclusion policies

### C-FS3.6a

**(C-FS3.6a) Provide details of the policies which include climate-related requirements that clients/investees need to meet.**

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**Portfolio**

Banking (Bank)

**Type of policy**

Credit/lending policy

Pricing policy

Other, please specify

Environmental and Social Impact Policy


**Portfolio coverage of policy**

12.81

**Policy availability**

Publicly available

**Attach documents relevant to your policy**

 environment-and-social-impact-policy.pdf

**Criteria required of clients/investees**

Disclosure of Scope 1 emissions

Disclosure of Scope 2 emissions

**Value chain stages of client/investee covered by criteria**

Direct operations only

**Timeframe for compliance with policy criteria**

Complying with criteria is a pre-requisite for business

**Industry sectors covered by the policy**

Energy

Materials

Capital Goods

Commercial & Professional Services

Transportation

Telecommunication Services

Real Estate

**Exceptions to policy based on**

Industry sector

Line of Business

Products and services

**Explain how criteria coverage and/or exceptions have been determined**

As we are in a unique position to encourage our clients to align their business strategies with global climate-benchmarks, we are evaluating the environmental and social risks of projects above a certain threshold in predefined sectors. We evaluate the potential E&S risks of all new investment projects worth more than USD 10 MM by the E&S Risk Evaluation Tool. The various criteria related to environmental and social performance ensure alignment in climate-related requirements for our clients. Besides, it gives us a chance to steer clients' business strategies with additional commitments to mitigate or compensate any environmental impact associated with climate change.

Disclosure of Scope 1 emissions of clients are examined through our E&S risk evaluation model by Project Finance Sustainable Finance Section of Isbank. E&S Risk Evaluation Tool includes questions about greenhouse gas emission monitoring. These questions are:

- Does the project require climate change risk assessment and/or greenhouse gas emission monitoring?
- Does the project negatively affect air quality?
- Has it been stated by the official authorities that a modeling study should be carried out for the emissions released into the air?
- Is it a facility subject to the Regulation on the Monitoring of Greenhouse Gas Emissions?

If the answer is yes, the risk criteria of the project will increase and assessment of the project includes different actions rather than low risk projects. Since the below listed investments are liable for environmental damage such as their impact on water, soil and air quality, on endangered species, on deforestation and hazardous waste disposal practices, İşbank Environmental & Social Impact Policy clarified that we have exclusion policies for

- Loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation.
- New coal mining investments
- Gold mining conducted by using cyanide

## C-FS3.6b

**(C-FS3.6b) Provide details of your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.**

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### Portfolio

Banking (Bank)

### Type of exclusion policy

Coal mining



Power from coal  
Other, please specify  
Natural gas-fired thermal power plants

**Year of exclusion implementation**

2,020

**Timeframe for complete phase-out**

Already phased out

**Application**

New business/investment for new projects  
New business/investment for existing projects

**Country/Region the exclusion policy applies to**

Turkey

**Description**

İşbank Environmental and Social Impact Policy, which includes Exclusion List is an integral part of our Sustainability approach, which was accepted by our Board of Directors and entered into force on 31.12.2014

In 2021, “loans for financing of new coal mine investments and gold mining using cyanide” has been added to the Exclusion List, in addition to “loans for financing greenfield (new) investments of coal- and natural gas-fired thermal power plants to be established for electricity generation”, which was added in 2020.

**C-FS3.8**

**(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?**

Climate-related covenants in financing agreements	
Row 1	Yes

## C-FS3.8a

**(C-FS3.8a) Provide details of the covenants included in your organization’s financing agreements to reflect and enforce your climate-related policies.**

Types of covenants used	Asset class/product types	Please explain
<p>Purpose or use of proceeds clause refers to sustainable project</p> <p>Margin or pricing depends on sustainability criteria</p> <p>Legal mandate to obtain third party verification</p> <p>Covenants related to compliance with your policies</p>	<p>Corporate loans</p> <p>Project finance</p>	<p>For the projects above USD 10 MM, E&amp;S risk assessment is conducted by İşbank. Customers are required to comply with regulations and international standards that are confirmed by technical and environmental advisor reports, which are periodically presented to the bank during the tenor of the loans. Financing agreements cover these reports’ requirements in line with loan conditions.</p> <p>İşbank requires investing companies to make commitments, as exemplified below, in line with assessments specific to projects, in order to eliminate/mitigate or compensate any environmental and social adverse impacts of such projects it financially supports.</p> <p>Eg.</p> <ul style="list-style-type: none"> <li>- taking measures to preserve biodiversity in specific and protected areas,</li> <li>- forestation to reduce and offset carbon emissions, use of indigenous species suited to the area in forestation efforts, relocation of trees to spots matching with the project site as closely as possible,</li> <li>- conservation of endemic species,</li> <li>- increasing OHS practices,</li> <li>- prioritizing the purchases of lands through agreements, preparing resettlement plans</li> </ul> <p>The compliance of investing companies with these commitments guaranteed by including in loan agreements and monitored as part of financing process throughout the facility tenor.</p> <p>Within the scope of sustainable projects, customers who have the motivation for lower interest rate, improvement in sustainability performance and reputation, better credit risk rating and higher attractiveness</p>

		<p>of the company towards investors and access to capital are primarily selected. Within the scope of SLL structure, customers are evaluated and various KPIs are sent to them. The main lines of these KPIs are; energy efficiency, reducing greenhouse gas emissions, transition to circular economy and efficient use of resources. KPIs are evaluated independently by Second Party Opinion and loan interest rates are determined accordingly. In terms of corporate loans, in SLL mechanisms, according to the ESG score of the project, interest rate or other fees differ both downward and upward during the loan repayment period. In sustainable projects, the documents prepared within the framework of Project Finance are referred to the document containing the sustainability KPIs and provisions, and the customer is provided to approve this document as well. The company that signs the relevant contract is obliged to comply with the sustainability policy and provisions of our Bank.</p>
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## C4. Targets and performance

### C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Absolute target

### C4.1a

**(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.**

**Target reference number**

Abs 1

**Year target was set**

2019



**Target coverage**

Company-wide

**Scope(s)**

Scope 1

Scope 2

**Scope 2 accounting method**

Market-based

**Scope 3 category(ies)**

**Base year**

2018

**Base year Scope 1 emissions covered by target (metric tons CO<sub>2</sub>e)**

22,647

**Base year Scope 2 emissions covered by target (metric tons CO<sub>2</sub>e)**

64,840

**Base year Scope 3 emissions covered by target (metric tons CO<sub>2</sub>e)**

**Total base year emissions covered by target in all selected Scopes (metric tons CO<sub>2</sub>e)**

87,487

**Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1**

100

**Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2**

100



**Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)**

**Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes**

100

**Target year**

2025

**Targeted reduction from base year (%)**

38

**Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]**

54,241.94

**Scope 1 emissions in reporting year covered by target (metric tons CO2e)**

22,528.1

**Scope 2 emissions in reporting year covered by target (metric tons CO2e)**

8,783.6

**Scope 3 emissions in reporting year covered by target (metric tons CO2e)**

**Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)**

31,311.7

**% of target achieved relative to base year [auto-calculated]**

168.9733752925

**Target status in reporting year**

Achieved

**Is this a science-based target?**

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

**Target ambition**

Well-below 2°C aligned

**Please explain target coverage and identify any exclusions**

Our Scope 1 + 2 GHG emissions target for 2025 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2025 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
- Renewable energy installments for our self-consumption of electricity.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.

**Plan for achieving target, and progress made to the end of the reporting year**

**List the emissions reduction initiatives which contributed most to achieving this target**

As of 2021, İşbank has started to use renewable energy in all of its service & operational points where can be supplied, and has already reached its targets for 2025 and 2030.

In 2021, the amount of energy generated from renewable energy sources accounted for 84% of the total energy consumption of İşbank.

Concerning the electricity procurement tender for the next period, renewable energy sources have been preferred for all electricity consumption where supply of green energy is available.

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**Target reference number**



Abs 2

**Year target was set**

2019

**Target coverage**

Company-wide

**Scope(s)**

Scope 1

Scope 2

**Scope 2 accounting method**

Market-based

**Scope 3 category(ies)**

**Base year**

2018

**Base year Scope 1 emissions covered by target (metric tons CO2e)**

22,647

**Base year Scope 2 emissions covered by target (metric tons CO2e)**

64,840

**Base year Scope 3 emissions covered by target (metric tons CO2e)**

**Total base year emissions covered by target in all selected Scopes (metric tons CO2e)**

87,487

**Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1**

100

**Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2**

100

**Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)**

**Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes**

100

**Target year**

2030

**Targeted reduction from base year (%)**

65

**Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]**

30,620.45

**Scope 1 emissions in reporting year covered by target (metric tons CO2e)**

22,528.1

**Scope 2 emissions in reporting year covered by target (metric tons CO2e)**

8,783.6

**Scope 3 emissions in reporting year covered by target (metric tons CO2e)**

**Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)**

31,311.7

**% of target achieved relative to base year [auto-calculated]**

98.7844347864

**Target status in reporting year**

Achieved

**Is this a science-based target?**

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

**Target ambition**

Well-below 2°C aligned

**Please explain target coverage and identify any exclusions**

Considering this particular strategic pillar & source mentioned above and by the help of our energy reduction efforts till 2025, our scope 1 + 2 emissions target for 2030 is set as 65% with respect to our baseline year.

Our Scope 1 + 2 GHG emissions target for 2030 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2030 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
- Renewable energy installments for our self electricity consumption.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.
- Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035.

Considering the cumulative impact of the strategic pillars & sources mentioned above, our scope 1 + 2 emissions target for 2030 is set as 65% with respect to our baseline year.

**Plan for achieving target, and progress made to the end of the reporting year**

**List the emissions reduction initiatives which contributed most to achieving this target**

As of 2021, İşbank has started to use renewable energy in all of its operational points that can be supplied, and has already reached its targets for 2025 and 2030.

In 2021, the amount of energy generated from renewable energy sources accounted for 84% of the total energy consumption of İşbank.

Concerning the electricity procurement tender for the next period, renewable energy sources have been preferred for all electricity consumption where supply of green energy is available.

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**Target reference number**

Abs 3

**Year target was set**

2019

**Target coverage**

Company-wide

**Scope(s)**

Scope 1

Scope 2

**Scope 2 accounting method**

Market-based

**Scope 3 category(ies)**

**Base year**

2018

**Base year Scope 1 emissions covered by target (metric tons CO2e)**

22,647

**Base year Scope 2 emissions covered by target (metric tons CO2e)**

64,840

**Base year Scope 3 emissions covered by target (metric tons CO2e)**

**Total base year emissions covered by target in all selected Scopes (metric tons CO2e)**

87,487

**Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1**

100

**Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2**

100

**Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)**

**Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes**

100

**Target year**

2035

**Targeted reduction from base year (%)**

100

**Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]**

0

**Scope 1 emissions in reporting year covered by target (metric tons CO2e)**

22,528.1



**Scope 2 emissions in reporting year covered by target (metric tons CO2e)**

8,783.6

**Scope 3 emissions in reporting year covered by target (metric tons CO2e)**

**Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)**

31,311.7

**% of target achieved relative to base year [auto-calculated]**

64.2098826111

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

**Target ambition**

Well-below 2°C aligned

**Please explain target coverage and identify any exclusions**

Our Scope 1 + 2 GHG emissions target for 2035 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2035 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
- Renewable energy installments for our self-consumption electricity.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.
- Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035.

Considering the cumulative impact of the strategic pillars & sources mentioned above, we aim to be a "Carbon Neutral Bank" with a 100% scope 1 + 2 emissions reduction target for 2035.

