

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 from its foundation to present. Established as the first national bank of the Republic, İşbank has been one of the prominent economic actors in the country with its support for economic development from past to present. İşbank leads the banking sector in Turkey with its products and services offered in the corporate, commercial, SME, retail and private banking segments. İşbank Group is an integrated group with its subsidiaries operating in many fields for the production of commodities and services domestically and internationally. As of the end of 2019, İşbank has direct partnership in 24 companies. The number of companies controlled directly or indirectly by Bank is 111. With its wide shareholder base, the number of İşbank shareholders, which consist of institutional and individual investors, is nearly 160 thousand. İşbank Member's Supplementary Pension Fund, and institution that has the membership of nearly 50 thousand employees and retirees, holds 39.10% of the Bank's capital.

Representing trust, prestige and respectability in the eyes of society, İşbank's 24,053 employees serve approximately 19.5 million customers as of 2019 year-end. With its total asset size of TRY 468.1 billion along with 1,249 domestic branches & 6,506 ATMs in total as of the end of the year, İşbank is the largest private bank in Turkey. With its 22 overseas branches in total, the Bank provides services in 15 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, works steadily towards realizing its vision of becoming "Turkey's Best Digital Bank" and strengthens its competitive position. Achieving countless "firsts" in many areas such as Bankamatik, the internet branch and mobile banking applications, İşbank has taken a leading role in the sector since its establishment, and it continues its uninterrupted technology investments, making a difference in new generation digital banking applications.

Global trends, social risks imposed by population growth and inequality, environmental factors related to climate change, and increasing transparency expectations from all stakeholders, primarily the customers, 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 and social development in line with our founding philosophy and adapt the change and transformation to our business processes with a holistic viewpoint. Within this framework, we fulfill the commitments of the Principles of the United Nations Global Compact, and thus contribute to the SDGs with a responsible financing approach, which handles economic, social and environmental effects as a whole. In line with this knowledge we've reviewed our material issues in the field of sustainability considering risks & opportunities and analyzed the global trends that have an influence on our operations, in 2019. As a result of the evaluation made paying regard to global trends, corporate engagements, business strategies, industry analyses and expectations; combating with climate change was added as one of the material issues of İşbank. The Bank supports the green economy with its products & services in line with its responsible banking approach and works to reduce its environmental impact resulting from its operations.

As a financial institution, we are aware of the importance of our role in transitioning to a low carbon economy. As part of this, we raise our financial support for renewable energy projects and diversify our products in this area every passing year. As of the end of 2019, renewable energy projects accounted for 67.3% of the total energy generation projects portfolio of our Bank. In addition, we launched a commercial loan product called "Solar Loan by İşbank" intended for unlicensed solar energy plants to be installed on the roofs of industrial facilities for self-consumption. The Bank also develops collaborations with international financial institutions to finance renewable energy and energy efficiency. The weight of products that support the green economy, such as İşbank Green Bond, Solar Loan by İşbank, TEMA Environmental Variable Fund, in the Bank's product portfolio is increasing day by day. İşbank will continue to closely monitor the risks and opportunities created by climate change, and will continue its corporate engagements in this field in the future.

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 2019	December 31 2019	Yes	1 year

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

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 organizational activities does your organization undertake?

Bank lending (Bank)

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 Chair	At İşbank, the Board of Directors is the highest-level of governance for climate-related issues. The Board of Directors has tasked a sub-committee, the Corporate Governance Committee, to focus on sustainability and climate-related issues. One expression of the importance of sustainability and 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. By the leadership of Board Chair, the Board of Directors considers climate-related issues when reviewing and guiding our business strategy, major plans of action, risk management policies, annual budgets, and budget plans as well as, setting our performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures.
Director on board	2 directors on board are members of Corporate Governance Committee which drives our sustainability efforts including climate related issues.
Board-level committee	The Corporate Governance Committee is responsible for sustainability and climate-related issues in İşbank. Our Board Chair and 2 directors on board are members of our Corporate Governance Committee. This enables the oversight & management of climate-related issues on board-level in İşbank. İşbank started to report its climate change performance via CDP upon the decision made by the Corporate Governance Committee in 2019.

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
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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 – some meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>Climate-related issues are raised to the agenda of the board by our board level committee: Corporate Governance 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. As of 2019, "combating climate change" has been added to our annually reviewed "Sustainability Priorities" as an extremely important and material issue. Parallel to this, "climate change" has taken its place in our risk management system as a listed risk. These efforts are raised to the agenda of the board by CG Committee & its surrounding governance structure (CG Committee < Sustainability Coordinator < Sustainability Working Group). The Sustainability Working Group aims to ensure that sustainability and climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions. Following the definition of climate as a material issue and a listed risk, İsbank's business strategy began to cover climate-related risks & opportunities alongside with our other environmental impact & exposure areas. These environmental impact & exposure areas will be solidified as environmental / climate-related targets in our strategy and will be monitored on a 3-year basis in the upcoming years. Progress related to climate-related targets will be reported to the board. With the help of this process we will also begin to define performance of objectives and monitor their implementation and progress.</p>
Scheduled – some meetings	<p>Reviewing and guiding risk management policies</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>Risk management activities of the Bank are conducted by the Risk Management Division reporting to the Board of Directors. Financial & non-financial risks are reported to the Risk Committee on a monthly basis and, through the Audit Committee to the Board of Directors respectively. Since climate related risks & opportunities are being identified & assessed as of the current reporting year, any related issue is raised to the agenda of the board by the governance structure stated above. In April 2020, 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.</p>

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
Sporadic - as important matters arise	Other, please specify (Reviewing and guiding sustainability efforts)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	Our Sustainability Coordinator who is responsible for ensuring effectiveness of work among the executive organs, is able to raise any related issue, progress & development anytime as important matters arise, on the agenda of the Board of Directors through the Corporate Governance Committee.
Scheduled – some meetings	Other, please specify (Reviewing & guiding our Sustainability Policy, Reviewing & Guiding our Environmental and Social Impact Policy)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	Our Sustainability Policy and Environmental & Social Impact Policy incorporate components related to our "combating climate change" sustainability priority. These policies are subject to regular audit and revision. Compliance with provisions of these policies are audited within the context of internal audit. Principles to perform the action plans that are required for the elimination of findings detected during the aforementioned audits are determined by the Corporate Governance Committee. At least once in a year, all of the indicated policies are reviewed in accordance with the requirements and changing operating conditions. Required revisions and amendments, which are submitted to the Board of Directors by the Corporate Governance Committee, go into effect with the approval of the Board.

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
Other committee, please specify (Corporate Governance Committee)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Annually
Other, please specify (Sustainability Coordinator)	CEO reporting line	Other, please specify (The Head of Investor Relations Division serves as Sustainability Coordinator to ensure effectiveness of work within the executive organs in İşbank.)	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Quarterly
Other, please specify (Sustainability Working Group)	Other, please specify (Our Sustainability Working Group reports any related progress to our Sustainability Coordinator who reports directly to the CEO & Board.)	Managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Please select	Please select	<Not Applicable>	Please select	<Not Applicable>

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

As outlined before, the Board of Directors has delegated sustainability and climate-related issues to the Corporate Governance Committee. Additionally, the Head of İşbank's Investor Relations Division serves as Sustainability Coordinator to ensure sustainability and climate-related issues are effectively embedded in the Bank's executive organs.

To this end, the Sustainability Working Group is convened, which contains representatives from all key areas of the Bank, such as Credit Portfolio Management Division, Construction & Real Estate Management Division, Talent Management Division, Board of Inspectors, and the Internal Control Division. The objective of the Sustainability Working Group is to ensure sustainability and climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions.

The Sustainability Working Group's efforts are supported by a dedicated Sustainability Management System. This Sustainability Management System has documented processes, outputs are audited regularly, and the audit results are reviewed by top management.

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 have cost optimization targets, which include the energy costs of their respective units. These are described in the table below. Beyond the incentives already in place, İşbank's Human Resources Management and Strategy & Corporate Performance Management divisions are planning an extension of the climate-related targets in the next two years. On the one hand, Human Resources Management will introduce behavioural change related indicators. Employees will be given incentives for participating in a climate change e-learning experience on the Mobile HR app, and aligning their behaviours to our climate targets. On the other hand, our Strategy & Corporate Performance Management division is planning to implement sustainability & environmental (covering climate change) related KPIs in performance cards of employees to incentivize climate related targets in the upcoming 2 years.

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
Other, please specify (All C-Suite Executives)	Monetary reward	Energy reduction target	All C-Suite Executives 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.
Other, please specify (C-Suite Executive)	Monetary reward	Other (please specify) (Taking part in BIST (Borsa Istanbul) Sustainability Index)	C-Suite Executive who is in charge of investor relations function 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 fulfillment of several climate-related tasks.
Other, please specify (All Division Heads)	Monetary reward	Energy reduction target	All Division Heads have cost optimization targets including the energy costs of units inside İşbank. By achieving this particular energy reduction target to reduce costs, all business unit managers receive bonus to their annual remuneration.
Other, please specify (Head of Investor Relations Division)	Monetary reward	Other (please specify) (Taking part in BIST (Borsa Istanbul) Sustainability Index)	Head of Investor Relations Division has an annual target of taking part in BIST Sustainability Index assured via his/her performance card. Taking part in the aforementioned Index requires fulfillment of several climate-related tasks.
Other, please specify (Unit Manager of Investor Relations Division)	Monetary reward	Other (please specify) (Taking part in BIST (Borsa Istanbul) Sustainability Index)	The manager of Corporate Governance Unit operating under Investor Relations Division as the unit manager of Investor Relations has an annual target of taking part in BIST Sustainability Index assured via his/her performance card. Taking part in the aforementioned Index requires fulfillment of several climate-related tasks.
Other, please specify (Head of Information Technologies Division)	Monetary reward	Efficiency target	Head of Information Technologies Division has an energy efficiency target which shall be sustained below the internally defined threshold for ATLAS Data Center. This efficiency threshold & target is assured via this division heads' performance card which affects their annual remuneration.
Other, please specify (Head of Data Management Division)	Monetary reward	Efficiency target	Head of Data Management Division has an energy efficiency target which shall be sustained below the internally defined threshold for ATLAS Data Center. This efficiency threshold & target is assured via this division heads' performance card which affects their annual remuneration.

C-FS1.4

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

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	

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 considers all risks arising from climate change at the corporate level. These risks are evaluated and prioritized based on a qualitative and quantitative assessment. As part of the prioritization process, the Bank defines substantive financial impact at transaction and portfolio level by factoring in three criteria:

1. Customer related risks – Qualitative evaluation threshold: İşbank evaluates each customer sub-sector using a 5-scale grade, to capture their exposure to climate risks (including transition and physical risks). Sub-sectors that are scored with a 4 (mid-high) or 5 (high) are considered to represent a substantive risk for our business. The results are summarized in a heatmap indicating high-risk sectors and relevant risk events.
2. Customer related risks – Quantitative evaluation threshold: İşbank follows UNEP-FI's scenario analysis approach for the quantitative assessment. Using scenario analysis, the potential impact of climate related risks is assessed by stressing financials of companies. Based on the stressed financials, an increase in ECL (Expected Credit Loss) higher than a given threshold is considered a substantive impact. İşbank is in the process of defining climate related risk appetite and thresholds within the climate risk management framework.
3. Direct operations related risks – Risks related to own assets: İşbank can suffer from losses related to its direct operations. The bank evaluates and manages operations related risks stemming from climate related events. Climate risks that may result in costs higher than a given threshold are considered risks that have substantive impact. İşbank is in the process of defining climate related risk appetite and thresholds within the climate risk management framework.

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

Direct operations
Upstream
Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

RISK IDENTIFICATION ASSESSMENT AND RESPONSE PROCESS İsbank has a robust process in place to identify risks and opportunities related to sustainability and the environment, which are outlined below (see A and B below). Given the growing importance of risks and opportunities related to climate change, İsbank is increasingly incorporating climate considerations into business-as-usual processes. İsbank is currently working with Oliver Wyman and contemplating ways to incorporate climate risk into key processes, such as the annual strategic planning process, the annual ICAAP process, and the annual Risk Appetite process. İsbank has also upgraded its risk taxonomy (the backbone of its risk management framework), positioning climate risk as a strategic risk, and is now extending its definition to include all types of climate risks (both transition and physical risks) based on TCFD and international regulator recommendations. To ensure all risks and opportunities arising from climate change have been comprehensively captured before the upgrades of the business-as-usual process are completed, İsbank also conducted a one-off comprehensive risk and opportunity identification process in 2020. This climate specific risks and opportunities identification process is described in more detail below (point C and D). (A) A holistic assessment of sustainability risks and opportunities: The first layer aims to establish a perspective on İsbank's material issues, which also considers risks and opportunities related to sustainability. İsbank's materiality study was conducted in 2017 in accordance with the AA1000 Stakeholder Engagement Standard. First, an initial long-list of sustainability risks and opportunities is created through a literature review and external trend analysis. This includes publications from thought leaders and the most relevant industry parties, such as the UN Sustainable Development Goals (İsbank signed the UN Global Compact in 2012), the UNEP-FI and the UN PRI. The initial long-list is then converted into a questionnaire which is shared with a diverse set of stakeholders, such as employees, suppliers, subsidiaries, investors, customers. Responses from stakeholders are assessed in terms of quality, consistency and soundness and used as a foundation to define the Bank's sustainability priorities. The materiality study is reviewed annually considering global trends, corporate engagement and sector expectations. In İsbank's materiality study "combating with climate change" is identified as an extremely important theme. (B) Transaction level ERET (Environmental and Social Risk Evaluation Tool) assessment: İsbank's response to potential environmental and social risks is shaped across three lines of defense. The first line credit decisioning process requires any project above USD 10 MM to go through an environmental risk assessment process. In this process an environmental specialist is assigned to advise and prepare a mitigation plan to reduce risks that are identified based on a structured rule set (details provided below). The second line of defense defines policies, guidelines and tools to monitor risk levels using scenario analysis. The third line of defense is responsible for providing independent control and assurance over the entire credit process. Within this scope, the Internal Audit Department reviews Environmental and Social Department's evaluation of lending activities, evaluation of internal environmental impact, calculation of GHG Emissions, training and internal capacity building, reporting activities, internal control and internal audit, and review process. At İsbank, the potential environmental and social risks of all new investment projects worth more than USD 10 MM are evaluated by the Environmental and Social Risk Evaluation Tool (ERET). Environmental and Social Risk Management Team evaluates investments against 26 different criteria such as use of natural resources, waste management, air, soil and water quality, noise, dust, occupational health and safety, social health and safety, resettlement and stakeholder engagement. Assessment results are used to classify investment projects into risk levels in 4 categories: high (Category A), medium high (Category B+), medium (Category B-), and low (Category C). Assessments are performed considering national legislation and international best practices including IFC (International Finance Corporation) Performance Standards, EBRD Performance Requirements, and Equator Principles. An independent Environmental Consultant is appointed for certain projects, who analyzes the current state and mitigation plans. (C) A climate specific risk identification process: As a financial institution which focuses on lending, İsbank expects the largest climate related risks to arise from its lending portfolios. İsbank performs a detailed literature and trend analysis review to collate a long-list of potential risks and opportunities. This assessment includes all reputable data sources, such as international rating agencies (traditional and ESG focused), the Sustainability Accounting Standards Board (SASB), think tank publications, industry fora and development banks. The findings are standardized and compared to establish a view on the most material risks and opportunities from an industry perspective. This industry perspective is then combined with inputs from İsbank experts, including underwriting, project finance and sustainability experts, and İsbank's own portfolio information, to eliminate risks and opportunities not applicable to the İsbank portfolio, as well as to add risks which are specific to the bank's portfolio. Expert inputs as well as additional data points (e.g. official GHG emissions data stemming from the UNFCCC) are used to sense-check results and incorporated in this perspective. The Bank house-view, which is based on the existing scenario analysis work and own experience is added to arrive at an internal perspective on risks and opportunities. (D) A climate specific opportunity identification process In opportunity identification, İsbank follows a similar methodology. The Bank starts with defining the perimeter of opportunities in terms of product and services, own resource efficiency, own energy sources, markets and resilience. However, given the Bank's focus on lending activities, the largest opportunities are expected to arise from the lending portfolio as opposed to own buildings and operations. The Bank performs a comprehensive review of national climate agenda and investment plans, a review of local and international peer activities, and collects perspectives from climate experts to create an overview of opportunities to be considered. Perspectives from business units, underwriting, risk management, the Sustainability Team, and the Environmental and Social Risk Management Team are collected and used to prioritize climate related opportunities based on strategic fitness and needs of customers.

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	İşbank's risk assessment is based on its risk taxonomy, which has recently been 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 in the risk assessment. Amongst the transition risks the Bank considers policy & legal risks, technology risks, market risks and reputational risks. Within its broader risk taxonomy, the Bank considers current policy/regulatory risks under transition risks. 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. 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.
Emerging regulation	Relevant, always included	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&S, legal and compliance teams monitor regulations that are under consideration and relevant. One example of the emerging climate regulation includes the evolution of existing GHG emission monitoring, reporting and verification regulation of the Ministry of Environment and Urbanization towards a Carbon Tax or Emission Trading Scheme, which implies an increased cost of GHG emissions. Such developments are considered in the risk assessment. Specifically, for carbon pricing the bank is also running a UNEP-FI based approach to understand its exposure to high risk sectors in terms of climate risks. According to the Bank's credit policies, throughout the lifecycle of any exposure, changes to obligors' payment capacity and collateral quality are closely monitored. For large exposures where the risk assessment is conducted in detail, potential market developments are accounted for and reflected in PD and ECL calculations. Similarly, as part of its regulatory review process, the bank reviews potential regulations that may impact its direct operations. 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.
Technology	Relevant, always included	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. One examples of a technology risk could be the displacement of existing combustion engine vehicles by electric vehicles. This could materially impact Automotive OEMs' financials due to the requirement for additional investment.
Legal	Relevant, always included	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 or compensation requests that İşbank customers may face can cause deterioration of financial performance and an increase in the PD (probability of default). In this context, the Bank is closely monitoring developments on i) potential litigation, and ii) "suspension of activity" cases in energy and cement sectors and takes firm-level business decisions considering implications of such developments. Similarly, the Bank's direct operations are exposed to legal risks due to climate change. For example, failure to perform fiduciary duties or non-compliance to contractual commitments may result in lawsuits against the Bank.
Market	Relevant, always included	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. 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 are exposed to market risks due to an increase in input price (electricity price) which has an impact on its operational expenses.
Reputation	Relevant, always included	As part of İşbank's risk taxonomy, the bank considers reputation risk 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 companies active in the production of materials that may damage the ozone layer) to mitigate potential risks.
Acute physical	Relevant, always included	As part of İşbank's risk taxonomy, the Bank considers acute physical risks (i.e. increased frequency or severity of weather events) to be a type of physical risks. These events may affect both its customers and 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, its customers are exposed to acute physical risks, for example agriculture companies may lose their income due to acute wildfires, hail storms or floods.
Chronic physical	Relevant, always included	As part of İşbank's risk taxonomy, the Bank considers chronic physical risks a type of physical risks. The Bank 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 must be 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?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	İşbank assesses its portfolio's exposure to climate-related risks and opportunities comprehensively on a regular basis. The majority of the impact is expected to originate from İşbank's downstream activities (i.e. its customers). The Bank's assessment process contains a literature review, as well as an external trend analysis (UNEP-FI, SDG, UN PRI) to define a long list of themes including climate change risk and opportunities. Climate risks: The majority of the Bank's climate risk is originated through its customers and especially related to its credit portfolio. The Bank follows a two-step approach to evaluate the credit portfolio's exposure to climate risks: (1) identification of relevant risk events and high-risk sectors by creating a risk heatmap. The heatmap allows the bank to identify high-risk sectors and relevant risk events. (2) quantification of the impact using scenario analysis following UNEP-FI approach and extrapolating the impact to portfolio. Climate related opportunities: The majority of the opportunities is related to products and services. To unveil opportunities, İşbank follows a two-step approach: • Identification: İşbank starts by developing a long list of opportunities based on a review of local and international peer activity, the national climate agenda and national climate strategy and its collaboration with external experts. The Bank sees the largest opportunities related to products and services. • Prioritization: After that, the Bank prioritizes climate related opportunities based on strategic fit, international principles and customer needs. Based on the prioritization, the Bank has already developed and introduced various Green Financing opportunities. For example, in 2019, the Bank issued its first Green Bond to finance projects with a positive environmental impact. The Bank aims to issue new green bonds in the future.
Investing (Asset manager)	<Not Applicable >	<Not Applicable>
Investing (Asset owner)	<Not Applicable >	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	