**Plan for achieving target, and progress made to the end of the reporting year**

This 100% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installments, digitalization of banking services, our procurement of renewable electricity and carbon offsetting efforts. These strategic steps for achieving our net zero target will be continuous while residual part of Scope 1 + 2 emissions will be offsetted. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

**List the emissions reduction initiatives which contributed most to achieving this target**

**C4.2**

**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

Target(s) to increase low-carbon energy consumption or production

Net-zero target(s)

**C4.2a**

**(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.**

---

**Target reference number**

Low 1

**Year target was set**

2021



**Target coverage**

Company-wide

**Target type: energy carrier**

Electricity

**Target type: activity**

Consumption

**Target type: energy source**

Renewable energy source(s) only

**Base year**

2020

**Consumption or production of selected energy carrier in base year (MWh)**

119,912

**% share of low-carbon or renewable energy in base year**

0

**Target year**

2025

**% share of low-carbon or renewable energy in target year**

90

**% share of low-carbon or renewable energy in reporting year**

84

**% of target achieved relative to base year [auto-calculated]**

93.3333333333

**Target status in reporting year**

New

**Is this target part of an emissions target?**

Yes. It is part of Abs 1, 2 and 3 targets.

**Is this target part of an overarching initiative?**

Science Based Targets initiative

**Please explain target coverage and identify any exclusions**

There is no exclusion.

**Plan for achieving target, and progress made to the end of the reporting year**

In 2021 İşbank started to procure renewable energy for all of the Bank's service and operational points where supply of renewable energy is available. Also all renewable energy consumption is I-REC certified. The reason why the renewable energy usage target is set as 90% is due to the technical inability to supply renewable energy at some locations. İşbank will continue to purchase its electricity from renewable energy for all its main buildings and branches eligible for power purchasing agreements. In parallel we aim to increase our clean energy use from 84% in 2021 to 90% in 2025.

**List the actions which contributed most to achieving this target**

## C4.2c

**(C4.2c) Provide details of your net-zero target(s).**

---

**Target reference number**

NZ1

**Target coverage**

Company-wide

**Absolute/intensity emission target(s) linked to this net-zero target**

Abs1

Abs2

**Target year for achieving net zero**

2035

**Is this a science-based target?**

Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next 2 years

**Please explain target coverage and identify any exclusions**

Our Scope 1 + 2 GHG emissions target for 2035 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year.

Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2035 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre) and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
- Renewable energy installments for our self electricity consumption.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.
- Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035.

Considering the cumulative impact of the strategic pillars & sources mentioned above, we aim to be a "Carbon Neutral Bank" with a 100% scope 1 + 2 emissions reduction target for 2035.

This 100% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installments, digitalization of banking services, our procurement of renewable electricity and carbon offsetting efforts.

Following the actualization of our 2025 and 2030 targets, remaining portion of Scope 1 + 2 emissions will be offsetted. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

**Do you intend to neutralize any unabated emissions with permanent carbon removals at the target year?**

Unsure

**Planned milestones and/or near-term investments for neutralization at target year**

**Planned actions to mitigate emissions beyond your value chain (optional)**

### C4.3

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

### C4.3a

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	
To be implemented*	2	46,876
Implementation commenced*	1	298
Implemented*	2	47,343
Not to be implemented	0	

### C4.3b

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

---

**Initiative category & Initiative type**

Low-carbon energy consumption  
Other, please specify  
Renewable energy procurement

**Estimated annual CO2e savings (metric tonnes CO2e)**

46,686

**Scope(s) or Scope 3 category(ies) where emissions savings occur**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

0

**Investment required (unit currency – as specified in C0.4)**

94,852,930

**Payback period**

No payback

**Estimated lifetime of the initiative**

1-2 years

**Comment**

In 2021 İşbank started to procure renewable energy for all of the Bank's service and operational points where supply of renewable energy is available. Also all renewable energy consumption is I-REC certified. İşbank will continue to purchase its electricity from renewable energy for all its main buildings and branches eligible for power purchasing agreements.

---

**Initiative category & Initiative type**

Energy efficiency in buildings

Other, please specify

LED Lighting Transformation

**Estimated annual CO2e savings (metric tonnes CO2e)**

657

**Scope(s) or Scope 3 category(ies) where emissions savings occur**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

1,337,096

**Investment required (unit currency – as specified in C0.4)**

7,728,842

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

In 2021, during the renovation work across the Bank, lighting, heating and cooling systems of branches were modernized. Existing lights were replaced with LED lighting. In this way, waste reduction and energy efficiency are achieved approximately at a level of 50% per lighting. Lighting luminaire of 125 Branches will be replaced with LED lightings in 2022.



### C4.3c

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Compliance with regulatory requirements/standards	Investments required by standards such as ISO14001 are supported by the Bank. The budgets of systems such as automation, remote monitoring and LED conversion, which will contribute to environmental management systems with opportunities such as monitoring consumption and detecting losses, are provided within the framework of this understanding.
Internal incentives/recognition programs	One particular method we use to drive investment in emissions reduction activities is internal incentives/recognition programmes. As stated in detail also in C1.3a, all division heads have an energy reduction target which shall be sustained below the internally defined threshold. This efficiency threshold & target is assured via these division heads' performance card which drive his/her efforts in terms of designing & applying appropriate emissions reduction activities.
Dedicated budget for energy efficiency	Investments required by standards such as ISO14001 are supported by the Bank. The budgets of systems such as automation renovation, remote monitoring, pump renovation, energy efficient air conditioners, solar panels and LED conversion, which will contribute to environmental management systems with opportunities such as monitoring consumption and detecting losses, are provided within the framework of this understanding.

### C-FS4.5

**(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?**

Yes

### C-FS4.5a

**(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to classify the products(s).**

**Product type/Asset class/Line of business**

Banking  
Debt and equity underwriting

**Taxonomy or methodology used to classify product**

Green Bond Principles (ICMA)

**Description of product**

İşbank has established its Sustainability Bond Framework in 2020 and in expanded its scope by revising it into the Sustainable Finance Framework in 2021, which will also cover green, social or sustainable loans in addition to eurobonds. Funds obtained by debt instruments issued under the framework will be allocated to projects with a positive environmental impact in the areas of renewable energy, energy efficiency, recycling, organic agriculture, clean transportation, green buildings and circular economy, and to finance loans with a positive social impact, such as financing SMEs in underdeveloped regions and women entrepreneurs. İşbank's Sustainable Finance Framework, SPOs and the reports may be accessed via the link below:

<https://www.isbank.com.tr/en/about-us/sustainability-frameworks-and-reports>

As of end of 2021, we have two outstanding green bonds amounting to a total of USD 63,000,000, which forms 1,4% of the total eurobond portfolio issued by İşbank.

**Product enables clients to mitigate and/or adapt to climate change**

Mitigation  
Adaptation

**Portfolio value (unit currency – as specified in C0.4)**

824,355,000

**% of total portfolio value**

1.4

**Type of activity financed/insured or provided**

Green buildings and equipment

Low-emission transport  
Renewable energy  
Emerging climate technology, please specify  
Nature-based solutions  
Fortified buildings  
Sustainable agriculture

---

**Product type/Asset class/Line of business**

Banking  
Project finance

**Taxonomy or methodology used to classify product**

Internally classified

**Description of product**

İşbank contribute to the mitigation of the risks and impacts of climate change by financing renewable energy projects. After 2015, all new project financing provided in energy generation sector were allocated to renewable energy projects. In 2021, İşbank financed 114 projects in the fields of hydro, biomass, solar, wind energy and geothermal, with a total installed power of 1.008 MW and the total funding to these projects was approximately 35.4 TRY billion. The share of renewable energy projects in our total energy generation projects portfolio was 71% and share of renewable energy projects in İşbank's total cash loan book is 7.2% in 2021. The total installed power size of the number of renewable energy projects financed reached to 10,886 MW. The Bank will continue to finance renewable energy investments, including especially WPP and SPP projects, in 2022 and beyond. In line with its commitment to allocate 100% of its new investment loans for the energy generation sector to renewable energy investments, the Bank aims to increase the ratio of renewable energy loans to total electricity generation loans even more from its current level. In fact, while İşbank continues to increase its financing for renewable energy production, it carries on efforts to reduce the share of non-renewables in its energy portfolio. İşbank has not participated in financing any new coal-fired thermal power plant investment since 2015. In 2020, "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation", in 2021, "new coal mining investments" have been added to the Exclusion List which is disclosed as an annex of İşbank Environmental and Social Impact Policy which is available on the Bank's corporate website.

**Product enables clients to mitigate and/or adapt to climate change**

Mitigation

**Portfolio value (unit currency – as specified in C0.4)**

35,385,400,000

**% of total portfolio value**

7.2

**Type of activity financed/insured or provided**

Renewable energy

## C5. Emissions methodology

### C5.1

**(C5.1) Is this your first year of reporting emissions data to CDP?**

No

### C5.1a

**(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?**

Row 1

---

**Has there been a structural change?**

No

## C5.1b

**(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?**

	Change(s) in methodology, boundary, and/or reporting year definition?
Row 1	No

## C5.2

**(C5.2) Provide your base year and base year emissions.**

### Scope 1

**Base year start**

January 1, 2018

**Base year end**

December 31, 2018

**Base year emissions (metric tons CO2e)**

22,647.2

**Comment**

Our Scope 1 Emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

### Scope 2 (location-based)

**Base year start**

January 1, 2018

**Base year end**

December 31, 2018

**Base year emissions (metric tons CO2e)**

64,840.5

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable etc.) - residual mix totals attributes are not available and that's why our market-based Scope 2 emissions are same as our location-based Scope 2 emissions. Our Scope 2 Emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

**Scope 2 (market-based)**

---

**Base year start**

January 1, 2018

**Base year end**

December 31, 2018

**Base year emissions (metric tons CO2e)**

64,840.5

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable etc.) - residual mix totals attributes are not available and that's why our market-based Scope 2 emissions are same as our location-based Scope 2 emissions. Our Scope 2 Emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

**Scope 3 category 1: Purchased goods and services**

---

**Base year start**

January 1, 2020



**Base year end**

December 31, 2020

**Base year emissions (metric tons CO2e)**

11,231.4

**Comment**

Scope 3 emissions resulting from "purchased goods & services" including emissions resulting from paper usage within the organization were given.

**Scope 3 category 2: Capital goods**

---

**Base year start**

January 1, 2020

**Base year end**

December 31, 2020

**Base year emissions (metric tons CO2e)**

25,173

**Comment**

We had identified supplier companies that represent 11.22% of our capital goods purchases (based on \$ Spent). Emissions calculated for this share has been extrapolated to 100%. The emissions were estimated based on Scope 3 evaluator provided by Quantis, using total \$spent data on purchased capital goods.

**Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)**

---

**Base year start**

January 1, 2020

**Base year end**

December 31, 2020



**Base year emissions (metric tons CO2e)**

12,210

**Comment**

Emissions from distribution/transmission of fuel and energy consumption not included in Scope 1 and 2 are calculated using DEFRA loss & leakage values.

**Scope 3 category 4: Upstream transportation and distribution**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 5: Waste generated in operations**

---

**Base year start**

January 1, 2020

**Base year end**

December 31, 2020

**Base year emissions (metric tons CO2e)**

21.9

**Comment**



Our Scope 3 emissions resulted from the waste generated in our head office, technology and operations centres as well as data centre building.

### Scope 3 category 6: Business travel

---

**Base year start**

January 1, 2020

**Base year end**

December 31, 2020

**Base year emissions (metric tons CO2e)**

548.7

**Comment**

Domestic, European, Continental business flights and fuel consumption of private car used for business purposes were taken into account when calculating business travel emissions.

### Scope 3 category 7: Employee commuting

---

**Base year start**

January 1, 2020

**Base year end**

December 31, 2020

**Base year emissions (metric tons CO2e)**

1,458.2

**Comment**

Emissions from personnel shuttles, buses and taxi travels of employees were taken into account.

### Scope 3 category 8: Upstream leased assets

---



**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 9: Downstream transportation and distribution**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 10: Processing of sold products**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 11: Use of sold products**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 12: End of life treatment of sold products**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**



**Scope 3 category 13: Downstream leased assets**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 14: Franchises**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3 category 15: Investments**

---

**Base year start**



**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3: Other (upstream)**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 3: Other (downstream)**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

## Comment

### C5.3

**(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.**

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

The Greenhouse Gas Protocol: Scope 2 Guidance

## C6. Emissions data

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO<sub>2</sub>e?**

#### Reporting year

---

#### Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)

22,528.1

#### Start date

January 1, 2021

#### End date

December 31, 2021

#### Comment

Our Scope 1 Emissions cover emissions from our head office, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey.

## Past year 1

---

### Gross global Scope 1 emissions (metric tons CO2e)

20,629.2

### Start date

January 1, 2020

### End date

December 31, 2020

### Comment

Our Scope 1 Emissions were covering emissions from our head office, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey as of 2020 reporting year.

## C6.2

### (C6.2) Describe your organization's approach to reporting Scope 2 emissions.

#### Row 1

---

#### Scope 2, location-based

We are reporting a Scope 2, location-based figure

#### Scope 2, market-based

We are reporting a Scope 2, market-based figure

#### Comment

## C6.3

### (C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?

#### Reporting year

---

**Scope 2, location-based**

55,470

**Scope 2, market-based (if applicable)**

8,784

**Start date**

January 1, 2021

**End date**

December 31, 2021

**Comment**

The location-based scope 2 emission calculation is based on the assumption that the Bank's electricity consumption is from the grid which is sourced from non-renewable sources. On the other hand market-based scope 2 emission calculation is calculated by deducting the energy obtained from renewable resources purchased by the Bank in 2021.

#### Past year 1

---

**Scope 2, location-based**

57,193.1

**Scope 2, market-based (if applicable)**

57,193.1

**Start date**

January 1, 2020



**End date**

December 31, 2020

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable, etc.) - residual mix totals attributes were not available and that's why our market-based Scope 2 emissions were same as our location-based Scope 2 emissions in 2020.

**C6.4**

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

No

**C6.5**

**(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.**

**Purchased goods and services**

---

**Evaluation status**

Relevant, calculated

**Emissions in reporting year (metric tons CO2e)**

39,339

**Emissions calculation methodology**

Supplier-specific method

Spend-based method

Waste-type-specific method

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

82

**Please explain**

Spend based and supplier specific method were used for İşbank Purchased Goods and Services emission calculations. Purchasing records and supplier lists, corresponding to 82% of total suppliers, were analyzed in detail. In supplier-specific calculations, scope 1 and 2 emission information was obtained from 4 main suppliers and emissions were shared at the rate of İşbank's share in the total supplier turnover. The remaining purchases are listed according to Tier 1 suppliers, purchase records and expenditure commodities using the Spend based method. Life cycle (tCO<sub>2</sub>e) emissions are calculated using emission factors USEEIO v1.1 (tCO<sub>2</sub>e/\$ spent). Finally, the emissions released from the remaining 18% of the purchasing expenditures were calculated by extrapolation at the rate of the average emission emissions of 82% and added to the total. Emissions resulting from paper usage within the organization are also added to the calculation. Environmental Paper Network emission factors were used for paper consumption calculation.

**Capital goods**

---

**Evaluation status**

Relevant, calculated

**Emissions in reporting year (metric tons CO<sub>2</sub>e)**

8,296

**Emissions calculation methodology**

Average spend-based method

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

82

**Please explain**

An average spend based method was used in the emission calculations of İşbank Capital goods. Tier 1 suppliers are listed by purchase records and capital goods expenditure, and emissions calculated using Life cycle (tCO<sub>2</sub>e) emissions, USEEIO v1.1 emission factors (tCO<sub>2</sub>e/\$ spent).

**Fuel-and-energy-related activities (not included in Scope 1 or 2)**

---

**Evaluation status**

Relevant, calculated

**Emissions in reporting year (metric tons CO2e)**

12,558

**Emissions calculation methodology**

Average data method

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

**Please explain**

Emissions from distribution/transmission of fuel and energy consumption not included in Scope 1 and 2 are calculated using DEFRA loss & leakage values.

**Upstream transportation and distribution**

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

Since İşbank operates in the financial sector, the content of its main services is intangible i.e. especially loan allocation. Therefore, this scope 3 sub-category is considered as irrelevant for us because upstream transportation of goods appears and will occur at a very low and negligible level during banking activities.

**Waste generated in operations**

---

**Evaluation status**

Relevant, calculated

**Emissions in reporting year (metric tons CO2e)**

33.4



**Emissions calculation methodology**

Waste-type-specific method

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

Our Scope 3 emissions resulted from the waste generated in our operations in our head office, technology and operations centres as well as data centre buildings.

**Business travel**

---

**Evaluation status**

Relevant, calculated

**Emissions in reporting year (metric tons CO2e)**

418.1

**Emissions calculation methodology**

Distance-based method

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

Domestic, European, Continental business flights and fuel consumption of private car used for business purposes are taken into account when calculating business travel emissions. DEFRA emission factors were used for air travel emissions.

**Employee commuting**

---

**Evaluation status**

Relevant, calculated

**Emissions in reporting year (metric tons CO2e)**

1,490.6

**Emissions calculation methodology**

Fuel-based method

Distance-based method

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

Emissions from personnel shuttles, buses and taxi travels of employees are taken into account.

**Upstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

Emissions from the operation of assets that are leased by İşbank are already included in our scope 1 or scope 2 inventories. In order to prevent double accounting we do not give these emissions in scope 3. Because of that the evaluation status of this category in scope 3 is given as “not relevant”.

**Downstream transportation and distribution**

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

Since İşbank operates in the financial sector, the content of its main services is intangible i.e. especially loan allocation. Also İşbank is responsible for the costs associated with transportation and distribution in most cases if there is such cost. Therefore, downstream transportation and distribution category is considered as irrelevant for us.

## Processing of sold products

---

### Evaluation status

Not relevant, explanation provided

### Please explain

As a Bank we only provide financial services for our customers. We don't sell intermediate products that require processing into final products. It is therefore processing of sold products category is not included in our GHG Inventory.

## Use of sold products

---

### Evaluation status

Not relevant, explanation provided

### Please explain

Since İşbank operates in the financial sector, the content of its main services is intangible i.e. especially loan allocation. Because of the nature of the business of İşbank, use of sold products category is considered as not relevant.

## End of life treatment of sold products

---

### Evaluation status

Not relevant, explanation provided

### Please explain

As a financial sector institution, İşbank's products and services do not require end of life treatment. Because of the nature of the business of İşbank, end of life treatment of sold products category is considered as not relevant.

## Downstream leased assets

---

### Evaluation status

Not relevant, explanation provided

### Please explain

Since İşbank does not have a direct control on emissions originating from downstream leased assets category in its carbon footprint calculation, some areas that the Bank can lease are not included in the carbon footprint. Therefore, this source of scope 3 is considered as not relevant.

### **Franchises**

---

#### **Evaluation status**

Not relevant, explanation provided

#### **Please explain**

Since İşbank does not operate through franchises this category is not relevant for us.

### **Other (upstream)**

---

#### **Evaluation status**

#### **Please explain**

### **Other (downstream)**

---

#### **Evaluation status**

#### **Please explain**

## **C6.5a**

**(C6.5a) Disclose or restate your Scope 3 emissions data for previous years.**

**Past year 1**

---

**Start date**

January 1, 2020

**End date**

December 31, 2020

**Scope 3: Purchased goods and services (metric tons CO2e)**

11,231.4

**Scope 3: Capital goods (metric tons CO2e)**

25,173

**Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)**

12,210

**Scope 3: Upstream transportation and distribution (metric tons CO2e)**

**Scope 3: Waste generated in operations (metric tons CO2e)**

21.9

**Scope 3: Business travel (metric tons CO2e)**

548.7

**Scope 3: Employee commuting (metric tons CO2e)**

1,458.2

**Scope 3: Upstream leased assets (metric tons CO2e)**

**Scope 3: Downstream transportation and distribution (metric tons CO2e)**



**Scope 3: Processing of sold products (metric tons CO2e)**

**Scope 3: Use of sold products (metric tons CO2e)**

**Scope 3: End of life treatment of sold products (metric tons CO2e)**

**Scope 3: Downstream leased assets (metric tons CO2e)**

**Scope 3: Franchises (metric tons CO2e)**

**Scope 3: Other (upstream) (metric tons CO2e)**

**Scope 3: Other (downstream) (metric tons CO2e)**

**Comment**

## **C6.10**

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

---

**Intensity figure**

0.00007

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

31,311.7

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

45,837,737,000

**Scope 2 figure used**

Market-based

**% change from previous year**

70.7

**Direction of change**

Decreased

**Reason for change**

Intensity figures are calculated considering our unit total revenues (in TRYs) as of 2020 & 2021. Our unit total revenue values were 33.4 and 45.8 billion TRYs for 2020 and 2021 respectively. Our gross global combined Scope 1 & 2 emissions have decreased from 77,822.3 metric tons CO2e in 2020 to 31,311.7 metric tons CO2e in 2021. An approximate 70.7% decrease is observed in our intensity figure compared to 2020 level. The main reason for this change in the ratio was the decrease in Scope 2 emission of our Bank compared to the previous year. In 2021, a great decrease was observed in Scope 2 emissions as electricity consumption started to use renewable energy.

## C7. Emissions breakdowns

### C7.9

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

### C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	46,686	Decreased	60	<p>Without renewable energy supply, 55,470 tCO2 scope 2 emissions would've occurred. With a total of 102,179 gWh renewable energy supply scope 2 emissions decreased to 8,784 tCO2. All renewable energy consumptions in 2021 were certified by I-REC. Details of renewable energy consumption of İşbank is given at 4.3b.</p> <p>%Emission value calculation:                      A: 55,470-8,784=46,686 tCO2e (Emission reduction out of the renewable energy supply)                      B: 2020 Scope 1 + Scope 2 emissions= 20,629 + 57,193 = 77,822 tCO2e</p> <p>%Emission Value= (A/B)*100                      =100*[(46,686)/77,822]=%60</p>

Other emissions reduction activities	657	Decreased	0.84	<p>Due to LED lighting transformation a decrease of 657 tco2 in scope 2 emissions occurred. Details of lighting transformation of İşbank is given at 4.3b.</p> <p>%Emission value calculation:                      A: 657 tCO2e (Emission reduction out of the LED lighting transformation)                      B: 2020 Scope 1 + Scope 2 emissions= 20,629 + 57,193 = 77,822 tCO2e</p> <p>%Emission value= (A/B)*100=100*(657/77,822)=%0.84</p>
Divestment				
Acquisitions				
Mergers				
Change in output				
Change in methodology				
Change in boundary				
Change in physical operating conditions				
Unidentified				
Other				

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

## C8. Energy

### C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

### C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

### C8.2a

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	53,657	53,657
Consumption of purchased or acquired electricity		102,179	19,224	121,403
Total energy consumption		102,179	72,881	175,060

## C8.2g

**(C8.2g) Provide a breakdown of your non-fuel energy consumption by country.**

**Country/area**

Turkey

**Consumption of electricity (MWh)**

121,403

**Consumption of heat, steam, and cooling (MWh)**

0

**Total non-fuel energy consumption (MWh) [Auto-calculated]**

121,403

## C9. Additional metrics

### C9.1

**(C9.1) Provide any additional climate-related metrics relevant to your business.**

---

**Description**

Other, please specify  
paper consumption

**Metric value**

503

**Metric numerator**

503

**Metric denominator (intensity metric only)**

n/a

**% change from previous year**

16

**Direction of change**

Decreased

**Please explain**

Paper consumption in the reporting year decreased to 503 ton from 643 ton.