C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	RISK ASSESSMENT: İsbank considers and analyses its non-retail credit portfolio covering all sectors. İsbank's non-retail credit portfolio constitutes 76.4% of the total credit portfolio as of YE2019 and it reflects the majority of İsbank's portfolio. As a first step of the risk assessment, İsbank creates a sectoral risk heatmap to identify priority areas (e.g. sectors and risk events) in the portfolio by combining both a qualitative and a quantitative assessment. For the qualitative part, İsbank combines 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. For the quantitative assessment, İsbank follows UNEP-FI's scenario analysis approach. The potential impact of climate related risks is assessed by stressing financial statements of a sample of companies operating in the high-risk sectors. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply and demand dynamics of the sectors in which they operate. Based on the stressed financials, PD models or ECL calculation process are re-run to analyze impact on Probability of Default (PD) or ECL. Finally, the impact is extrapolated to the portfolio in case needed. One example of the type of analysis conducted is the assessment of the potential impact on İsbank's energy generation sector credit portfolio. This is covered in Question 2.3a of this questionnaire. OPPORTUNITY ASSESSMENT: İsbank is aware that climate change can provide green and transition financing opportunities for the bank and İsbank has already started capturing these opportunities. İsbank considers various sets of opportunities, categorized under product and services, own resource efficiency, own energy source, markets and resilience in our opportunity taxonomy. İsbank sees the largest potential in products and services such as green bonds, green infrastructure financing, green loans/mortgages, green insurance products, products and services ensuring resiliency. To assess the climate related opportunities, the Bank first develops a long list of opportunities by reviewing literatures and market growth estimates for different products and services and by collaborating with leading external climate experts. After that, the Bank prioritizes climate related opportunities based on strategic fit and customer needs. Green opportunities have always been high on İsbank's agenda and the Bank has historically been very active in these areas. 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. For example: • Since 2015, 100% of the new project financing provided by İsbank for electricity generation investments have been allocated to renewable energy projects. This is targeted for 2020 as well. • In 2018, İsbank financed 87 renewable energy projects with the total installed capacity of 617 MW. • In 2019, İsbank financed 74 renewable energy projects with a total installed capacity of 262 MW and with an aggregate loan amount of USD 222 million. • As of YE2019, total installed capacity of renewable energy projects financed by İsbank reached 8,074 MW and as part of these projects 21.9 million MWh clean energy was generated in 2019. • In 2019, İsbank issued its first Green Bond. Funds from the bond will be used to finance projects with positive environmental impacts, mainly in the fields of renewable energy, energy/resource efficiency, clean transportation and green buildings. This issuance is also the first 100% Green Eurobond transaction completed by a Turkish bank. Additionally, İsbank has green products targeting both retail and non-retail customers. For example, "İş'te Gunes" targets companies looking for solar investments financing to install solar energy plants on the roofs of their industrial facilities for self-consumption. Similarly, the Bank has a green mutual fund (TEMA Environmental Variable Fund) to allow investors to put their savings into environment friendly investments.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	İsbank assesses its non-retail credit portfolio's exposure to water-related risks & opportunities. RISKS: In lending activities İsbank expects all customers to comply with regulations related to their business operations. These include water-related regulations. Furthermore, İsbank assesses the potential environmental and social (E&S) impacts arising from the investment projects that are financed. Projects are evaluated within the context of national law and regulations including the Water Pollution Control Regulation, Urban Wastewater Treatment Regulation, Surface Water Quality Regulation and Water Pollution Control Regulation. In all the projects financed by İsbank, customers are required to comply with these regulations, and international standards and guidelines (IFC PSS, EBRD PCs, EPs). At İsbank, the potential E&S risks of all new investment projects worth more than USD 10 MM are evaluated by the E&S Risk Evaluation Tool (ERET). The E&S Risk Mngmt Team evaluates investments against 26 criteria, such as use of natural resources, waste management, air, soil and water quality, OHS, social health and safety, resettlement and stakeholder engagement. In ERET there are 3 criteria regarding water-related risks: • Water resources: the project's negative impact on the surface and ground water such as amount of water usage, change of water temperature, change of the river bed • Waste water: whether the project results in exceptional amounts of waste water and whether the waste water is heavily contaminated • Resource consumption: the project's dependency on natural resources In addition, "irrigation methods used" info is collected and used in the credit assessment for customers in the agriculture industry, as the industry is exposed to higher water related risks. To mitigate impacts of water related risks, İsbank requires project companies to conduct a study to determine the water quality and resource efficiency before&after the project. OPPORTUNITIES: Although climate change imposes high risks, it can provide green opportunities. So, the Bank identifies and assesses climate related opportunities including water-related ones. E.g. agricultural production uses ~65% of the annual fresh water supply in Turkey. However, it's possible to reduce this usage to 50% through investments in source- and irrigation-efficiency, new equipment, and process optimization systems.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	İşbank assesses its non-retail credit portfolio's exposure to forests-related risks; also is aware that climate change provides a number of opportunities including opportunities related to forestry. RISKS: Investments that use forestry materials in their processes as a raw material are required to comply with national forestry laws&ulations. They are monitored on a regular basis by the Ministry of Forestry and Water Affairs, and Ministry of Environment and Urbanization. In all projects financed by İşbank, customers are required to comply with forest-related national laws and regulations, and İşbank expects them to make a commitment via loan agreements. At İşbank, the potential E&S risks of all new investment projects worth more than USD 10 MM are evaluated by the E&S Risk Evaluation Tool. Our E&S Risk Mngmt Team evaluates investments against 26 criteria; one considered to assess forest-related risks is land use. Within this criterion, İşbank factors in project's impact on the environment in terms of deforestation and use of agricultural land. E.g. large scale highway projects or wind power plants projects are generally classified as risky projects due to their significant levels of land usage. İşbank takes precautionary actions to eliminate and compensate the adverse effects of land use. İşbank: • requires companies to carry out reforestation to replace trees that are cut during the project and in certain cases requires companies to replace the trees to the appropriate place around the project • provides financial solutions only to agricultural producers that are registered in the systems of the Ministry • requires companies to take action towards the protection of local, endangered, protected species OPPORTUNITIES: İşbank created its Sustainability Bond Framework in 2019. Funds raised via these bonds will be used for ventures with a positive social impact and to finance green projects. Environmentally Sustainable Mngmt of Living Natural Resources&Land Use is one of the green categories for the use of proceeds and it aligns with SDG15 (Life on Land). In this category, loans will be used for: • Environmentally sustainable agriculture, such as farming certified as organic in compliance with the national regulation • Technologies that increase agricultural quality&productivity, and allow for effective use of natural resources
Investing (Asset manager)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Investing (Asset owner)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable >	

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	İşbank requests climate related information for two objectives. (1) Scenario analysis and (2) ERET assessment (1) Scenario Analysis: İşbank intends to quantify the impact due to the climate change for high risk sectors. Therefore, İşbank needs climate related information of its customers. İşbank has started collecting structured data and this data collection is integrated in the climate risk measurement process. For example, energy generation is identified as a high-risk sector. To run scenario analysis, the Bank needs generation portfolio mixes and carbon emissions at company level and collects these data from its customers. As its scenario analysis capabilities mature, the Bank plans to embed the data collection in business-as-usual processes. (2) ERET: At İşbank, the potential environmental and social risks of all new investment projects worth more than USD 10 million are evaluated by the Environmental and Social Risk Evaluation Tool (ERET). Environmental and Social Risk Management Team evaluates investments against 26 different criteria such as use of natural resources, waste management, air, soil and water quality, noise, dust, occupational health and safety, social health and safety, resettlement and stakeholder engagement. As part of this evaluation process İşbank requires climate related information from its customers. This includes: • National EIA Application Report or Project Introduction Records: o Air Quality Modelling o Waste Heat Modelling o Hydrogeological Report o Sea Discharge Thermal Modelling • All legal approvals, licenses and permits for construction/operation phase: o EIA Affirmative Decision o Environmental Permits o Electricity Production License o Forest Permits o Water Consumption Permit o Well Drilling Permits o Waste Storage License o Industrial Waste Storage License • Environmental and Social Impact Assessment (ESIA), Environmental and Social Due Diligence (ESDD), Stakeholder Engagement Plan (SEP) or Non-Technical Summary (NTS) conducted by an Environmental Consultant • Other project specific management plans: o Air Quality and GHG Management Plan o Waste Management Plan o Water and Waste Water Management Plan • Ongoing lawsuits on environmental issues against project or project company
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

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

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms
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Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

The Intergovernmental Panel on Climate Change (IPCC) urges countries to act in order to limit the temperature rise to well below 2 degree Celsius above pre-industrial levels. Aligned with that call for action, the World Bank launched the Partnership for Market Readiness (PMR) in 2011 which is an assistance program to support developing countries in their efforts to reduce GHG emissions through market-based instruments (MBI). Within this program, Turkey was the first country to sign an agreement with the World Bank. As an initial output of the PMR with Turkey, the "Evaluation of Market-Based Emission Reduction Policy Options" report was published in 2018 which evaluates mechanisms to achieve Turkey's GHG emission reduction targets and suggests 5 potential mechanisms; Carbon tax, Energy Efficiency Trading Schemes, Renewable Energy Trading Schemes, Comprehensive Crediting Mechanism and Result Oriented Financing. The regulatory framework on 'Monitoring GHG Emissions' was published by the Ministry of Environment and Urbanization in 2014. Companies in select energy intensive sectors are required to monitor, report and verify their GHG emissions. The regulation paves the way for implementation of market-based emission reduction approaches such as Carbon Tax and Emissions Trading Scheme (ETS). İşbank expects to face the largest impact related to carbon pricing through its customers, which operate in carbon intense sector. Such a carbon tax may cause a deterioration in its clients' payment capacity and consequently may increase credit provisions allocated for these clients. One example of high-risk debtors would be the conventional energy generation companies in its credit portfolio, for which scenario analysis has already been conducted. The Bank is currently in the process of rolling this out to other carbon-intensive sectors, such as land transportation and cement.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

722925000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Increased pricing of GHG emissions is expected to result in a shift in supply and demand equilibrium of the electricity market. In scenario analysis, İşbank has simulated 4 different carbon prices (\$5, \$15, \$22 and \$44 / tCO₂e) considering peer practices and international benchmarks. The Bank has chosen a carbon price scenario of \$15/ tCO₂e as its central scenario and assumed a gradual implementation across three years. The new market equilibrium implies an increase in electricity price and a reduction in the volumes produced. Based on the new unit price, new electricity volume produced, and new unit costs the change in company financials is calculated. Changes in such critical financial metrics imply a change in cash flow and an impact on companies' ability to pay back existing credit obligations. In its selected sample for this scenario analysis, the total financial impact is calculated in terms of increased credit provisions and is around 720 MM TL (converted to TRY with 2019YE rates).