## C10. Verification

### C10.1

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

### C10.1a

**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.**

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete


**Type of verification or assurance**

Limited assurance

**Attach the statement**

 İş Bankası CDP Verification \_KPMG.pdf



 Assurance Report.pdf

**Page/ section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

## C10.1b

**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.**

---

**Scope 2 approach**

Scope 2 market-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**


Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 İş Bankası CDP Verification \_KPMG.pdf

 Assurance Report.pdf

**Page/ section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

## C10.1c

**(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**

---

**Scope 3 category**

Scope 3: Waste generated in operations

Scope 3: Business travel

Scope 3: Employee commuting

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance



**Attach the statement**

- 📎 İş Bankası CDP Verification \_KPMG.pdf
- 📎 Assurance Report.pdf

**Page/section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

## C10.2

**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

## C10.2a

**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C3. Business strategy	Renewable energy products	ISAE 3000	Number of renewable energy projects financed during the year, their installed capacity (MW) and the loan amount provided to these projects (million USD) were verified by KPMG as the

			accredited external third party, as reported in the Integrated Annual Report 2021 assurance statement of İşbank. 📎 1
C4. Targets and performance	Energy consumption	ISAE 3000	Amount of supplied renewable energy during the year was verified by KPMG as the accredited external third party, as reported in the Integrated Annual Report 2021 assurance statement of İşbank. 📎 1

📎 1Assurance Report.pdf

## C11. Carbon pricing

### C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

### C11.3

**(C11.3) Does your organization use an internal price on carbon?**

No, but we anticipate doing so in the next two years

## C12. Engagement

### C12.1

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, our customers/clients

Yes, other partners in the value chain

## C12.1a

### (C12.1a) Provide details of your climate-related supplier engagement strategy.

---

#### Type of engagement

Information collection (understanding supplier behavior)

#### Details of engagement

Collect climate change and carbon information at least annually from suppliers

#### % of suppliers by number

5.2

#### % total procurement spend (direct and indirect)

71

#### % of supplier-related Scope 3 emissions as reported in C6.5

77

#### Rationale for the coverage of your engagement

We've engaged with companies that represent 71% of total procurement spend to retrieve their actual emission data. Aiming a coverage including material procurement areas of İşbank, three sub-categories have been considered. a) Software & service purchases, b) Construction and Real Estate Rental c) General Product and Service Purchases. Among these 3 sub-categories we've been able to collect carbon information from 9 companies in sub-category "Software and services", 8 companies in sub-category "Construction and Real Estate Rental" and 13 companies in sub category "General Product and Service Purchases". We will continue to adopt series of measures that will enable to retrieve primary data from more suppliers. This will, on the one hand help us increasing the scope and quality of our Scope 3 data in the upcoming years. On the other hand such an engagement will help us to have a deeper understanding of supplier behaviour in terms of climate

thereby finding ways to support behavioural change among our suppliers that means more fruitful and efficient engagement.

### **Impact of engagement, including measures of success**

In purchases with potentially high environmental impacts, the supplier is expected to have the necessary certificates regarding the production process. In this way, it is aimed to minimize the climate risk impact that will arise as a result of product/service use, taking into account environmental impacts. The threshold value we set as İşbank was to create a measurable awareness in at least 3 companies among our suppliers. As a result of the surveys we conducted with our suppliers, a total of 4 companies operating in related sectors, which make up 9.5% of our purchases, started to calculate scope 1 and 2 emissions in 2021.

### **Comment**

İşbank strives to choose environmentally-friendly products and services during procurement operations. The Bank works in close collaboration with its suppliers to raise their awareness on the importance of sustainability and enhance their corporate capabilities.

The Supplier Code of Conduct, based on the UN Global Compact and İşbank Human Rights and Human Resources Policy, determine the main principles and essentials in purchases of goods and services. All suppliers are expected to comply with the principles and policies within the scope of İşbank's Anti-Bribery and Anti-Corruption Policy, Gift and Hospitality Policy and Ethical Principles and Code of Conduct and expected to refrain from acts that would violate these principles.

İşbank has adopted the principle of continuously improving its suppliers, ensuring organizational excellence, and improving business processes consistently. When selecting suppliers, the Bank chooses one from its existing pool of suppliers based on the nature of procurement in question or tries to reach new alternative suppliers by looking at predefined criteria.

In accordance with the Sustainability Policy, İşbank endeavors to minimize the negative environmental and social impacts caused by suppliers, and to raise the positive effects to maximum levels. In this context, the Bank respects environmental and social criteria in its supplier selection. The requirement to take environmental impacts into consideration during procurement activities is set out in the Procurement Policy. Various criteria are evaluated, such as whether the supplier company has an active environmental management system in place, whether the legal requirements for the disposal of waste generated from the activities carried out for the Bank are met, whether recycled materials are used, and the frequency of environmental emergencies.

In 2021 İşbank received CIPS (The Chartered Institute of Procurement & Supply) certificate, which is a globally recognized accreditation that demonstrates the level of maturity of an organization's supply chain policies, strategies, procedures and processes. İşbank is the first organization in the Turkish banking and finance sector to receive the CIPS certificate.

## C-FS12.1b

**(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.**

---

### **Type of clients**

Customers/clients of Banks

### **Type of engagement**

Engagement & incentivization (changing client behavior)

### **Details of engagement**

Engage with clients on measuring exposure to climate-related risk

Encourage better climate-related disclosure practices

Encourage clients to set a science-based emissions reduction target

Offer financial incentives for clients who reduce your downstream emissions (Scope 3) and/or exposure to carbon-related assets

### **% client-related Scope 3 emissions as reported in C-FS14.1a**

100

### **Portfolio coverage (total or outstanding)**

12.8

### **Rationale for the coverage of your engagement**

Engagement targeted at clients with the highest potential impact on the climate

### **Impact of engagement, including measures of success**

The threshold value we set as İşbank was to ensure that environmental and social impacts are measured in all project financings with a value over 10 Million USD. These funded projects include projects with high potential impact on the climate, such as renewable energy sectors. We implemented this application in all projects with the tool we used in the projects included in this scope in 2021. After achieving this goal, we have

now started to expand our application in this field to our entire portfolio by adding applications for measuring environmental and social impacts in projects below 10 million USD to our loan allocation processes.

## C12.1d

### **(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.**

İşbank ensures effective stakeholder engagement in investments by developing collaborations with different stakeholder groups, particularly with NGOs. These initiatives are designed within a framework that complies with the Bank's ESG principles, contributes to the SDGs, and meets the current needs of the society. We engage with partners such as EBRD, UN Global Compact, UNEP FI PRB, SBTi-FI, NZBA and TEMA. Output of our climate-related engagement strategy is the loan agreements, which are signed with the EBRD to support renewable energy and resource efficiency investments/activities in the scope of TurSEFF as well as MidSEFF.

As a signatory of UN Global Compact, we're a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Turkey. According to the commitment announced in the aforementioned Declaration, we evaluate the potential E&S risks of all new investment projects worth more than USD 10 million.

As a signatory of UNEP FI PRB, in 2021 we conducted a portfolio impact analysis and analysed the positive and negative areas we've an impact through our financing activities. We have published our first self-assessment report in 2021 and, we will continue to disclose the developments on an annual basis.

We have committed to the SBTi to validate our emission reduction targets on science-based basis. We are working on evaluating Scope-3 emissions from lending activities and the supply chain with a target-based approach.

In 2021, İşbank has joined the industry-led, UN-convened Net-Zero Banking Alliance, and committed to align its portfolio with pathways to net-zero by 2050. Thanks to this engagement, İşbank has strengthened its commitment to tackling climate crisis and accelerating progress towards SDGs.

İşbank is also collaborating with NGOs on climate-oriented projects. In this context, the Bank has implemented the "Forest Forward" (Geleceğe Orman) in cooperation with TEMA (The Turkish Foundation for Combating Soil Erosion) for Reforestation and the Protection of Natural Habitats. With the app, offers its customers the opportunity to earn carbon points for their banking transactions after subscribing to app. from İşCep as well as for their daily life activities. When the carbon points reach the target value, the Bank allows its customers to be a part of a goodness movement that protects the future through the TEMA Foundation with saplings donated on behalf of its customers and to reduce their carbon footprints.



## C12.3

**(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?**

Row 1

---

**Direct or indirect engagement that could influence policy, law, or regulation that may impact the climate**


Yes, we engage directly with policy makers


Yes, we engage indirectly by funding other organizations whose activities may influence policy, law, or regulation that may significantly impact the climate

**Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?**

Yes

**Attach commitment or position statement(s)**

 environment-and-social-impact-policy.pdf

 işbank\_PRB\_2021\_Report.pdf

**Describe the process(es) your organization has in place to ensure that your engagement activities are consistent with your overall climate change strategy**

İşbank is aware of the importance of its role in transitioning to a net zero economy. The Bank has taken portfolio decisions that align with Paris Agreement in some sectors. In this context, after 2015, all new project financing provided by İşbank for electricity generation investment was allocated to renewable energy projects. İşbank carries on efforts to reduce the share of non-renewables in its energy portfolio too. In 2020, “loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation”; in 2021, “new coal mining investments” have been added to the Exclusion List (annex of İşbank E&S Impact Policy). After having signed the UNEP FI PRB, which intends to ensure alignment of the signatory banks with the UN SDGs and the Paris Climate Agreement, the Bank disclosed its first self-assessment report and progress towards the Principles in 2021. İşbank maintained its collaborative efforts in the UNEP FI

working groups and have begun conducting an impact analysis for its portfolio to review its ESG impact. We are also a member of the Sustainability Working Group of the Banks Association of Turkey aiming at supporting ESG activities in Turkish banking sector. Regarding the international developments and national efforts with a special focus on the European Green Deal, a sub-working group is incepted, aiming at preparing a proposal paper for methodology of Green Asset Ratio as well as climate risk taxonomy in Türkiye. We are an active member of the sub-WG as well. Starting from 2021, the EU Taxonomy criteria, which will be taken into account in the calculation of the national Green Asset Ratio, have been evaluated according to the loan types and sectors. National legislation, local processes and lending practices are taken into account to reach a feasible as well as an ambitious roadmap. The meetings of the WGs is carried out with the participation of the Banking Regulation and Supervision Agency representatives, so their opinions and evaluations are also included in the discussions and work of the WGs. Recently, we have also initiated the Impact Entrepreneurship Program along with the Koç University Entrepreneurship Research Center KWORKS. The program aims to support the scaling of technology-based initiatives that create an E&S impact on areas such as climate, accessible and clean energy, sustainable cities & communities.

## C12.3a

**(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?**

---

**Focus of policy, law, or regulation that may impact the climate**

Sustainable finance

**Specify the policy, law, or regulation on which your organization is engaging with policy makers**

Sector Guidance for Green Asset Ratio

**Policy, law, or regulation geographic coverage**

National

**Country/region the policy, law, or regulation applies to**

Turkey

**Your organization's position on the policy, law, or regulation**

Support with no exceptions

**Description of engagement with policy makers**

İşbank is a member of the sub-working group of the Banks Association of Turkey established to support the various activities regarding sustainability including creation of national green asset ratio within the framework of international practices. In the reporting period, the EU Taxonomy criteria, which will be taken into account in the calculation of the Sector Guidance for Green Asset Ratio, have been evaluated according to the loan types with the support of our Bank. National legislation, local processes and lending practices are taken into account. During studies carried out by working group, the opinions of the Banking Regulation and Supervision Agency regarding the process evaluation are taken and their participation in the studies is ensured. Our bank also takes an active part in working group meetings and activities.

**Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation**

**Have you evaluated whether your organization's engagement is aligned with the goals of the Paris Agreement?**

Yes, we have evaluated, and it is aligned

**C12.3c**

**(C12.3c) Provide details of the funding you provided to other organizations in the reporting year whose activities could influence policy, law, or regulation that may impact the climate.**

---

**Type of organization**

International Governmental Organization (IGO)

**State the organization to which you provided funding**

The United Nations Environment Programme Finance Initiative (UNEP FI)

**Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)**

217,146.5

**Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate**

UNEP FI members are required to pay an annual financial contribution. Members' contributions are used to help fund the activities undertaken by UNEP FI. These activities include tutorials, tools, publications, events and webinars. The key theme of these activities are climate change, nature, pollution and circular economy, SDGs and impact and social and human rights. Thanks to these the signatory banks are creating global best practices and standards that can influence policy, law or regulation. İşbank affect the policies, laws and regulations that are planned to be formed by sharing the information it has gained from the contributions it has made and the activities it has participated in the working groups as mentioned in question 12.3a.

**Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?**

Yes, we have evaluated, and it is aligned

## C12.4

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

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**Publication**

In mainstream reports

**Status**

Complete

**Attach the document**

 2021IntegratedAnnualReport.pdf

**Page/Section reference**

Page 114, ENVIRONMENTAL IMPACT

**Content elements**



- Governance
- Strategy
- Emissions figures
- Emission targets
- Other metrics

**Comment**

The İşbank Integrated Annual Report is compatible with the Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC). The 2021 Integrated Annual Report has been prepared in accordance with the GRI Standards-Comprehensive practice published by the Global Reporting Initiative (GRI).  
 In organizing the content of report, the Provisional Standard for Commercial Banks guide released by the Sustainability Accounting Standards Board - SASB, United Nations Environment Program Finance Initiative's (UNEP-FI) Principles for Responsible Banking, and Carbon Disclosure Project's (CDP) Climate Change Program Guidance were utilized.  
 The report also includes İşbank's contribution to the United Nations Sustainable Development Goals.

**C-FS12.5**

**(C-FS12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.**

	Environmental collaborative framework, initiative and/or commitment	Describe your organization's role within each framework, initiative and/or commitment
Row 1	CDP Signatory Net Zero Banking Alliance Science-Based Targets Initiative for Financial Institutions (SBTi-FI) UN Global Compact UNEP FI	As a signatory of UN Global Compact since 2012, İşbank is a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Turkey. İşbank is one of the first signatories of Declaration of Sustainable Finance which was published by UN Global Compact Network Turkey and undertakes the evaluation of the environmental and social risks in the loan processes. According to the commitment announced in the aforementioned Declaration, we evaluate the potential environmental and social risks of all new investment projects worth more than USD 10 million which is also stated in Risks & Opportunities section of our CDP Climate Change Reporting.

	<p>UNEP FI Principles for Responsible Banking</p>	<p>As a signatory of the UNEP FI Principles for Responsible Banking in 2020, the Bank conducted a portfolio impact analysis and analysed the positive and negative areas it has an impact through its financing activities. İşbank will continue to disclose the developments on an annual basis.</p> <p>İşbank has made a commitment to the SBTi to validate the emission reduction targets on science-based basis. In the following periods, it is aimed to evaluate Scope-3 emissions from lending activities and the supply chain with a target-based approach.</p> <p>İşbank has strengthened its commitment to supporting the transition to a net-zero economy by joining another international initiative which is in line with its sustainability vision. İşbank has joined the industry-led, UN-convened NetZero Banking Alliance (NZBA), which brings together banks worldwide committed to aligning their portfolios with net-zero emissions by 2050.</p>
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## C14. Portfolio Impact

### C-FS14.0

**(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.**

#### Lending to all carbon-related assets

**Are you able to report a value for the carbon-related assets?**

Yes

**Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)**

32,882,473,318

**New loans advanced in reporting year (unit currency – as specified in C0.4)**

17,201,934,700

**Percentage of portfolio value comprised of carbon-related assets in reporting year**

6.7

### Lending to coal

---

**Are you able to report a value for the carbon-related assets?**

Yes

**Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)**

18,382,573,526

**New loans advanced in reporting year (unit currency – as specified in C0.4)**

4,746,159,677

**Percentage of portfolio value comprised of carbon-related assets in reporting year**

3.7

### Lending to oil and gas

---

**Are you able to report a value for the carbon-related assets?**

Yes

**Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)**

14,499,899,792

**New loans advanced in reporting year (unit currency – as specified in C0.4)**

12,455,775,023

**Percentage of portfolio value comprised of carbon-related assets in reporting year**

2.9

## C-FS14.1

**(C-FS14.1) Does your organization measure its portfolio impact on the climate?**

We conduct analysis on our portfolio's impact on the climate | Disclosure metric



Banking (Bank)	Yes	Portfolio emissions Other carbon footprinting and/or exposure metrics (as defined by TCFD)
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## C-FS14.1a

**(C-FS14.1a) Provide details of your organization’s portfolio emissions in the reporting year.**

### Banking (Bank)

#### Portfolio emissions (metric unit tons CO2e) in the reporting year

15,651,937

#### Portfolio coverage

78

#### Percentage calculated using data obtained from clients/investees

8

#### Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

#### Please explain the details and assumptions used in your calculation

Our approach for calculating portfolio emissions of the Bank focuses on non-retail lending activities such as corporate/SME loans and project financing. We observe that non-retail loans portfolio constitutes 78% of the total loan portfolio as of YE2021 and the vast majority of Isbank’s portfolio emissions arises from it. Remaining 22% consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculation. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. AF for each firm is calculated by using customer-level bank data. However, data required to calculate the borrower’s emissions is not always available. Approximately %8 of the total portfolio emissions are calculated by using the emissions data obtained from directly from customers, their CDP responses and other public reports. Approximately 39% of the total portfolio emissions (mostly



energy production facilities) are calculated using a physical activity (production) based methodology, where outstanding amount in the company, its total debt and equity are known, reported company emissions are not known. Emissions are calculated using company's production amount, fuel mix and IPCC's emission factor assumptions on different fuel types. Remaining portfolio emissions are derived from firms' economic activities, where outstanding amount in the company, its total debt plus equity and revenue as well as emission factors for the sector per unit of revenue are known. As PCAF recommends using official statistical data tCO<sub>2</sub> e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT's website. We include each firm in the portfolio so energy and mining sectors are included in the calculation as required. For each data type, most recent available data is used. If the data is not available for 2021, past year's data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by the AF for each firm and aggregated to reach the bank's total loan-portfolio emission level, which is 15,651,937 tons.

## C-FS14.1b

**(C-FS14.1b) Provide details of the other carbon footprinting and/or exposure metrics used to track the impact of your portfolio on the climate.**

---

**Portfolio**

Banking (Bank)

**Portfolio metric**

Carbon intensity (tCO<sub>2</sub>e/Million revenue)

**Metric value in the reporting year**

341.46

**Portfolio coverage**

78

**Percentage calculated using data obtained from clients/investees**

8



**Calculation methodology**

Our approach for calculating portfolio emissions of the Bank focuses on non-retail lending activities such as corporate/SME loans and project financing. We observe that non-retail loans portfolio constitutes 78% of the total loan portfolio as of YE2021 and the vast majority of Isbank’s portfolio emissions arises from it. Remaining 22% consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculation. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. Approximately %8 of the total portfolio emissions are calculated by using the emissions data obtained from directly from customers, their CDP responses and other public reports. Approximately 39% of the total portfolio emissions (mostly energy production facilities) are calculated using a physical activity (production) based methodology, where outstanding amount in the company, its total debt and equity are known, reported company emissions are not known. Emissions are calculated using company’s production amount, fuel mix and IPCC’s emission factor assumptions on different fuel types. Remaining portfolio emissions are derived from firms’ economic activities, where outstanding amount in the company, its total debt plus equity and revenue as well as emission factors for the sector per unit of revenue are known. As PCAF recommends using official statistical data tCO2 e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT’s website. We include each firm in the portfolio so energy and mining sectors are included in the calculation as required. For each data type, most recent available data is used. If the data is not available for 2021, past year’s data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by the AF for each firm and aggregated to reach the bank’s total loan-portfolio emission level, which is 15,651,937 tons. Then, we reached the intensity figure by dividing the total emission data by the total of 2021 year-end solo revenue (which is sum of "gross operating income" and "profit/loss from associates accounted for using the equity method" line items in the income statement).

**C-FS14.2**

**(C-FS14.2) Are you able to provide a breakdown of your organization’s portfolio impact?**

	Portfolio breakdown
Row 1	Yes, by asset class Yes, by industry Yes, by country/region

Yes, by scope

## C-FS14.2a

**(C-FS14.2a) Break down your organization's portfolio impact by asset class.**

Asset class	Portfolio metric	Portfolio emissions or alternative metric
Banking Corporate loans	Absolute portfolio emissions (tCO <sub>2</sub> e)	5,997,861
Banking Project finance	Absolute portfolio emissions (tCO <sub>2</sub> e)	9,654,076

## C-FS14.2b

**(C-FS14.2b) Break down your organization's portfolio impact by industry.**

Portfolio	Industry	Portfolio metric	Portfolio emissions or alternative metric
Banking (Bank)	Energy	Absolute portfolio emissions (tCO <sub>2</sub> e)	10,059,908

## C-FS14.2c

**(C-FS14.2c) Break down your organization's portfolio impact by country/region.**

Portfolio	Country/region	Portfolio metric	Portfolio emissions or alternative metric
Banking (Bank)	Turkey ①	Absolute portfolio emissions (tCO <sub>2</sub> e)	15,651,937

① We believe that vast majority of İsbank's portfolio emissions arises from domestic funding activities, such as loans provided to Turkey based project finance firms (SVPs) and commercial firms. Thus, all of the İsbank's portfolio emissions concentrate in Turkey.

## C-FS14.2d

**(C-FS14.2d) Break down your organization’s portfolio impact by scope.**

Portfolio	Clients'/investees' scope	Portfolio emissions (metric tons CO2e)
Bank lending (Bank)	Scope 1	15,651,937

## C-FS14.3

**(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?**

	Actions taken to align our portfolio with a 1.5°C world
Banking (Bank)	Yes

## C-FS14.3a

**(C-FS14.3a) Does your organization assess if your clients/investees' business strategies are aligned with a 1.5°C world?**

	Assessment of alignment of clients/investees' strategies with a 1.5°C world	Please explain why you are not assessing if your clients/investees' business strategies are aligned with a 1.5°C world
Banking (Bank)	Yes, for some	<p>We are currently implementing a “Client Sustainability Assessment Process” for our commercial customer portfolio. The Client Sustainability Assessment Process includes 2 types of periodic evaluation:</p> <ol style="list-style-type: none"> <li>1. Environmental and social aspects: Includes all commercial firms in the loan portfolio.</li> <li>2. Climate change awareness and resilience aspects: Includes commercial firms with credit limits above 1 million USD and operate in sectors which assessed as having “High” or “Medium-High” (2 highest risk categories) climate change risk level in the scope of Bank’s climate change risk heatmap.</li> </ol> <p>We have completed a pilot evaluation for climate change risk assessment, including 40 high volume clients operating in different sectors. These 40 firms are engaged and asked to answer a questionnaire to</p>



		<p>determine their level of climate change risk awareness as well their preparedness to the risks as we are moving to a 1.5°C world. The questionnaire includes questions such as;</p> <ul style="list-style-type: none"> <li>- Does the company assess climate risks within the scope of the overall risk management framework, and has it established written/corporate business processes in this regard?</li> <li>- Does the company regularly measure/calculate carbon emissions? If so, total amount of carbon emissions from direct operations for the last year is requested.</li> <li>- Details about the company’s transition strategies and action plans.</li> <li>- Does the company need to reduce its carbon emissions to comply with local or international regulations (such as Carbon Border Adjustment Mechanism (CBAM)) on climate change? If so the corresponding investment level to reduce emissions is requested.</li> </ul> <p>In the following phase, having an up-to-date Client Sustainability Assessment will be a requirement for allocating a new loan to a company. Also in next phases, we are planning to implement a PD adjustment mechanism that relies on this sustainability assessment. On the other hand, sufficient data accumulation is a core requirement for these developments to be implemented.</p>
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## C15. Biodiversity

### C15.1

**(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?**

Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity	Scope of board-level oversight

<p>Row 1</p>	<p>Yes, both board-level oversight and executive management-level responsibility</p>	<p>The Board of Directors at İşbank has ultimate oversight of sustainability issues. We have a Sustainability Committee chaired by our Chairperson and the CSO who together drives and executes the sustainability strategy, including biodiversity.</p> <p>Banks are exposed to multiple types of biodiversity-related risks especially through their lending activities. We evaluate all new investment projects with a total investment amount of more than USD 10 million by using the Environmental and Social Risk Evaluation Tool. While risk categories are identified as part of the Environmental and Social Impact Evaluations conducted by İşbank, biodiversity risks are evaluated on a per-project basis. For projects which are determined as high risk category and present a number of biodiversity risks, consultants are also requested to prepare a Biodiversity Action Plan.</p> <p>Besides İşbank does not provide financing to the activities of companies that operate in the following fields as stated in the Exclusion List of the Bank: Trade of wild life elements and products governed by CITES Agreement, Activities that result in a significant change, damage or eradication of cultural assets included in UNESCO World Heritage List and UNESCO World Heritage Provisional List, Activities that are carried out in wetlands that are identified as RAMSAR Zones in scope of the Convention on Wetlands of International Importance especially as Waterfowl Habitats (RAMSAR Convention), Activities where drift-nets are used in the hunting of fisheries, Transportation of oil and other hazardous substances via tankers that do not comply with the requirements of International Maritime Organization (IMO)</p> <p>Exclusion List is placed as an annex to Environmental and Social Impact Policy which is approved and revised annually by the Board of Directors.</p>	<p>The impact of our bank lending activities on biodiversity</p>
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## C15.2