Cost of response to risk

1850000

Description of response and explanation of cost calculation

İşbank responds to these risks in three ways: • Risk management activities: Firms are closely monitored in the context of changes to their payment capacity and credit risk in line with the Bank's risk management policies. Underwriting, monitoring and risk management teams closely assess the portfolio for exposure to increased credit risk. In 2019, to improve awareness and to increase İşbank's capabilities related to sustainability, environmental impact and climate risk management, the bank attended various workshops and conferences that caused additional operational expenses to the bank. • Assessing environmental impact: To proactively spot climate related risks the Bank uses an Environmental and Social Risk Evaluation Tool (ERET) for all new investment projects worth more than USD 10 million. Within the scope of the ERET assessment, environmental and social monitoring activities are carried out through field visits by the Bank's experts. These visits incur additional costs to the bank. • Management focus: Senior leadership of the Bank allocates time for climate risk management. Recently the bank has started collaborating with external advisors to enhance its existing climate risk management capabilities further in terms of Governance, Process, Risk Measurement and Strategy. These external consultancy services result in additional costs to the Bank. In 2019, the total cost attributed to all those activities is estimated as 1,850,000 TRY.

Comment**Identifier**

Risk 2

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
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Primary potential financial impact

Devaluation of collateral and potential for stranded, illiquid assets

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

İşbank considers transition risks to be more relevant for the bank in the mid-term rather than in the near-term. However, it also considers that the Bank is exposed to certain physical risks (e.g. wildfires, floods) 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

Long-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)

<Not Applicable>

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

543689776

Explanation of financial impact figure

İşbank considered a hypothetical case to calculate the financial impact of devaluation of its 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 35% 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 19,211 MM TL. 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 201803-201902, 2.83%, 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 – 543.7 MM TL 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 Given these mitigants form part of the Bank's business as usual practice, there is no additional cost assumed for managing these risks.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
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Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Due to its location and climate change Turkey is expected to face a mean temperature rise, which may result in water scarcity and drought. Water scarcity, drought and change in precipitation level affect the water-dependent sectors in our portfolio. İşbank expects its most critical exposures are to hydro-power plants which may be affected by water scarcity. Reduction in the power generation capacity and efficiency may cause deterioration of the Bank's clients' payment capacity and consequently may increase credit provisions allocated for these clients.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

362695263

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Although it is not possible to precisely estimate the change in mean temperature and the effect of drought on hydropower plants, İşbank considered average generation reduction of hydropower plants financed by İşbank in order to calculate the potential financial impact. Accordingly, it is estimated that drought would lead to an additional provision of 362,695,263 TRY based on the change in customers' payment capacity (converted to TRY with 2019YE rates).

Cost of response to risk

1850000

Description of response and explanation of cost calculation

İşbank responds to these risks in three ways: • Risk management activities: Firms are closely monitored in the context of changes to their payment capacity and credit risk in line with the bank's risk management policies. Underwriting, monitoring and risk management teams closely assess the portfolio for exposure to increased credit risk. In 2019, to improve awareness and to increase İşbank's capabilities related to sustainability, environmental impact and climate risk management, the bank attended various workshops and conferences which incurred additional operational expenses for the Bank. • Assessing environmental impact: To proactively spot climate related risks the bank uses an Environmental and Social Risk Evaluation Tool (ERET) for all new investment projects worth more than USD 10 million. Within the scope of ERET assessment, environmental and social monitoring activities are carried out through field visits by the Bank's experts. These visits incur additional costs to the Bank. • Management focus: Senior leadership of the bank allocates time for climate risk management. Recently the bank started collaborating with external advisors to enhance its existing climate risk management capabilities further in terms of Governance, Process, Risk measurement and strategy. These external consultancy services result in additional costs to the Bank. In 2019, the total cost attributed to all those activities is estimated as 1,850,000 TRY.

Comment**Identifier**

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback
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Primary potential financial impact

Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification

Funding risk

Company-specific description

İşbank currently source 5.709 BN TL green financing loans from international development banks. These facilities are provided to finance energy efficiency and renewable energy loans and projects and to support the transition to a low-carbon economy. Given the Bank's current efforts in financing the transition to a low-carbon economy, it can access these funds. However, 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 could be more expensive.

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)

<Not Applicable>

Potential financial impact figure – minimum (currency)

57092670

Potential financial impact figure – maximum (currency)

285463350

Explanation of financial impact figure

İşbank currently has access to 5.709 BN TL green financing from IFC, EBRD, EIB and PROPARGO. An inability to meet the associated requirements in the loan agreements could result in suspension of existing green financing facilities. Details of these facilities are provided in the 2019 integrated report of İşbank and converted to

TRY with TRY/USD 5.95 and TRY/EUR 6.66 (2019YE rates) İsbank calculated the potential financial impact based on a scenario with 2 main assumptions: 1) Loss of access to funding: Although it is challenging to estimate an exact impact, İsbank assumes 50% - 100% of the existing funding could be at risk if requirements in the loan agreements are not met. 2) Replacement of these funds at a higher cost: To replace these facilities, İsbank would need to approach alternative funding sources which are expected to be at a higher cost. In this hypothetical scenario, İsbank assumes the additional cost could be between 200bps to 500bps. This estimate is calculated based on the difference between the cost of green financing and traditional funding sources (e.g. bond issuance) Based on the Bank's assumptions, the potential financial impact will range from 57 MM TL to 285 MM TL.

Cost of response to risk

0

Description of response and explanation of cost calculation

İsbank manages these risks in two ways: (1) Credit process: If a customer is allocated a green financing loan which has certain obligations, İsbank passes through the requirements by clearly defining technical covenants on such lending arrangements. (2) Reporting: İsbank regularly reports on how funds are used to the development banks, to allow for monitoring and early identification of any issues. Given these mitigants form part of the Bank's business as usual practice, there is no additional cost assumed for managing these risks.

Comment

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Legal	Exposure to litigation
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Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

In early 2020, several conventional energy generation plants in Turkey faced fines and suspension of their operations because of non-compliance with filtration requirements and lack of necessary environmental investments. A suspension of their operations may result in the loss of income due to a reduction in the electricity generation capacity for some of İsbank's customers. Changes in generation capacity may cause deterioration of the Bank's customers' payment capacity and consequently may increase credit provisions allocated for these customers.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

107020978

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

To calculate the financial impact, İsbank considered the short-term exposure to the affected firms that are exposed to this risk type, in its conventional energy generation portfolio. Accordingly, a suspension of activities would put an exposure of 107MM TRY at risk based on the change in the Bank's customers' payment capacity and capacity utilization rates (converted to TRY with 2019YE rates).

Cost of response to risk

1850000

Description of response and explanation of cost calculation

İsbank responds to these risks in three ways: • Risk management activities: Firms are closely monitored in the context of changes to their payment capacity and credit risk in line with the Bank's risk management policies. Underwriting, monitoring and risk management teams closely assess the portfolio for exposure to increased credit risk. In 2019, to improve awareness and to increase İsbank's capabilities related to sustainability, environmental impact and climate risk management, the bank attended various workshops and conferences which incurred additional operational expenses to the bank. • Assessing environmental impact: To proactively spot climate related risks the bank uses an Environmental and Social Risk Evaluation Tool (ERET) for all new investment projects worth more than USD 10 million. Within the scope of ERET assessment, environmental and social monitoring activities are carried out through field visits by the bank's experts. These visits incur additional costs to the Bank. • Management focus: Senior leadership of the bank allocates time for climate risk management. Recently the bank started collaborating with external advisors to enhance its existing climate risk management capabilities further in terms of Governance, Process, Risk measurement and strategy. These external consultancy services result in additional costs to the Bank. In 2019, the total cost attributed to all those activities is estimated as 1,850,000 TRY.

Comment

(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.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Downstream

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 access to capital

Company-specific description

İşbank can gain access to funding at a lower cost by providing customers with climate- and environment related products and services. Development banks across the world are providing this funding at a lower cost for initiatives that can evidence they are being used to mitigate climate change. At the same time, the Turkish government plans to help 1.7 million households to improve dwelling energy efficiency through thermal insulation. This initiative, which is part of the National Energy Efficiency Action Plan for 2017 and 2023, has two objectives in the buildings sector: expanding the use of renewable energy and promoting the use of central and district heating/cooling systems. Bringing the lower cost funding, the Turkish government plans and the bank's clients together can continue to generate an attractive business opportunity for İşbank. The Potential Financial Impact listed below reflects the volume of new capital which İşbank may gain access to by offering these products.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2855000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Potential impact is estimated based on the current funding volume: - In 2013, İşbank sourced a facility from PROPARCO focusing on energy efficiency in residential buildings that amounts to € 50 MM with 3 years remaining maturity as of 2019 - In 2014, İşbank sourced a facility from EIB focusing on energy efficiency in buildings that amounts to € 200 MM with 4 years remaining maturity as of 2019 - In 2015, İşbank sourced two facilities from EBRD focusing on energy efficiency in buildings that amounts to \$ 60 MM and \$ 15 MM with 2- and 10-years remaining maturity as of 2019, respectively - In 2017, İşbank sourced two facilities from IFC focusing on "Green Mortgages" that amounts to \$ 105 MM and \$ 20 MM with 6 years remaining maturity as of 2019

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

İşbank has already been a key player in providing financing solutions for residential energy efficiency and expects to continue capitalizing the opportunities in Green Mortgages in the next years. İşbank realizes these opportunities as a part of its business-as-usual activities in four ways: • Funding from international development banks: International Financial Institutions (IFI) Division develops collaborations with international development banks to obtain financing in order to support the transition to a low carbon economy. • Disbursement of loans: Sales teams work closely with İşbank's customers. The focus of the bank's teams is to examine and understand their clients' financial needs. At a point where its customers' financial needs and İşbank's green products overlap, financial support is initiated. • Credit evaluation: The Project Finance team closely examines green projects, including resource efficiency and renewable energy investments, considering environmental protection, industrial pollution, and compliance with International Financial Institutions' requirements. • Management focus: Senior leadership of the bank is aware of climate-related opportunities. Recently the bank started collaborating with external advisors to enhance its existing climate related management capabilities. As a part of this work, a strategic review of all climate related opportunities was conducted, as outlined in FS2.2c. This review process will be further embedded in the bank business-as-usual processes going forward. The additional cost associated with the identification of strategic opportunities overlaps with the cost estimates provided for Risk 1 and 3. Given these are business as usual practices, there is no additional cost to realize these opportunities.

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

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 access to capital

Company-specific description

İşbank can gain access to funding at a lower cost by providing customers with climate- and environment related products and services. Development banks across the world are providing this funding at a lower cost for initiatives that can evidence they are being used to mitigate climate change. Above and beyond the initiatives targeting retail clients and the building sector described in Opportunity 1, the National Energy Efficiency Action Plan also targets a reduction of 23.9 million tons of oil equivalent by 2023. This will help reduce Turkey's reliance on fossil fuels and CO2 emissions. The reduction is to be achieved through targeted investment in sustainable energy projects in Turkey. At the same time projects to improve the resource efficiency of industrial equipment, systems and processes are to be realized. In this context, İşbank has sourced various loans focusing on energy efficiency, which support the transition to a low-carbon economy for enterprises operating in Turkey. İşbank have sourced funds from EIB, EBRD, PROPARCO. The funds sourced within the scope of energy efficiency are usually long-term facilities and covers broad range of sectors. The bank supports Turkey's transition to a low-carbon economy through effective disbursement of these funds. The Potential Financial Impact listed below reflects the volume of new capital which İşbank may gain access to by offering these products.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2854267000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The potential impact is estimated based on the current funding volume: - İşbank sourced two facilities from EIB focusing on energy efficiency amounting to € 75 MM and \$ 111.2 MM with 4- and 9-years remaining maturity respectively - İşbank sourced five facilities from EBRD focusing on energy efficiency amounting to \$ 6.6 MM, € 50 MM, € 50 MM, \$ 55 MM and \$ 55 MM with 6, 4, 5, 8- and 4-years remaining maturity respectively - İşbank sourced a facility from PROPARCO focusing on energy efficiency amounting to € 50 MM with 2 years remaining maturity respectively

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

İşbank places high importance in supporting transition of commercial enterprises to the low-carbon economy. İşbank has been a key player in providing financing opportunities to the commercial enterprises to improve the energy and resource efficiency of Turkish economy. İşbank realizes these opportunities as a part of its business-as-usual activities in four ways: • Funding from international development banks: International Financial Institutions (IFI) team develops collaborations with international development banks to source facilities in order to support the transition to a low carbon economy. • Disbursement of loans: Sales teams are closely working with İşbank's customers. The focus of the bank's teams is to examine and understand the bank's customers' financial needs in their businesses. At a point where its customers' financial needs and İşbank's green products overlap, financial support is initiated. • Credit evaluation: Project Finance team examines closely the green projects including resource efficiency and renewable energy investments in terms of environmental protection, industrial pollution, and compliance with International Financial Institutions' requirements. • Management focus: Senior leadership of the bank is aware of climate-related opportunities. Recently the bank started collaborating with external advisors to enhance its existing climate related management capabilities. As a part of this work, a strategic review of all climate related opportunities was conducted, as outlined in FS2.2c. This review process will be further embedded in the bank business-as-usual processes going forward. The additional cost associated with the identification of strategic opportunities overlaps with the cost estimates provided for Risk 1 and 3. Given these are business as usual practices, there is no additional cost to realize these opportunities.

Comment**Identifier**

Opp3

Where in the value chain does the opportunity occur?

Downstream

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

To foster renewable energy generation in Turkey, the Presidency of the Republic of Turkey and Ministry of Energy and Natural Resources have launched initiatives in their strategic plans, cementing the nation's shift towards renewable energy generation over the past few years. The Presidency of the Republic of Turkey published the 11th development plan in July 2019, expressing an objective of increasing the share of renewable electricity generation by 2023. (Table 27: Energy Sector Targets) Aligned with this agenda, the strategic plan of the Ministry of Energy and Natural Resources expressed a target of increasing the share of local and renewable energy generation in term of installed capacity from 59% to 65% (Ministry of Energy and Natural Resources 2019-2023 Strategic Plan Objective #1, Target 1.1). Following this agenda, İşbank has already shifted its focus in the energy sector to financing of renewable energy production over the past few years. In 2019, all new project financing provided in energy sector were allocated to renewable energy projects. İşbank financed 74 projects in the fields of biomass, solar, wind energy and geothermal, with a total installed power of 262.4 MW. Through İşbank's financing activities in the renewable energy sector, the bank has acquired in-depth knowledge of renewable energy financing, developed

tailored processes, tools and products for financing renewable energy generation projects, and built relationship with key players and investors in this market.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

87373243

Potential financial impact figure – maximum (currency)

101935451

Explanation of financial impact figure

İşbank is planning to continue financing renewable energy sector moving forward in the coming years: - In 2018, 87 renewable energy projects were financed by İşbank and the total funding to these projects was approximately 1.1 BN TRY. - In 2019, 74 renewable energy projects were financed by İşbank and the total funding to these projects was approximately 1.3 BN TRY. The potential volume İşbank will finance in renewable energy is calculated based on an increase in the total funds provided to renewable energy projects from 2018 to 2019. Given the volume, an expected return of 6% to 7% is assumed based on the historical data. This will yield an income with an expected range of 87 to 102 MM TRY We would like to note that some of the facilities stated in Opportunity 2 may also be used for financing renewable energy projects. We expect this overlap to be minimal.

Cost to realize opportunity

95000

Strategy to realize opportunity and explanation of cost calculation

İşbank already realizes these opportunities as a part of its business-as-usual, mainly in four ways: • Funding from international development banks: Supporting renewable energy investments is extremely important for enabling the transition to a low carbon economy. Aligned with this view, the International Financial Institutions (IFI) Division develops collaborations with international development banks to source facilities for renewable energy generation projects. • Disbursement of loans: Sales teams work closely with the bank's customers. The focus of the bank's teams is to examine and understand customers' financial needs. At a point where its customers' financial needs and İşbank's green products overlap, financial support is initiated. After 2015, all new project financing provided for electricity generation investment was allocated to renewable energy projects. Additionally, the bank offers green products to both retail and non-retail customers. For example, "İşte Güneş (Solar Loan by İşbank)" targets companies looking for solar investments financing to install solar energy plants on the roofs of their industrial facilities for self-consumption. Similarly, the bank has a green mutual fund (TEMA Environmental Variable Fund) to allow investors to put their savings into environment friendly investments. In 2019, İşbank attended various workshops and sponsored conferences where stakeholders were informed about the renewable energy sector in Turkey, İşbank's green products and solar investments incentives. • Credit evaluation: The Project Finance team closely examines renewable energy generation projects in terms of environmental protection, industrial pollution, and compliance with legal criteria. • Management focus: Senior leadership of the bank is aware of climate-related opportunities. Recently the bank started collaborating with external advisors to enhance its existing climate related management capabilities. As a part of this work, a strategic review of all climate related opportunities was conducted, as outlined in FS2.2c. This review process will be further embedded in the bank business-as-usual processes going forward. The additional cost associated with the identification of strategic opportunities overlaps with the cost estimates provided for Risk 1 and 3. İşbank estimates all costs for attending workshops and conferences to be around 95,000 TRY in 2019.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

C3.1b

(C3.1b) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
Other, please specify (UNEP FI's Scenario Analysis)	<p>Given the growing importance of risks and opportunities arising from climate change, İsbank is increasingly incorporating climate considerations into business-as-usual processes. İsbank is currently working with Oliver Wyman and contemplating ways to incorporate climate risk into key processes, such as the annual strategic planning process, the annual ICAAP process, and the annual Risk Appetite process. İsbank has also upgraded its risk taxonomy (the backbone of its risk management framework), positioning climate risk as a strategic risk, and is now extending its definition to include all types of climate risks (both transition and physical risks) based on TCFD and international regulator recommendations. As of reporting year, climate-related risks & opportunities and their possible financial impacts on our portfolio and operations has been defined. Identification & assessment of climate-related risks and opportunities has been fed by climate-related scenario analysis. This approach will be followed as we begin to embed the outputs of risk & opportunity identification / assessment phase into our business-as-usual processes such as our business strategy and financial planning, considering our assets, revenue streams, direct & indirect costs, ability to access capital and assets. To ensure all risks and opportunities arising from climate change have been comprehensively captured before the upgrades of the business-as-usual process are completed, we are also conducting a one-off comprehensive risk and opportunity identification process as of 2020.</p> <p>With regard to portfolio's exposure to climate-related risks, İsbank considers and analyses its non-retail credit portfolio covering all sectors. İsbank's non-retail credit portfolio constitutes 76.4% of the total credit portfolio as of YE2019. As a first step of the risk assessment, İsbank creates a sectoral risk heatmap to identify priority areas (e.g. sectors and risk events) in the portfolio by combining both a qualitative and a quantitative assessment. For the qualitative part, İsbank combines 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. For the quantitative assessment, İsbank follows UNEP-FI's scenario analysis approach. The potential impact of climate related risks is assessed by stressing financial statements of a sample of companies operating in the high-risk sectors. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply and demand dynamics of the sectors in which they operate. Based on the stressed financials, PD models or ECL calculation process are re-run to analyze impact on Probability of Default (PD) or ECL. Finally, the impact is extrapolated to the portfolio in case needed. One example of the type of analysis conducted is the assessment of the potential impact on İsbank's energy generation sector credit portfolio.</p>

C3.1d

(C3.1d) 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're proactively scanning the risk horizon considering climate-related risks & opportunities that have a substantive effect on our business strategy from products & 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 & 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 İsbank'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. For example: • After 2015, 100% of the new project financing provided by İsbank for electricity generation investments were allocated to renewable energy projects. This is targeted for 2020 as well. • In 2018, İsbank financed 87 renewable energy projects with the total installed capacity of 617 MW. • In 2019, İsbank financed 74 renewable energy projects with a total installed capacity of 262 MW and with a total amount of USD 222 million. • As of YE2019, total installed capacity of renewable energy projects financed by İsbank reached 8,074 MW and as part of these projects 21.9 million MWh clean energy generated in 2019. • In 2019, İsbank issued its first Green Bond. Funds from the bond will be used to finance projects with positive environmental impact mainly in the fields of renewable energy, energy/resource efficiency, clean transportation and green buildings. This issuance is also the first 100% Green Eurobond transaction performed by a Turkish bank.</p>
Supply chain and/or value chain	Yes	<p>Our climate-related risk & opportunity identification, assessment and response efforts cover different stages of our value chain from upstream to our operations and downstream. That's why, all value chain and its influence on our business strategy is covered considering climate-related risks and opportunities.</p>
Investment in R&D	No	<p>As an actor of financial services sector, investment in R&D from a climate change perspective does not directly influence our business strategy. Yet we are responding to the need of investment in R&D, targeting climate change mitigation & adaptation by the help of our lending activities. As R&D and Innovation are among the most effective tools of today's global economy against climate change, İsbank actively provides financing to different actors with its loan solutions.</p>
Operations	Yes	<p>İsbank may suffer from operational losses due to changing climate. The bank evaluates and manages risks and opportunities related to its operations, and informs its business strategy and financial planning. Climate risks that may result in costs higher than the internally defined substantive impact threshold are defined and managed as considerable risks on our business strategy.</p>