**(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?**

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity	Biodiversity-related public commitments	Initiatives endorsed
Row 1	Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity	Commitment to not explore or develop in legally designated protected areas Commitment to respect legally designated protected areas Commitment to avoidance of negative impacts on threatened and protected species Commitment to no conversion of High Conservation Value areas Commitment to no trade of CITES listed species	SDG CITES Other, please specify The UN Global Compact and the Declaration on Sustainable Finance

### C15.3

**(C15.3) Does your organization assess the impact of its value chain on biodiversity?**

	Does your organization assess the impact of its value chain on biodiversity?	Portfolio
Row 1	Yes, we assess impacts on biodiversity in our downstream value chain only	Bank lending portfolio (Bank)

### C15.4

**(C15.4) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?**

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?	Type of action taken to progress biodiversity-related commitments
Row 1	Yes, we are taking actions to progress our biodiversity-related commitments	Land/water protection Land/water management

		<p>Species management</p> <p>Education &amp; awareness</p> <p>Law &amp; policy</p> <p>Livelihood, economic &amp; other incentives</p>
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## C15.5

**(C15.5) Does your organization use biodiversity indicators to monitor performance across its activities?**

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	Yes, we use indicators	Other, please specify SDG indicators

## C15.6

**(C15.6) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
In voluntary sustainability report or other voluntary communications	<p>Content of biodiversity-related policies or commitments</p> <p>Impacts on biodiversity</p>	<p>Integrated Annual Report 2021:  <a href="https://www.isbank.com.tr/contentmanagement/IsbankSurdurulebilirlikEN/pdf/2021IntegratedReport.pdf">https://www.isbank.com.tr/contentmanagement/IsbankSurdurulebilirlikEN/pdf/2021IntegratedReport.pdf</a>, p.90</p> <p><a href="https://www.isbank.com.tr/en/about-us/Documents/sustainability/environment-and-social-impact-policy.pdf">https://www.isbank.com.tr/en/about-us/Documents/sustainability/environment-and-social-impact-policy.pdf</a>.</p>





## C16. Signoff

### C-FI

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

### C16.1

**(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Chief Financial Officer & Chief Sustainability Officer of İşbank	Chief Financial Officer (CFO)

## FW-FS Forests and Water Security (FS only)

### FW-FS1.1

**(FW-FS1.1) Is there board-level oversight of forests- and/or water-related issues within your organization?**

	Board-level oversight of this issue area
Forests	
Water	Yes

## FW-FS1.1a

**(FW-FS1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for forests- and/or water-related issues.**

Issue area(s)	Position of individual(s)	Please explain
Water	Board Chair Director on board Chief Sustainability Officer (CSO) Board-level committee	<p>At İşbank, the Board of Directors is the highest-level of governance for sustainability. The Board of Directors has tasked a sub-committee, the Sustainability Committee, to focus on sustainability including climate and water related issues. One expression of the importance of sustainability at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as seven Deputy Chief Executives. By the leadership of the Chairperson, the Board of Directors considers sustainability when reviewing and guiding the business strategy, major plans of action, risk management policies, and budget plans as well as, setting performance objectives, monitoring implementation and performance.</p> <p>2 directors on board are members of Sustainability Committee which drives our sustainability efforts including water related issues.</p> <p>Deputy Chief Executive in charge of Investor Relations &amp; Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank’s sustainability initiatives and represents the Bank in sustainability communication through activities like stakeholder engagement.</p>

## FW-FS1.1b

**(FW-FS1.1b) Provide further details on the board’s oversight of forests- and/or water-related issues.**

**Issue area(s)**

Water

**Frequency with which the issue area(s) is a scheduled agenda item**

Scheduled - some meetings

**Governance mechanisms into which this issue area(s) is integrated**

- Reviewing and guiding strategy
- Reviewing and guiding major plans of action
- Reviewing and guiding risk management policies
- Reviewing and guiding annual budgets
- Reviewing and guiding business plans
- Setting performance objectives
- Monitoring implementation and performance of objectives
- Overseeing major capital expenditures, acquisitions and divestitures

**Scope of board-level oversight**

The impact of our banking activities on forests and/or water security

**Please explain**

ESG matters including water-related issues are raised to the agenda of the board by board level committee: Sustainability Committee with scheduled meetings. They are embedded in the most material decisions, such as reviewing and guiding strategy, major plans of action, risk management policies, business plans and sustainability policies. By the leadership of the Chairperson, the Board of Directors considers ESG issues when reviewing & guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting our performance objectives, monitoring implementation and performance. The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication including stakeholder engagement. Apart from board-level Sustainability Committee and the CSO, there is Sustainability Coordinator and Sustainability Working Group (WG). Head of Investor Relations & Sustainability serves as the Sustainability Coordinator to ensure sustainability issues are effectively embedded in the Bank's executive bodies. To this end, the Sustainability WG is convened, which contains representatives from all key areas of the Bank, such as credit underwriting, risk management, project finance, product development and marketing, procurement, construction & real estate management, talent management. The objective of the Sustainability WG is to ensure sustainability ,including climate and water related issues is embedded in business decisions and there is appropriate flow of information across all divisions. The Sustainability WG's efforts are supported by a dedicated Sustainability

Management System. This Sustainability Management System has documented processes, outputs are audited regularly, and audit results are reviewed by top management.

## FW-FS1.1c

**(FW-FS1.1c) Does your organization have at least one board member with competence on forests- and/or water-related issues?**

### Forests

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**Board member(s) have competence on this issue area**

No, and we do not plan to address this within the next two years

**Primary reason for no board-level competence on this issue area**

Important but not an immediate priority

**Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future**

These issues are currently being followed up at the committee level. The committees may also apply to the advisory opinion in case of need for the subjects they follow. For this reason, there is no need for a person-based competence at this stage. In the future, this situation will be evaluated according to the need.

### Water

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**Board member(s) have competence on this issue area**

No, but we plan to address this within the next two years

**Primary reason for no board-level competence on this issue area**

Important but not an immediate priority

**Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future**

At İşbank Board-level Sustainability Committee focuses on sustainability & related issues including water-related ones. Although water-related risks and opportunities are crucial for direct and indirect operations, the climate-related issues were given priority at the board level. We plan to address this within the next two years.

## FW-FS1.2

**(FW-FS1.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests- and/or water-related issues.**

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**Name of the position(s) and/or committee(s)**

Chief Sustainability Officer (CSO)

**Reporting line**

CEO reporting line

**Issue area(s)**

Water

**Responsibility**

Both assessing and managing risks and opportunities

**Coverage of responsibility**

Risks and opportunities related to our banking portfolio

**Frequency of reporting to the board on forests- and/or water-related issues**

Quarterly

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**Name of the position(s) and/or committee(s)**

Sustainability committee



**Reporting line**

Reports to the Board directly

**Issue area(s)**

Water

**Responsibility**

Both assessing and managing risks and opportunities

**Coverage of responsibility**

Risks and opportunities related to our banking portfolio

**Frequency of reporting to the board on forests- and/or water-related issues**

Quarterly

**FW-FS2.1**

**(FW-FS2.1) Do you assess your portfolio's exposure to forests- and/or water-related risks and opportunities?**

	We assess our portfolio's exposure to this issue area
Banking - Forests exposure	Yes
Banking – Water exposure	Yes

**FW-FS2.1a**

**(FW-FS2.1a) Describe how you assess your portfolio's exposure to forests- and/or water-related risks and opportunities.**

**Portfolio**

Banking (Bank)

**Exposure to**

Water-related risks and opportunities

**Type of risk management process**

A specific ESG-related risk management process

**Proportion of portfolio covered by risk management process**

12.8

**Type of assessment**

Qualitative only

**Time horizon(s) covered**

Long-term

**Tools and methods used**

Other, please specify

Environmental and Social Risk Evaluation Tool (ÇESMOD) of İşbank

**Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities**

All new investment projects to be financed by İşbank with an investment amount of more than USD 10 million are evaluated using the Environmental and Social Risk Evaluation Tool (ÇESMOD). Projects within this scope are subject to environmental and social risk assessment, and a risk score is determined as a result of this assessment. If the risk of a project is determined to be high, an environmental and social action plan is established in cooperation with the customer to eliminate or mitigate the identified effects, and the follow-up of these actions is provided under the supervision of independent consultants, when necessary.

With the ÇESMOD Model, E&S risk scores of the investments financed by the Bank are calculated with initial evaluations conducted with specific sets of questions based on the type of investment, e.g. new facility development, capacity expansion and/or additional facilities or refinancing/procurement, followed by evaluations conducted with specific sets of questions based on the sector in question, e.g. mining, manufacturing, infrastructure, chemistry, energy and renewable energy.

Various assessments are made in order to determine forest and water risks in the Environmental and Social Risks Policy published by İş Bank

and in the ÇESMOD prepared by Sustainable Finance team.

In addition, a commitment to plant trees up to 5 times the number of trees cut is included in loan agreements specific to projects.

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**Portfolio**

Banking (Bank)

**Exposure to**

Forests-related risks and opportunities

**Type of risk management process**

A specific ESG-related risk management process

**Proportion of portfolio covered by risk management process**

12.8

**Type of assessment**

Qualitative only

**Time horizon(s) covered**

Long-term

**Tools and methods used**

Other, please specify

Environmental and Social Risk Evaluation Tool (ÇESMOD) of İşbank

**Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities**

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and a risk score is determined as a result of this assessment. If the risk of a project is determined to be high, an environmental and social action plan is established in cooperation with the customer to eliminate or mitigate the identified effects, and the follow-up of these actions is provided under the supervision of independent consultants, when necessary.

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Various assessments are made in order to determine forest and water risks in the Environmental and Social Risks Policy published by İis Bank and in the ÇESMOD prepared by Sustainable Finance team.

In addition, a commitment to plant trees up to 5 times the number of trees cut is included in loan agreements specific to projects.

## FW-FS2.2

**(FW-FS2.2) Does your organization consider forests- and/or water-related information about clients/investees as part of its due diligence and/or risk assessment process?**

	We consider forests- and/or water-related information
Banking – Forests-related information	Yes
Banking – Water-related information	Yes

## FW-FS2.2a

**(FW-FS2.2a) Indicate the forests- and/or water-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision making.**

### Portfolio

Banking (Bank)

### Information related to

Water

**Type of information considered**

- Scope and content of water policy
- Water withdrawal and/or consumption volumes
- Water withdrawn from water stressed areas
- Water discharge treatment data
- Breaches to local water regulations

**Process through which information is obtained**

- Directly from the client/investee
- Public data sources

**Industry sector(s) covered by due diligence and/or risk assessment process**

- Energy
- Materials
- Transportation
- Automobiles & Components
- Food & Staples Retailing
- Health Care Equipment & Services
- Pharmaceuticals, Biotechnology & Life Sciences
- Technology Hardware & Equipment
- Utilities
- Real Estate

**State how these forests- and/or water-related information influences your decision making**

- Our questions regarding water security in the ÇESMOD;
- Is there any sea discharge (domestic wastewater, industrial wastewater, etc.)?
- Has a water management plan been requested by official authorities?
- Is groundwater used?

Various actions are taken as a result of the risks determined as a result of the ÇESMOD. Our Bank monitors whether the actions created are completed or not, with certain reporting periods.