C3.1e

(C3.1e) 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	<p>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. In contrast, when we can't cope with today's changing climate reality as 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. To indicate the size of this monetary amount on our costs, an amount of 428,000 TRY took place as a result of costs of response to climate-related risks and costs to realize climate-related opportunities in 2019. Another important dimension of climate's influence on the Bank's financial planning is "Access to finance". To this date İsbank has obtained over 6 BN TRY green financing loans from international development banks. Given the bank's current efforts in financing the transition to a low-carbon economy the bank can access such these funds. However, 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 could be more expensive. That's why İsbank 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.</p>

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Other, please specify (Sustainability Policy, Environmental & Social Impact Policy)	All of the portfolio	Climate related issues take place in our Sustainability Policy and Environmental & Social Impact Policy. These particular policies cover our whole lending portfolio. The sustainability policies set forth the founding principles and basics with regard to minimizing our negative environmental impact as well as maximizing the positive impacts of the business and other activities of both the Bank and its clients. Isbank takes measures for the prevention and/or minimization of negative environmental impact arising from its operational activities, ensures that its resource and energy efficiency is increased and supports projects for improvement in this field. We commit to reduce our negative impact on climate. Within this context, we aim to improve our performance on energy consumption. We set objectives to regularly measure our greenhouse gas emissions, which are the main reason of climate change, and engage in activities to reduce those in line with our commitments for reduction, and undertake to share the obtained results with all the stakeholders. We inform our clients on the issues of climate change and sustainability, and support them in the development of environmental and/or sustainability practices. Within the scope of the struggle against the climate change, we support investments for renewable energy, energy efficiency, recycling and waste reduction, all of which have an important role in the sustainable development of our country. We commit to play an active role in transition to a low-carbon economy and respond to the demands of public on the axis of sustainability in new product & service development processes. Sustainability action plans are executed under the documents which include our business program and strategic plans.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Other, please specify (Sustainability Policy, Environmental & Social Impact Policy)	All of the portfolio	Climate related issues take place in our Sustainability Policy and Environmental & Social Impact Policy. These particular policies cover the development and use phases of our products and services. The sustainability policies set forth the founding principles and basics with regard to minimizing our negative environmental impact as well as maximizing the positive impacts of the business and other activities of both the Bank and its clients. Isbank takes measures for the prevention and/or minimization of negative environmental impact arising from its operational activities, ensures that its resource and energy efficiency is increased and supports projects for improvement in this field. We commit to reduce our negative impact on climate. Within this context, we aim to improve our performance on energy consumption. We set objectives to regularly measure our greenhouse gas emissions, which are the main reason of climate change, and engage in activities to reduce those in line with our commitments for reduction, and undertake to share the obtained results with all the stakeholders. We inform our clients on the issues of climate change and sustainability, and support them in the development of environmental and/or sustainability practices. Within the scope of the struggle against the climate change, we support environmental investments for renewable energy, energy efficiency, recycling and waste reduction as well as the protection and recovery of environmental conditions, all of which have an important role in the sustainable development of our country. We commit to play an active role in transition to a low-carbon economy and respond to the demands of public on the axis of sustainability in new product & service development processes. Sustainability action plans are executed under the documents which include our business program and strategic plans.

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) (or Scope 3 category)

Scope 1+2 (market-based)

Base year

2018

Covered emissions in base year (metric tons CO2e)

92225.5

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2025

Targeted reduction from base year (%)

38

Covered emissions in target year (metric tons CO2e) [auto-calculated]

57179.81

Covered emissions in reporting year (metric tons CO2e)

93545.4

% of target achieved [auto-calculated]

-3.76622631770125

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)

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 HQ 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. Considering the cumulative impact of the strategic pillars & sources mentioned above, our scope 1 + 2 emissions target for 2025 is set as 38% with respect to our baseline year. This 38% 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 and our procurement of renewable electricity. 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.

Target reference number

Abs 2

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Base year

2018

Covered emissions in base year (metric tons CO2e)

92225.5

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)

65

Covered emissions in target year (metric tons CO2e) [auto-calculated]

32278.925

Covered emissions in reporting year (metric tons CO2e)

93545.4

% of target achieved [auto-calculated]

-2.2017938472715

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)

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. Main strategic pillar & source for achieving our 2030 target is: • Procurement of renewable electricity. 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. This 65% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives,

renewable energy installations, digitalization of banking services and our procurement of renewable electricity. 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.

Target reference number

Abs 3

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Base year

2018

Covered emissions in base year (metric tons CO2e)

92225.5

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2035

Targeted reduction from base year (%)

100

Covered emissions in target year (metric tons CO2e) [auto-calculated]

0

Covered emissions in reporting year (metric tons CO2e)

93545.4

% of target achieved [auto-calculated]

-1.43116600072647

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)

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 HQ and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System)). • Renewable energy installations 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 installations, 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.

C4.2

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

No other climate-related targets

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		
To be implemented*		
Implementation commenced*	3	4494.49
Implemented*		
Not to be implemented		

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings	Lighting
--------------------------------	----------

Estimated annual CO2e savings (metric tonnes CO2e)

2363.15

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

3750000

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

13637281

Payback period

1-3 years

Estimated lifetime of the initiative

6-10 years

Comment

LED Lighting transformation project on our branches is going on since 2015. LED conversions are carried out in our branches that are renovated or in need because of low lighting level. Until today, LED conversion has been completed in approximately 400 branches. Since this conversion process is carried out together with our branch renovation activities, we do not have the exact spending data related to this particular effort but as we have an average of 40 luminaires in our branches, (and considering that 1 luminaire is approximately 272.96 TRYs (with an average 6.348 EUR/TRY exchange rate of 2019)), the expenditure made up to this day is approximately 4,367,424 TRYs. At the end of 2025, when the transformation of all our 1249 branches is completed, an approximate of 13,637,281 TRYs will be spent. When the transformation of all branches is completed, 4,600,000 kWh of electrical energy will be saved annually with a financial equivalent of 3,750,000 TRY with the current electricity unit price. Estimated annual CO2e savings (metric tonnes CO2e) is calculated with 4,600,000 kWh saved electrical energy annually and Turkey's grid emission factor for 2019.

Initiative category & Initiative type

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)
--------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

240.81

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

382133

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

8331750

Payback period

21-25 years

Estimated lifetime of the initiative

3-5 years

Comment

In 2019, air conditioners have been completely renewed in 30 buildings. Approximately a sum of 250 air conditioners will have been changed in this way as the end of 2020. During the lifetime (2019-2022) of the initiative, 750 air conditioners will be replaced. The annual average consumption of an air conditioner is approximately 1,800 kWh, and it decreases to 1,175 kWh with an inverter air conditioner. In this case, it is expected to save 30-35% in the consumption of these devices. At the end of 2022, when the transformation of 750 air conditioners is completed, 468,750 kWh of electrical energy will be saved annually with an approximate financial equivalent of 382,133 TRY considering the current electricity unit price. A unit price of 1750 EUR (equals to 11,109 TRYs with an average 6.348 EUR/TRY exchange rate of 2019) is used when calculating investment required for air conditioner transformation. With this approach, a total of 8,331,750 TRYs is required for the whole air conditioner transformation. Estimated annual CO2e savings (metric tonnes CO2e) is calculated with 468,750 kWh saved electrical energy annually and Turkey's grid emission factor for 2019.

Initiative category & Initiative type

Energy efficiency in buildings	Building Energy Management Systems (BEMS)
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Estimated annual CO2e savings (metric tonnes CO2e)

1891.52

Scope(s)

Scope 1

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

3000000

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

18747400

Payback period

4-10 years

Estimated lifetime of the initiative

3-5 years

Comment

Automation renovation, which covers all systems, (lighting, heating, cooling and CCTV) is planned to be performed in the Head Office building. With renovation, existing lighting fixtures will be replaced with LED fixtures. Lighting will be automatically dimmed and turned on by means of the sensors based on the amount of light in the floors during the day. All systems such as heating-cooling, fire & lighting will be integrated into the BAS, and consumption analyses will be made through the central automation. With scenarios created by the analyses, reducing consumption is targeted. Another automation-related ongoing project is remote consumption monitoring of branches. With this, all consumption data will be obtained automatically, enabling better management, control & reporting. Although we do not have a direct saving target for the scope of our remote monitoring project, it is thought that our branches will use resources more efficiently, and malfunctions & deviations in resource consumption can be detected earlier, in line with the data we will obtain by monitoring & analysis of the systems. However indirectly, there will be opportunities to save electricity, water & fuel consumption. For the system to be established, approximately TRY 18,747,400 will be invested in a 3-year period. After the establishment of the system, it is thought that there will be an opportunity of 5% annual savings, especially in electricity consumption, with a financial equivalent of TRY 3,000,000.

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, some division heads have an energy efficiency 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, 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.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Product

Description of product/Group of products

Green Bonds is the most prominent financial instrument to increase the flow of private capital into low-carbon sectors, and in general environmentally friendly projects. In line with this importance, İşbank issued its first Green Bond on August 21st, 2019. This issuance is also the first 100% Green Eurobond transaction performed by Turkish banks. The issuance amount of the bond is USD 50 million and the term of the bond is 10 years. The first 100% green bond issue in Turkey is important as it reflects the holism of İşbank's sustainability approach, it provides access to a different investor base, and as it is a long-term funding. To ensure that Eurobond issuances, having a significant share in İşbank non-deposit fund resources, are realized as green, social or sustainability bonds, İşbank created İşbank Sustainability Bond Framework. Through the funds to be secured from the bonds issued within the scope of this framework, loans will be financed for ventures with positive social impact such as SMEs and women entrepreneurs in underdeveloped areas, in addition to projects creating positive environmental impact in the fields of renewable energy, energy efficiency, recycling, organic agriculture, clean transportation, green buildings and circular economy. The opinion of an external evaluation institution was obtained for the Framework prepared in line with Green Bond Principles, Social Bond Principles and four key components of Sustainability Bond Guidelines issued by the International Capital Market Association (ICMA).

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Green Bond Principles (ICMA)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Bank lending	Other, please specify (Green Bond)
--------------	------------------------------------

Comment

Green Bonds is the most prominent financial instrument to increase the flow of private capital into low-carbon sectors, and in general environmentally friendly projects. In line with this importance, İşbank issued its first Green Bond on August 21st, 2019. This issuance is also the first 100% Green Eurobond transaction performed by Turkish banks.

Level of aggregation

Group of products

Description of product/Group of products

In transitioning to low carbon economy, encouraging alternative energy resources is paramount. Renewable energy investments should support not only fight against the impacts arising from climate change but also social development through new areas of employment such investments create. By providing financing for renewable energy projects, İşbank contributes to the reduction of risks and impacts stemming from by climate change. After 2015, all new project financing provided by İşbank for electricity generation investment was allocated to renewable energy projects. This is targeted for 2020 as well. As of the end of 2019, the share of renewable energy financing in the total power generation projects portfolio was 67.3%, and in total financing was 6.5%.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Bank lending	Project Finance
--------------	-----------------

Comment

İşbank raise its financial support for renewable energy projects and diversifies its products in this area every passing year. As of the end of 2019, renewable energy projects accounted for 67.3% of the total energy generation projects portfolio of İşbank.

Level of aggregation

Product

Description of product/Group of products

In line with its mission of being a pioneer and leading bank in sustainable energy industry, İşbank developed, and made available for use by its customers in 2019, a commercial loan product for financing unlicensed solar energy plants (SEP) to be installed on the roofs of industrial facilities for self-consumption. "Solar Loan by İşbank (İş'te Güneş Kredisi)" aims to assist in developing and spreading the efficient, flexible, concurrent production-consumption model which is spread to the base, called "distributed production," and in providing service for the energy transformation process on macro scale.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Bank lending	Commercial Loans
--------------	------------------

Comment

İşbank launched a commercial loan product called "Solar Loan by İşbank" intended for unlicensed solar energy plants to be installed on the roofs of industrial facilities for self-consumption.

Level of aggregation

Product

Description of product/Group of products

A first in Turkey, TEMA Environmental Variable Fund is a product developed to allow environmentally-friendly investors to use their savings to promote environmental efforts. With the resource allocated from the Fund to TEMA, sustainable financing is provided for environmental projects. The fund, allocating part of its portfolio to invest in businesses which have effective environmental management systems in place, emphasizes that businesses which pay regard to environmental impacts will achieve better financial results in the long term.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

% revenue from low carbon product(s) in the reporting year

2

% of total portfolio value

2

Asset classes/ product types

Investing	Other, please specify (Variable Fund)
-----------	---------------------------------------

Comment

TEMA Environmental Variable Fund is a product developed to allow environmentally-friendly investors to use their savings to promote environmental efforts. % revenue and % of total portfolio value figures are indicating a range between 0% - 2%. Revenues & total portfolio values of TEMA Environmental Variable Fund are no more than 2%.

Level of aggregation

Product

Description of product/Group of products

"Maximum TEMA Card": A first in the industry, Maximum TEMA Card enables the Bank to contribute to the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA) by 0.02% of the amount of each transaction carried out by our customers with this card. Maximum TEMA Card and printed materials are produced from card plastic and raw materials that do not harm the environment.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

% revenue from low carbon product(s) in the reporting year

2

% of total portfolio value

2

Asset classes/ product types

Bank lending	Other, please specify (Credit Card Solution)
--------------	--

Comment

Maximum TEMA Card enables the Bank to contribute to the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA) by 0.02% of the amount of each transaction carried out by our customers. % revenue and % of total portfolio value figures are indicating a range between 0% - 2%. Revenues & total portfolio values of Maximum TEMA Card are no more than 2%.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

23626.1

Comment

Our Scope 1 Emissions cover emissions from our headquarter buildings, ATMs and 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)

68599.4

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.

Scope 2 (market-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

68599.4

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.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

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

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

21764.1

Start date

January 1 2019

End date

December 31 2019

Comment

Our Scope 1 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)

23626.1

Start date

January 1 2018

End date

December 31 2018

Comment

Our Scope 1 Emissions were covering emissions from our headquarter buildings, ATMs and branches in Turkey as of 2018 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 CO2e?

Reporting year

Scope 2, location-based

71781.3

Scope 2, market-based (if applicable)

71781.3

Start date

January 1 2019

End date

December 31 2019

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.

Past year 1

Scope 2, location-based

68599.4

Scope 2, market-based (if applicable)

68599.4

Start date

January 1 2018

End date

December 31 2018

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.

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, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Although emissions related to purchased goods and services are relevant for us, they are not yet calculated.

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

We're covering emissions from our capital goods (e.g. buildings) in our Scope 1 and 2 emissions in related sections of our CDP reporting.

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

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

We're covering emissions from every fuel-and-energy-related activity in our Scope 1 and 2 emissions in related sections of our CDP reporting.

Upstream transportation and distribution

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Although emissions related to upstream transportation and distribution (e.g. armoured cars related to cash transport) are relevant for us, they are not yet calculated.

Waste generated in operations

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

We're in progress of calculating our Scope 3 emissions resulted from the waste generated in our operations.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1110.8

Emissions calculation methodology

This section contains business flights in terms of travel. Domestic, European and Continental flights are taken into account.

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

100

Please explain

Domestic, European and Continental business flights are taken into account when calculating business travel emissions.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1928.3

Emissions calculation methodology

This section contains emissions from personnel shuttles, buses and taxi travels of employees.

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

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to upstream leased assets are not relevant for us.

Downstream transportation and distribution

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Although emissions related to downstream transportation and distribution are relevant for us, they are not yet calculated.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

As we don't sell intermediate products that require processing into final products, we don't have any emissions in this category.

Use of sold products

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Although emissions related to use of sold products (e.g. customer's use of computers and smartphones for online banking) are relevant for us, they are not yet calculated.

End of life treatment of sold products

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Although emissions related to end of life treatment of sold products (e.g. disposal of credit and debit cards and client mailings) are relevant for us, they are not yet calculated.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions related to downstream leased assets are not relevant for us.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

As İşbank doesn't operate any franchises, emissions related to franchises are not relevant for us.

Other (upstream)

Evaluation status

Not evaluated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Other (downstream)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

9123.3

Emissions calculation methodology

Emissions resulting from paper usage within the organization.

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

100

Please explain

Emissions resulting from paper usage within the organization.

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

199.84

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

93545.4

Metric denominator

unit total revenue

Metric denominator: Unit total

468.1

Scope 2 figure used

Market-based

% change from previous year

10.8

Direction of change

Decreased

Reason for change

Intensity figures are calculated considering our unit total revenues (in billion TRYs) as of 2018 & 2019. Our unit total revenue values were 416.4 and 468.1 billion TRYs for 2018 and 2019 respectively. Although our gross global combined Scope 1 and 2 emissions have increased slightly from 92,225.5 metric tons CO2e in 2018 to 93,545.4 metric tons CO2e in 2019, we've achieved to decouple our growth of unit total revenue from our carbon footprint. Due to this condition an approximate 10.8% decrease is observed in our intensity figure compared to 2018 level.

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?

Increased

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		<Not Applicable>		
Other emissions reduction activities		<Not Applicable>		
Divestment		<Not Applicable>		
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output		<Not Applicable>		
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified	1319.9	Increased	1.43	Our gross global combined emissions increased by 1.43% due to cumulative change (increase, decrease) in multiple factors at the same time.
Other		<Not Applicable>		

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	82413	82413
Consumption of purchased or acquired electricity	<Not Applicable>	0	139726	139726
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	0	222138	222138

C9. Additional metrics

C9.1

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

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
2019IndependentAssuranceReport.pdf

Page/ section reference
1

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

2019IndependentAssuranceReport.pdf

Page/ section reference

1

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: Business travel

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

2019IndependentAssuranceReport.pdf

Page/section reference

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
C2. Risks and opportunities	Renewable energy products	ISAE3000	In 2019, İşbank financed 74 renewable energy projects with a total installed capacity of 262 MW and with a total amount of USD 222 million. This data is verified with a limited assurance with the verification standard ISAE 3000 as "Number of renewable energy projects financed during the year, installed power size (MW) and loan amount provided to these projects (million USD)"
C3. Business strategy	Renewable energy products	ISAE3000	In 2019, İşbank financed 74 renewable energy projects with a total installed capacity of 262 MW and with a total amount of USD 222 million. This data is verified with a limited assurance with the verification standard ISAE 3000 as "Number of renewable energy projects financed during the year, installed power size (MW) and loan amount provided to these projects (million USD)"
C8. Energy	Energy consumption	ISAE3000	Electricity consumption values related to 2019 financial year is verified with a limited assurance with the verification standard ISAE3000.
C6. Emissions data	Year on year emissions intensity figure	ISAE3000	Our emission intensity figure related to 2019 financial year is verified with a limited assurance with the verification standard ISAE3000.
C7. Emissions breakdown	Other, please specify (Paper Usage)	ISAE3000	Our paper usage figure related to 2019 financial year is verified with a limited assurance with the verification standard ISAE3000. We've calculated emissions related to our paper usage and reported it in C7. Emissions breakdown section of our CDP Climate Change Reporting.

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, and we do not currently 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, other partners in the value chain

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 non-governmental organizations. These initiatives are designed within a framework that complies with the Bank's Corporate Social Responsibility principles, contributes to the Sustainable Development Goals, and meets the current needs of the society. We engage with partners such as TÜSİAD, European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB), PROPARGO and International Finance Cooperation (IFC).

One fruitful output of our climate-related engagement strategy with our partners in our value chain is the loan agreements which are signed with the European Bank for Reconstruction and Development (EBRD) to support renewable energy and resource efficiency investments / activities in the scope of Turkey Sustainable Energy Financing Program (TurSEFF) as well as Turkish Mid-size Sustainable Energy Financing Facility (MidSEFF). In this context, cooperation is made both with TurSEFF and MidSEFF consultants. During monthly meetings held within the scope of TÜSİAD Environment and Climate Change Working Group, with major players of the energy sector, opinions are exchanged within the scope of climate finance. Within the framework of our membership to the TÜSİAD Environment and Climate Change Working Group, together with the actors in the sector, we helped to prepare an attitude document including the determinations / solution suggestions for the rapid introduction of renewable energy sources, which provide important opportunities in supply security, localization and combating climate change.