- Establishment of Environmental and Social Action Plan ("ESAP") and Appendix to the Loan Agreement
- Environmental and Social Impact Assessment or Environmental and Social Due Diligence by the Independent Consultant
- If necessary, ecology specialist etc. appointment and preparation of Biodiversity Action Plan (BAP) and Biodiversity Management Plan (BMP) documents

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**Portfolio**

Banking (Bank)

**Information related to**

Forests

**Type of information considered**

Scope and content of forests policy

Commitment to eliminate deforestation/conversion of other natural ecosystems

**Process through which information is obtained**

Directly from the client/investee

Public data sources

**Industry sector(s) covered by due diligence and/or risk assessment process**

Energy

Materials

Transportation

Automobiles & Components

Food, Beverage & Tobacco

Health Care Equipment & Services

Pharmaceuticals, Biotechnology & Life Sciences  
 Technology Hardware & Equipment  
 Utilities  
 Real Estate

**State how these forests- and/or water-related information influences your decision making**

Our questions regarding Forest in the ÇESMOD;

- Is a forest rehabilitation plan required?
- Is there an important natural area within the scope of activity and impact of the project?
- Does the project require critical habitat assessment (includes net loss / net gain calculation) and balancing strategy work?

Various actions are taken as a result of the risks determined as a result of the ÇESMOD. Our Bank monitors whether the actions created are completed or not, with certain reporting periods.

- Establishment of Environmental and Social Action Plan ("ESAP") and Appendix to the Loan Agreement
- Environmental and Social Impact Assessment or Environmental and Social Due Diligence by the Independent Consultant
- If necessary, ecology specialist etc. appointment and preparation of Biodiversity Action Plan (BAP) and Biodiversity Management Plan (BMP) documents

**FW-FS2.3**

**(FW-FS2.3) Have you identified any inherent forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business?**

	Risks identified for this issue area	Primary reason why your organization has not identified any substantive risks for this issue area	Explain why your organization has not identified any substantive risks for this issue area
Forests	No	Not yet evaluated	
Water	Yes		

## FW-FS2.3a

**(FW-FS2.3a) Provide details of forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business.**

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### Identifier

Risk1

### Portfolio where risk driver occurs

Banking (Bank) portfolio

### Issue area risk relates to

Water

### Risk type & Primary risk driver

Acute physical

Flood (coastal, fluvial pluvial, groundwater)

### Primary potential financial impact

Other, please specify

Devaluation of collateral and potential for stranded, illiquid assets

### Risk type mapped to traditional financial services industry risk classification

Credit risk

### Company-specific description

İşbank considers that the Bank is exposed to certain water-related physical risks (e.g. floods, heavy rain, ect.) through its customers. One of the important areas for this exposure is the existing collateral base. In case of severe events, collaterals pledged to the bank may lose value due to damage to properties. For example, severe floods would cause İşbank's collateral book to decline in value. To assess the exposure of the collateral base to flood risk, the Bank has categorized its property liens into 5 risk categories based on their location.

**Time horizon**

Medium-term

**Likelihood**

About as likely as not

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

0

**Potential financial impact figure - maximum (currency)**

801,032,420

**Explanation of financial impact figure**

For the minimum financial impact we assume a scenario that no collateral devaluation caused any financial loss. On the other hand, we considered a hypothetical case to calculate the maximum financial impact of devaluation of collaterals due to flood risk. Three parameters were considered in the calculation.

1) Which cities can be considered high risk in terms of flood risk?

Certain cities are more prone to flood risk than others. Based on historical flood data provided by the Meteorological Service of the Turkish State, the bank identified that around 55% of its collateral portfolio in terms of value is in high risk cities.

2) What is the proportion of the value that will remain due to high flood risk?

As part of the credit policies the collaterals need to be insured. However, the insurance pay-out may not cover the flood damage in full (e.g. insurance coverage may be different than value, some collaterals may not be insured for certain risks). Therefore, only a portion of the value is assumed to remain after the flood events. A conservative assumption of 50% is used in quantification.

Considering these 2 parameters, the bank estimated that flood risk related damages would lead to a decrease of the collateral book value by 23,739MM TRY at maximum.

3) What is the substantive portion of this risk?

İşbank considers this risk as substantive only in case the customer in question defaults, therefore the total impact for this risk is calculated by the multiplication of the decrease of the collateral book value by the average probability of default. 12-month average observed default rate for 202101-202112, 3.37%, is used as a proxy to estimate average probability of default.

Considering cities exposed to higher flood risk and distribution of İşbank's collaterals to these cities, potential value loss in collateral value due to flood as well as default cases where devaluation of collaterals will become substantive for the bank, the Bank estimated that flood risk related to damages would lead to a potential value decrease of 0 – 801 MM TRY of its collateral book.

#### **Cost of response to risk**

0

#### **Description of response and explanation of cost calculation**

İşbank manages these risks in three ways:

- 1) Collateral view: As part of the risk assessment process, a physical risk heatmap is created incorporating various risk types. İşbank reviews collateral locations in the risk identification process to assess exposure to physical risks
- 2) Collateral valuation: İşbank periodically evaluates the value of collaterals that are pledged with collateral value review process
- 3) Insurance arrangements: As part of the credit process and policies, İşbank requires all properties to be insured by its customers.

#### **Comment**

There is no additional cost assumed for managing these risks since the mitigants mentioned above form part of the Bank's business as usual practice.

## **FW-FS2.4**

**(FW-FS2.4) Have you identified any inherent forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business?**

	Opportunities identified for this issue area	Primary reason why your organization has not identified any substantive opportunities for this issue area	Explain why your organization has not identified any substantive opportunities for this issue area
Forests	No	Not yet evaluated	
Water	Yes		

### FW-FS2.4a

**(FW-FS2.4a) Provide details of forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Portfolio where opportunity occurs**

Banking (Bank) portfolio

**Issue area opportunity relates to**

Water

**Opportunity type & Primary opportunity driver**

Products and services

Development and/or expansion of financing products and solutions supporting water security

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company- specific description**



In the summer 2021, Turkey's Marmara Sea was faced with a severe mucilage (also known as sea snot) problem whose main trigger is warming related to climate change. Following the event, the Marmara Sea Action Plan was announced together with the central government, local governments, universities, professional chambers, non-governmental organizations and other stakeholders of the Union of Marmara Municipalities (MBB), whose mission is to act together to protect the Marmara Sea. With this plan, it was aimed to transform all of the existing wastewater treatment plants in the region into advanced biological treatment plants and to carry out studies in line with the objectives of preventing the discharge of wastewater into the Marmara Sea without advanced biological treatment. The opportunity identified by İşbank is providing a new credit facility called Marine Conservation Loan, the first of its kind in the sector in terms of its environmental impact, to provide financial support to customers that want to invest in or improve their existing wastewater treatment, wastewater recovery or ballast water treatment systems to prevent or reduce sea pollution incidents and preserve the seas.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

1,400,000

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

### **Explanation of financial impact figure**

Estimation of financial impact figure is based on the future projections of the credit balance. We expect the credit balance to reach TRY 100 million at the end of 2022 with the help of strong credit base as well as due to increased awareness on the issue and communication efforts. Out of the credit balance projected, annual interest income of TRY 1.4 million is calculated (profit margins are based on conservative forecasts).

In 5 years time we expect the market size expand considerably as the regulations will lead the companies to improve their existing wastewater treatment. This will increase the credit balance of Marine Conservation Loan as we forecast a market share above 50% specific to this credit type.

### **Cost to realize opportunity**

201,498

### **Strategy to realize opportunity and explanation of cost calculation**

İşbank's strategy to realize opportunity consists of carrying out activities to enhance awareness and conducting engagement with various institutions. İşbank contributed to the production of a documentary called "Marmara, A Hope" (available on Belgesel - Bir Umut Marmara - YouTube) in which experts on the subject discuss the causes and consequences of mucilage in the light of the latest research, and explain what needs to be done to bring Marmara back to life. In terms of engagement, we are in close contact with Turkish Marine Research Foundation (TUDAV) which is dedicated to marine conservation and ensuring achieving SDG14 through research, information and knowledge management, education and awareness-raising for different stakeholder groups. We sponsored a two-day event "2022 Marmara Sea Symposium" organized by TUDAV which brings together 189 scientists and experts from 56 institutions (available on Marmara Denizi 2022 Sempozyumu 1. Gün - YouTube and Marmara Denizi 2022 Sempozyumu 2. Gün - YouTube) in January 2022.

Apart from these engagements, we are organizing "Green Transformation in SMEs" seminars for Organized Industrial Zones and energy fairs in order to enhance awareness among our clients. These meetings were held online, therefore there are no associated costs.

Cost to realize opportunity include financial sponsorship fees paid to energy fairs and marketing costs. The related costs amount to TRY 201,498 in total.

## Comment

### FW-FS3.1

**(FW-FS3.1) Do you take forests- and/or water-related risks and opportunities into consideration in your organization's strategy and/or financial planning?**

#### Forests

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**Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning**

#### Water

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**Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning**

Yes, we take these risks and opportunities into consideration in the organization's strategy and financial planning

#### **Description of influence on organization's strategy including own commitments**

We have shaped our water-related strategy around the agriculture sector, which is one of the sectors with the highest water consumption. As a bank, we have positioned agriculture as one of our strategic priorities in order to ensure food security through the effective use of agriculture, finance and technology together. It will be among our priorities to encourage our farmers to use technology that saves inputs and increases productivity, to raise awareness in this area and to finance technological transformation. For example, in order to achieve our business objectives in long term, especially in the field of agriculture, we established the Agricultural Banking Marketing Division by creating a structure specialized in agriculture. Thus, we have integrated some of the water-related issues into our organizational structure under the title of agriculture.

#### **Financial planning elements that have been influenced**

Revenues

#### **Description of influence on financial planning**

Considering the risks and opportunities that the bank may encounter with water in the coming years, we started to take into account the financial effects of these risks and opportunities in our budget studies. In this framework, we started to work in this direction by calculating the potential financial effects in the studies carried out within the scope of risk management and business continuity. For example, flooding is one of the main risks in Turkey. Therefore we calculate the estimated impact of the flood and we know an estimated impact figure in terms of costs. By transforming such risks into financially meaningful metrics, we are able to calculate their financial impact as expenses in long term.

## FW-FS3.2

**(FW-FS3.2) Has your organization conducted any scenario analysis to identify forests- and/or water-related outcomes?**

### Forests

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**Scenario analysis conducted to identify outcomes for this issue area**

### Water

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**Scenario analysis conducted to identify outcomes for this issue area**

Yes, we have conducted scenario analysis and we have identified outcomes for this issue area

**Type of scenario analysis used**

Climate-related

**Parameters, assumptions, analytical choices**

For the qualitative part, İşbank combines climate risk related literature, external studies and expert input to assess climate risk level on a sectoral heatmap. Assessment is translated into a 5-grade risk scale to evaluate vulnerability of each sector in the portfolio to climate change risks. Non-renewable energy generation sector was prioritized for quantitative assessment since by the end of 2021, it accounts for 35% of Bank's total commercial-loan portfolio emissions and approximately 14 billion TRY outstanding loan amount, which makes it by far the most carbon intense sector in its portfolio. For the quantitative part, İşbank incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology. In the reporting year 2021, Bank carried out this study for non-renewable energy generation sector to assess the financial effect of a disorderly transition scenario to a 1.6°C – 2°C temperature alignment which includes a sudden implementation (0 to 3 years) of a carbon tax. The potential impact of a carbon tax is assessed by stressing financial statements of firms operating in the target

sector. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply-demand dynamics of the energy sector, as well as expected changes in macroeconomic outlook of the chosen pathway. Based on the firm based stressed financials, ECL calculation process is re-run to analyze impact for each firm. For the carbon tax, 4 different levels (5\$, 15\$, 22\$ and 35\$ per tCO<sub>2</sub>e) are tested. To calculate the effect of the carbon tax on the energy supply and demand, data such as current electricity price and production in the Turkish economy are gathered from EPIAS and TEIAS. For demand and supply elasticity, academic researches and Oliver Wyman's expert opinions are taken into account. For macroeconomic assumptions (inflation, FX rates, GDP growth, interest rates, etc.), calculations of Bank's Economic Research Department are used in order to be in line with Bank's overall strategy. For electricity and coal price assumptions we use a study conducted specifically for İşbank by one of our advisor firms. For emission parameters for each type of energy source, we use Oliver Wyman's recommendations, which are based on IPCC's research. Firm based data such as financials are collected from customers' financial statements and lastly Turkey's energy generation mix and firm-level production mix are derived from EPIAS database.

#### **Description of outcomes for this issue area**

In the scenario analysis; as the carbon tax level increases, the change in ECL increases exponentially and reaches its max at the point where all the coal-fired power plants go default and become stranded. There is no doubt that implying a carbon tax on non-renewable energy generation sector will further increase the share of the renewable energy (including hydropower) in the total electricity production of Turkey. More interestingly, we observed that a carbon tax implies increased profit margins for some renewable energy generation companies in İşbank's portfolio, including hydropower plants, because the price of electricity produced is expected to shift upwards in the case of a carbon tax as a result of the differences between supply and demand elasticities. This is considered as an opportunity of transition, since all other factors remain constant, increased customer revenues probably be reflected into İşbank's financials as lower expected credit loss for renewable energy plants and increase the Bank's appetite for financing renewable energy projects.

#### **Explain how the outcomes identified using scenario analysis have influenced your strategy**

This outcome, endorses the İşbank's strategy of supporting the transition to a low-carbon economy and offering finance solutions for renewable energy investments (including hydropower) to help energy transformation. İşbank targets to increase its %71 share of renewable energy projects in the total energy generation projects portfolio. İşbank commits to extend 100% of the loans for new energy plant investments are used for renewable energy projects.

### **FW-FS3.3**

**(FW-FS3.3) Do any of your existing products and services enable clients to mitigate deforestation and/or water insecurity?**

Existing products and services that enable clients to mitigate deforestation and/or water insecurity	
Forests	Yes
Water	Yes

### FW-FS3.3a

**(FW-FS3.3a) Provide details of your existing products and services that enable clients to mitigate deforestation and/or water insecurity.**

**Product type**

Corporate loans

**Taxonomy or methodology used to classify product(s)**

Internally classified

**Description of product(s)**

İşbank created Marine Conservation Loan, the first of its kind in the sector in terms of its environmental impact, to provide financial support to customers that want to invest in or improve their existing wastewater treatment, wastewater recovery or ballast water treatment systems to prevent or reduce sea pollution incidents and preserve the seas.

**Product enables clients to mitigate**

Water insecurity

**Type of activity financed, invested in or insured**

Wastewater treatment infrastructure

**Portfolio value (unit currency – as specified in C0.4)**

4,350,000

**% of total portfolio value**

## FW-FS3.4

**(FW-FS3.4) Does the policy framework for the portfolio activities of your organization include forests- and/or water-related requirements that clients/investees need to meet?**

	Policy framework includes this issue area
Forests	
Water	Yes

## FW-FS3.4a

**(FW-FS3.4a) Provide details of the policies which include forests- and/or water-related requirements that clients/investees need to meet.**

**Portfolio**

Banking (Bank)

**Issue area(s) the policy covers**

Water

**Type of policy**

Other, please specify

Environmental and Social Impact Policy of İşbank


**Portfolio coverage of policy**

100

**Policy availability**

Publicly available

**Attach documents relevant to your policy**

 environment-and-social-impact-policy.pdf

**Criteria required of clients/investees**

- Have a documented water policy
- Comply with all applicable local, national and international laws and water regulations
- Meeting minimum, sector-specific discharge treatment processes
- Commit to safely managed Water, Sanitation and Hygiene (WASH) in the workplace
- Monitor water withdrawals, discharges and water quality parameters
- Reduce water withdrawals and/or consumption
- Reduce/eliminate water pollution
- Improve water efficiency

**Value chain stages of client/investee covered by criteria**

Direct operations only

**Timeframe for compliance with policy criteria**

No timeframe

**Industry sectors covered by the policy**

- Energy
- Materials
- Transportation
- Automobiles & Components
- Food, Beverage & Tobacco
- Health Care Equipment & Services
- Pharmaceuticals, Biotechnology & Life Sciences



Technology Hardware & Equipment

**Forest risk commodities covered by the policy**

**Forest risk commodity supply chain stage covered by the policy**

**Exceptions to policy based on**

**Explain how criteria coverage and/or exceptions have been determined**

## FW-FS3.5

**(FW-FS3.5) Does your organization include covenants in financing agreements to reflect and enforce your forests- and/or water-related policies?**

	<b>Covenants included in financing agreements to reflect and enforce policies for this issue area</b>	<b>Explain how the covenants included in financing agreements relate to your policies for this issue area</b>
Forests	Yes	In the action plans prepared according to the risk scores of the projects, companies are requested to take various actions within the scope of IFC PS6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) and Ps3 (Resource Efficiency and Pollution Prevention and Management), and these are included in loan agreements and are committed. Examples in our action plans; - Implement Afforestation Plan - A Biodiversity Management Plan (BMP) shall be prepared before signing of the loan agreement.
Water	Yes	In the action plans prepared according to the risk scores of the projects, companies are requested to take various actions within the scope of IFC PS6 (Biodiversity Conservation and Sustainable Management of

		<p>Living Natural Resources) and Ps3 (Resource Efficiency and Pollution Prevention and Management), and these are included in loan agreements and are committed. Examples in our action plans;</p> <ul style="list-style-type: none"> <li>- Implement Water Quality, Wastewater and Stormwater Management Procedure</li> <li>- Assess site-specific surface water and groundwater conditions in the scope of geological and geotechnical surveys</li> </ul>
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### FW-FS4.1

**(FW-FS4.1) Do you engage with your clients/investees on forests- and/or water-related issues?**

	We engage with clients/investees on this issue area
Clients – Forests	
Clients – Water	Yes

### FW-FS4.1a

**(FW-FS4.1a) Give details of your forests- and/or water-related engagement strategy with your clients.**

**Type of clients**

Clients of Banks

**Issue area this engagement relates to**

Water

**Type of engagement**

Education/information sharing

**Details of engagement**



Run an engagement campaign to educate clients about how your financing/insurance products can help them access opportunities related to reducing water security-related impacts

**Portfolio coverage of engagement**

**Rationale for the coverage of your engagement**

Engagement targeted at clients with increased water-related opportunities

**Impact of engagement, including measures of success**

We periodically meet with companies located in the Organized Industrial Zones of Turkey to receive feedback on the Marine Conservation Loan, and explain the Marine Conservation Loan to the companies and raise awareness.

Informative Mailing contents are prepared for the determined customer groups.

In order to raise awareness of the Marine Conservation Loan, product promotions and video contents are published on social media.

Periodic participation in fairs is ensured in order to come together with the investors, explain the products and raise awareness.

In order to contribute to the sustainability activities of the Bank and to support foreign trade customers who attach importance to sustainability in their activities, "Green Trade Packages" prepared for foreign trade customers were presented. Of the said packages; Companies with 14001-Environmental Management System or 50001-Energy Management System certificates accepted by international organizations will be able to benefit.

**FW-FS4.3**

**(FW-FS4.3) Does your organization provide financing and/or insurance to smallholders in the agricultural commodity supply chain?**

	Provide financing and/or insurance to smallholders in the agricultural commodity supply chain	Agricultural commodity
Row 1	Yes	Sugar Tobacco Rice

## FW-FS4.3a

**(FW-FS4.3a) Describe how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity.**

### Sugar

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**Financial service provided**

Banking

**Smallholder financing/insurance approach**

Financial incentives for sustainable practices

**Other smallholder engagement approaches**

Support for smallholders in high-risk water stress regions

**Number of smallholders supported**

**Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity**

Customers can invest on new and efficient irrigation systems, also with our digital agriculture application which is entitled “imecemobil” we offer tailor made recommendations of water usage in agriculture.

### Tobacco

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**Financial service provided**

Banking

**Smallholder financing/insurance approach**

Financial incentives for sustainable practices

**Other smallholder engagement approaches**

Support for smallholders in high-risk water stress regions

**Number of smallholders supported**

**Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity**

Customers can invest on new and efficient irrigation systems, also with our digital agriculture application which is entitled “imecemobil” we offer tailor made recommendations of water usage in agriculture.

**Rice**

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**Financial service provided**

Banking

**Smallholder financing/insurance approach**

Financial incentives for sustainable practices

**Other smallholder engagement approaches**

Support for smallholders in high-risk water stress regions

**Number of smallholders supported**

**Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity**

Customers can invest on new and efficient irrigation systems, also with our digital agriculture application which is entitled “imecemobil” we offer tailor made recommendations of water usage in agriculture.

## FW-FS4.4

**(FW-FS4.4) Does your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may impact forests and/or water security?**

	Direct or indirect engagement that could influence policy, law, or regulation that may impact this issue area	Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Explain why you do not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area
Forests	No, and we do not plan to in the next two years	Important but not an immediate priority	Since it is not among the priority issues, no action has been taken in this area yet.
Water	Yes, we engage directly with policy makers		

## FW-FS4.4a

**(FW-FS4.4a) On what policy, law, or regulation that may impact forests and/or water security have you been engaging directly with policy makers in the reporting year?**

**Issue area(s)**

Water

**Focus of policy, law or regulation that may impact this issue area**

Sustainable finance

**Specify the policy, law or regulation on which your organization is engaging with policymaker**

İşbank targets to create value for all of its stakeholders with this strong business model, both in the short and the long run. Called “İşbank Banking” and enabling integration of the Bank’s sustainability priorities into all decision making processes, this value creation model represents the sustainability concept of the Bank and the integration of sustainability into business processes. İşbank also matches the output of its value



creation process with the UN Sustainable Development Goals to which the Bank contributes with its activities. Thus, the Bank integrates its concept of producing shareable and sustainable value with global goals.

We fulfill the commitments of the Principles of the UN Global Compact, and thus contribute to the SDGs with a responsible financing approach, which handles economic, social & environmental effects as a whole. We are also a signatory of UNEP FI Responsible Banking Principles, demonstrating our commitment to creating positive impact.

By these membership and platforms, we aim to proliferate the impact created throughout the value chain including our customers and suppliers.

**Policy, law or regulation coverage**

Global

**Country/region the policy, law or regulation applies to**

**Your organization's position on the policy, law or regulation**

Support with no exceptions

**Description of engagement with policymakers**

Thanks to our existing memberships, we have a say in the decisions to be made regarding current and future policies by exchanging views with the relevant parties through the meetings we attend, the opinions we give and the reports we publish.

**Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation**

**Have you evaluated whether your organization's engagement is aligned with the Sustainable Development Goals?**

Yes, we have evaluated, and it is aligned

**FW-FS5.1**

**(FW-FS5.1) Does your organization measure its portfolio impact on forests and/or water security?**

	We measure our portfolio impact on this issue area	Primary reason for not measuring portfolio impact on this issue area	Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future
Banking – Impact on Forests	No, and we don't plan to in the next two years	Important but not an immediate priority	
Banking – Impact on Water	No, and we don't plan to in the next two years	Important but not an immediate priority	

## FW-FS5.2

**(FW-FS5.2) Does your organization provide finance or insurance to companies operating in any stages of the following forest risk commodity supply chains, and are you able to report on the amount of finance/insurance provided?**

	Finance or insurance provided to companies operating in the supply chain for this commodity	Amount of finance/insurance provided will be reported	Explain why your organization is unable to report on the amount of finance/insurance provided for this commodity
Lending to companies operating in the timber products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the palm oil products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the cattle products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.



Lending to companies operating in the soy supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the rubber supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the cocoa supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the coffee supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.

### FW-FS6.1

**(FW-FS6.1) Have you published information about your organization's response to forests- and/or water-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**


In mainstream reports

**Status**

Complete

**Attach the document**

Integrated Annual Report 2021

 2021IntegratedAnnualReport.pdf



**Page/Section reference**

115, 116, 118

**Content elements**

Governance

Risks and opportunities

Other, please specify

Water consumption values of İşbank

**Comment**

## Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

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