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. Going beyond 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.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Clean energy generation	Support	We engage with TUSIAD as a member of their Environment and Climate Change Working Group. The relevant outputs of this WG are presented to policy makers.	Within the framework of our membership to the TUSIAD Environment and Climate Change Working Group, together with the actors in the sector, we helped to prepare an attitude document including the determinations / solution suggestions for the rapid introduction of renewable energy sources, which provide important opportunities in supply security, localization and combating climate change.
Climate finance	Support	We are a member of Sustainability Working Group of the Banks Association of Turkey.	As a member of Sustainability Working Group of the Banks Association of Turkey (formerly WG on the Role of the Finance Sector in Sustainable Growth), we supported the development of "Sustainability Guidelines for The Banking Sector in Turkey". This is a guide and reference setting out good practices in the contributions that the banking and finance sector makes to sustainable development. The guide has been prepared to provide banks with guidance on issues they need to be mindful of by taking the environmental and social dimensions of development into account in the conduct of their business activities. The intention is that, with the assistance of these banking sector basic sustainability principles, banks will be able to more systematically manage the environmental and social predictability, transparency, and monitoring of their activities. One major issue directly linked to climate finance is the principle "Survey and Management of Environmental And Social Risks Arising From Banking Activities" of the guide. According to this particular principle, failure to properly manage environmental and social effects may give rise to reputational and/or financial risks in the banking sector. For this reason, firstly it is important to give consideration to environmental and social impact issues just as one does to financial, technical, and economic matters in credit assessment processes and secondly to make them subject to executive-level decisions. Environmental and social risk management involves defining the environmental and social risks that arise in the conduct of the banking sector's core business activities, analysing them during assessment processes, identifying the dimensions of potential effects and risk, determining the obligations and practices needed to minimize risk, and taking these last into account in the decision making process. Sustainability Guidelines for The Banking Sector suggests ways in which banks may internalize the environmental and social risk assessment process by incorporating it into their lending policies.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

"İşbank Banking" lies in the foundation of İşbank's sustainability approach. İşbank Banking is a business model that focuses on "sharable and sustainable value creation" by handling financial and nonfinancial capital elements of the Bank together. 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 creates value through a mix of opportunities offered by its robust financial structure, competent human resources, strong relations with its stakeholders, corporate knowledge, brand value identified with trust and reputation, widespread physical and digital service network, and responsible products and services. 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 sharable and sustainable value with global goals.

İşbank Sustainability Management System is an integrated management system evaluating all of the Bank's operations in terms of sustainability impacts. The system allows for the integrated management of multiple aspects from lending operations to employee development practices and from purchasing decisions to the Bank's environmental footprint. İşbank's Sustainability Policy and other supplementary policies create a basis for the operation of the Sustainability Management System.

Operating under the Board of Directors, the Corporate Governance Committee is the authority responsible for sustainability and climate-related issues at İşbank. Head of Investor Relations Division serves as Sustainability Coordinator to effectiveness of work within the executive organs in İşbank. The Sustainability Working Group aims to ensure that sustainability and climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions.

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).

Publication

Other, please specify (In integrated reports, in line with IIRC framework)

Status

Complete

Attach the document

Page/Section reference

"Sustainability Management" (p. 16) for governance structure related to climate change management efforts. "Sustainability Priorities" (p.16), "Value Creation Model - İşbank Banking" (p.18), "Responsible Banking" (p.52-63) sections for climate change strategy and its affiliated content. "Responsible Banking" (p.22), "Risk Management & Compliance" (p.40-41) sections for the Bank's climate related risk & opportunity management approach. "Performance Indicators" (p.79) for emissions figures.

Content elements

- Governance
- Strategy
- Risks & opportunities
- Emissions figures

Comment

İşbank's 2019 Integrated Report is the second integrated report published by the Bank. This report, which presents İşbank's sustainability performance alongside with Bank's climate change performance for the period between January 1st, 2019 and December 31st, 2019 with an integrated perspective, covers the activities of İşbank in Turkey. The report uses the capital classification of capital items suggested by the International Integrated Reporting Council (IIRC). The 2019 Integrated Report has been prepared in accordance with the GRI Standards: Comprehensive option (Please refer to GRI Standards Content Index, p. 104). While creating the report content, GRI Standards Financial Services Sector Supplement and the Provisional Standard for Commercial Banks released by the Sustainability Accounting Standards Board (SASB) were also used. The main indicators described in the report were subject to the independent external audit. (Please refer to Independent Assurance Report, p. 100). This report also includes the communication on progress report required by the United Nations Global Compact (UNGC) of which İşbank is a signatory. (Please refer to UN Global Compact Communication on Progress, p. 95). Besides, the report includes the Bank's contribution to the United Nations Sustainable Development Goals. (Please refer to Contribution to Sustainable Development Goals, p. 30, 31).

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Other, please specify (Integrated Reporting Network Turkey)	İşbank is a member of ERTA (Integrated Reporting Network Turkey) which is the official partner of IIRC (International Integrated Reporting Council) in Turkey. The aim of ERTA (Integrated Reporting Network Turkey) is to raise awareness on integrated reporting and integrated thinking throughout Turkey, to enhance the capacity of businesses and to ensure that good practices are shared. Towards this purpose, ERTA aims to have integrated thinking and integrated reporting adopted by all institutions and companies through cooperating with the public and private sectors, civil society and academic circles on a national and international level.
Industry initiative	UNEP FI Principles for Responsible Banking	İşbank is in progress of becoming a signatory to UNEP FI - Principles for Responsible Banking, considering the relevant industry commitments to advance sustainability integration in banking activities.
Commitment	Other, please specify (Global Compact Network Turkey Declaration on Sustainable Finance)	Incorporation of environmental and social impacts into loan evaluation processes is among sustainability priorities of the banking industry. İşbank is one of the first signatories of the Declaration on Sustainable Finance published by Global Compact Turkey, guaranteeing assessment of environmental and social risks in credit processes.

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Category 15 "Investment" total absolute emissions	İşbank considers and conducts analysis on its non-retail credit portfolio's impact on climate by estimating its Scope 3, Category 15 "Investment" total absolute emissions. İşbank's non-retail credit portfolio constitutes 76.4% of the total credit portfolio as of YE2019 and it reflects the majority portion. İşbank's approach is an approximation and may deviate from the actuals, given business activities in each NACE level 1 can contribute differently to emissions. Furthermore, the bank's analysis assumes that companies mainly operate and perform business activities as per their classified sector. İşbank will continue identifying emissions at firm level and improve its portfolio impact analysis methodology as the bank collects relevant information in the next years.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	

C-FS14.1a

(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)

Category 15 (Investments)

Evaluation status

Relevant, calculated

Scope 3 portfolio emissions (metric tons CO2e)

15417784

Portfolio coverage

More than 70% but less than or equal to 80%

Percentage calculated using data obtained from client/investees

0

Emissions calculation methodology

İşbank considers and conducts analysis on its non-retail credit portfolio's impact on climate by approximating its Scope 3, Category 15 "Investment" total absolute emissions. İşbank's non-retail credit portfolio constitutes 76.4% of the total credit portfolio as of YE2019, therefore reflecting the vast majority. İşbank's approximation may vary from the actual data, given business activities in each NACE level 1 can contribute differently to emissions. Furthermore, the bank's analysis rests on the assumptions that companies mainly operate and perform business activities as per their classified sector. In order to provide a breakdown of İşbank's Scope 3 portfolio impact, the relevant data is collected from various sources. Greenhouse gas emissions by economic activity at NACE sector level is collected from Turkish Statistical Institute's database and by dividing GHG emissions by sectoral revenues GHG emission intensity at NACE sector level is calculated. To estimate the funded GHG emission of a company, we considered 4 parameters: (a) Sectoral GHG emission intensity which is calculated in the first step of our approach, (b) Company's asset size, (c) Company's revenue, (d) Company's total risk exposure in İşbank portfolio (monthly average)

Please explain

As a result of the analysis outlined above, İşbank's Scope 3 portfolio impact for 2019 is approximately 15,417,784 tonnes. "Electricity, gas, steam and air conditioning supply" by far has the highest share in total GHG emissions (%66.9) in the portfolio, followed by "Manufacturing" and "Transportation and Storage" sectors. Information related to the highest 3 sectors in terms of emissions & portfolio impact are as follows:

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	Yes, by industry	İşbank's Scope 3 portfolio impact for 2019 is approximately 15,417,784 tonnes CO2e. "Electricity, gas, steam and air conditioning supply" by far has the highest share in total GHG emissions (%66.9) in the portfolio, followed by "Manufacturing" and "Transportation and Storage" sectors. The emission breakdowns below are given with a resolution of "3 highest impact sectors + the absolute total emissions of the remaining sectors on our non-retail credit portfolio".

C-FS14.2b

(C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Other, please specify (Electricity, gas, steam and air conditioning supply)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	10322092	"Electricity, gas, steam and air conditioning supply" (NACE code D) sector's share in our portfolio impact is 66.9%. Apart from the emission breakdown we report here in C-FS14.2b for "Electricity, gas, steam and air conditioning supply" sector, we also conducted internally a deep-dive analysis to the sub-sector "electricity production", since it has the highest Scope 3 portfolio impact. We analyzed and broke down the GHG emissions by energy production type. In order to do that, İşbank considered 5 parameters: (a) Company's total risk exposure in İşbank portfolio (b) Company's asset size, (c) Installed capacity of the production facility, (d) Firm level yearly energy production amount, (e) GHG emission intensity by production type (obtained from www.ipcc.ch) We calculate each firms' carbon emissions based on their production type. Then we calculate their impact on İşbank's energy generation portfolio.
Other, please specify (Manufacturing)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	2916372	The second highest impact sector on climate in our non-retail credit portfolio is "Manufacturing" (NACE code C) with a share of 18.9%.
Other, please specify (Transportation & Storage)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	811706	The third highest impact sector on climate in our non-retail credit portfolio is "Transportation and Storage" (NACE code H) with a share of 5.3%.
Other, please specify (Remaining sectors on our non-retail credit portfolio)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	1367614	Remaining sectors (e.g. Agriculture, forestry and fishing, Mining and quarrying, Real estate activities, Water supply; sewerage, waste management and remediation activities, Wholesale and retail trade; repair of motor vehicles and motorcycles etc.) in our non-retail credit portfolio have an impact 8.9%.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	İşbank has taken portfolio decisions that align with a 2° scenario in some sectors, such as focusing new origination on renewable power generation and shrinking the conventional power portfolio. In this context, after 2015, all new project financing provided by İşbank for electricity generation investment was allocated to renewable energy projects. This is targeted for 2020 as well. As we are in a unique position to encourage our clients to align their business strategies with global climate-benchmarks and support the well below 2 degrees global warming goal, we're considering to define additional metrics and inquiries in the projects established as "high risk-Category A" that are evaluated by İşbank with Environmental and Social Risk Evaluation Tool (ERET). These additional metrics and inquiries would pave the way for the Bank to steer clients/investee companies' business strategies with additional commitments to mitigate or compensate any environmental impact associated with climate change. İşbank is currently in the process of measuring the impact of climate risks on its portfolio. A decision on alignment of the portfolio to a 2° scenario would be a strategic decision that is taken once these measurement tools have been refined further.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

C15. 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.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Head of Investor Relations Division & Sustainability Coordinator of İşbank	Other, please specify (Division Head)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms