



**İŞBANK
SUSTAINABILITY
BOND
FRAMEWORK**

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1. INTRODUCTION

1.1 İşbank's Profile

Türkiye İş Bankası A.Ş. (**İşbank**) has been a firm supporter of the development of the Turkish economy by producing permanent value for all stakeholders since its foundation in 1924. Its robust capitalization coupled with the Bank's focus on profitable, healthy and sustainable growth make the most important elements that support İşbank's activities.

Targeting to be the bank closest to customers, İşbank steers the banking industry in Turkey with the products and services offered in corporate, commercial, SME, retail and private banking segments. Standing for trust, respectability and prestige in the eyes of the society, İşbank serves a broad customer base with its extensive branch and ATM network as well as with the constantly growing digital service channels.

1.2 Sustainability at İşbank

İşbank, established with its main mission defined as "contributing to the development and construction of Turkey", has acted with social responsibility since the date of its foundation and assumed pioneering roles and major duties in every phase of the Turkish economy. In line with its founding philosophy, İşbank produces permanent value for its stakeholders not just in the short term but also in the medium and long term, drawing on its deep-rooted and powerful business model, namely "İşbank Banking". İşbank Banking is structured with a focus on "producing shared and sustainable value".

Keeping its sustainability approach at the heart of its business strategy, İşbank runs its activities with an integrated and long-term perspective. Thanks to a Sustainability Management System in place, İşbank carries out various activities such as the management of environmental impact, assessment of environmental and social impact resulting from lending operations and constant improvement of the human resources potential through training programs with a holistic approach. The operation of this system is underpinned by the Sustainability Policy of İşbank and other policies complementary to it.

The Corporate Governance Committee, operating under the Board of Directors, is the management body that has the largest responsibility for sustainability-related activities within İşbank. The Head of the Investor Relations Division acts as the Sustainability Coordinator, and is responsible for coordinating the related activities among the executive bodies. A Sustainability Working Group covers various departments and ensures the execution and tracking of sustainability activities and information flow.

İşbank recognizes the transformative power of financing. The Bank directly and indirectly contributes to sustainable development and supports the national economy by way of different projects that it funds. With its responsible finance approach, İşbank supports highly feasible projects that generate a social benefit while protecting reputational and credit risks. At İşbank, potential environmental and social risks and potential borrowers of all new investment projects worth more than USD 10 million are assessed by the Environmental and Social Risk Evaluation Tool. The model determines the customer and project risk categories of these investment loans, thus providing the roadmap for limiting and eliminating the possible negative environmental and/or social impacts of the investment. With respect to this, İşbank is also one of the first signatories of Turkey's Declaration on Sustainable Finance, which was put into practice by Global Compact Turkey and foresees a commitment to undertake the assessment of environmental and social impacts in credit processes.

In line with its responsible finance approach, İřbank also attaches importance to renewable energy financing. Undertaking a major role in the transition to a low-carbon economy, İřbank contributes to mitigation of the risks and impacts stemming from climate change by financing renewable energy projects. Low carbon growth and the reduction of the carbon footprints of all industries can be made possible by promoting alternative energy resources.

İřbank has signed the United Nations Global Compact (UNGC) in 2012, and thus declared the importance it attaches to sustainability in an international platform. İřbank's commitment to the UNGC gained a new dimension as the perspective of UNGC was extended in the light of the United Nations Sustainable Development Goals (SDGs) which embrace a total of 17 different issues presented as the most significant global challenges for humanity. İřbank aims to blend its contributions to the development of its home country Turkey with its efforts regarding the goals set for the solution of global problems. İřbank Sustainability Bond Framework also includes a mapping of SDGs that are particularly relevant to the use of proceeds under this framework.

2. FRAMEWORK OVERVIEW

This Sustainability Bond Framework is based on the Green Bond Principles (**GBP**), Social Bond Principles (**SBP**) and the Sustainability Bond Guidelines (**SBG**) dated 2018 (collectively the **Principles**), published by the International Capital Markets Association (**ICMA**) and consists of the four core components of the GBP and SBP:

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









In addition, in line with the Principles, İřbank has appointed an external reviewer to provide a Second Party Opinion to confirm the alignment of the framework with the Principles.

With this framework, İřbank intends to issue bonds in order to finance or refinance loans which have positive environmental and/or social impacts (such bonds hereinafter referred to as **Bonds** or individually a **Bond**). This framework will allow İřbank to issue the types of Bonds below:





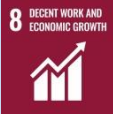

- **Green Bonds** to finance and/or refinance eligible projects listed under Green Categories in the 2.1 Use of Proceeds section;
- **Social Bonds** to finance and/or refinance eligible projects listed under Social Categories in the 2.1 Use of Proceeds section;
- **Sustainability Bonds** to finance and/or refinance a mix of eligible projects listed under both Green and Social Categories in the 2.1 Use of Proceeds section.

2.1 Use of Proceeds

İřbank will use the net proceeds of the Bonds for the financing and/or refinancing of a portfolio of loans (**Sustainable Loan Portfolio**) that fall within the scope of the categories listed below.

Category ¹	Eligible Loans	SDG
<i>Green Categories</i>		
Renewable Energy	Loans related to equipment, development, manufacturing, construction, operation, transmission, distribution and maintenance of renewable energy generation sources from: <ul style="list-style-type: none"> · Wind power · Solar power · Geothermal power (Limited to projects with direct emissions of less than 100gCO₂/kWh) · Energy from biomass (Limited to projects using feedstock sourced sustainably) 	
Energy Efficiency	Loans related to projects aimed at improving the efficiency of energy use (or reducing specific energy consumption) at least by 15% of a business. Loans may also include energy storage, district heating, smart grids, appliances and energy saving products	 
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	Loans related to resource use efficiency including but not limited to; <ul style="list-style-type: none"> · Solutions that extend the product life cycle · Production that uses renewable or recycled resources · Products that increase efficiency · Products that can be recycled or composted · Innovative circular technologies 	
Green Buildings	Investments in new or existing commercial or residential buildings which are compliant with green buildings standards as evidenced by: <ol style="list-style-type: none"> LEED (min Gold) BREEAM (min very good) BEP-TR “B” or above energy label provided by the energy performance certificate issued in accordance with the related Turkish regulation ÇEDBİK Green Building certification <p>Commercial and residential building energy efficiency projects which reduce energy consumption by at least 30%.</p>	 
Clean Transportation	Loans related to; <ul style="list-style-type: none"> · Energy efficient public transport (e.g. convert public bus fleets to alternative fuels: electric, biofuel, hybrid; subways and electric bus fleets) 	 

¹ The eligible loans may include other projects in accordance with the eligible categories defined in this section.

	<ul style="list-style-type: none"> · Development, operation and upgrade of rail transport for both passengers and goods · Transportation infrastructure (expansion of train/metro networks, projects in relation to capacity improvement, station upgrade) · Electric and hybrid vehicles (Low carbon vehicles) that have tailpipe emissions intensity of less than 75 gCO2/km · Manufacture of above components 	
Pollution Prevention and Control	<p>Loans related to;</p> <ul style="list-style-type: none"> · Reconstruction, expansion, renovation or refurbishment investments aimed to increase resource use efficiency including but not limited to a reduction in non-recoverable waste (tons) · Soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy (This includes the development, operation and upgrade of recycling plants and recycling activities such as for metals, plastic and paper) · Projects that reduce end-of-pipe air pollution 	
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Loans related to;</p> <ul style="list-style-type: none"> · Environmentally sustainable agriculture such as certified as organic farming in compliance with the national regulation · Technologies that increase the quality and productivity in agriculture, provide for effective use of natural resources 	
Social Categories		
Access to Essential Services	<p>Loans to improve access to public services related to;</p> <ul style="list-style-type: none"> · Healthcare: construct, equip and operate hospitals, clinics, health care centers and aged care homes · Education: construct, equip and operate schools, universities and student housing 	 
Employment Generation Including Through the Potential Effect of SME Financing	<p>Loans to;</p> <ul style="list-style-type: none"> · Small and medium-sized enterprises (SMEs), defined as companies with number of employees below 250 and turnover or total assets equal to or below TL 125 million, in underdeveloped regions in Turkey · Women entrepreneurs (SMEs where at least 51% of the shares belong to women, in case the women ownership is below 51%, women to assume at least one of the managerial roles at the company and has at least 20% female ownership) · Enterprises where the overall operational management responsibility is held by a woman (or women) 	 

2.2 Project Evaluation and Selection Process

A working group has been formed (**Sustainability Bond Working Group**) in order to establish this framework, to select the eligible loans and approve the Sustainable Loan Portfolio to be financed or refinanced with the proceeds of the Bonds. The Sustainability Bond Working Group is also responsible for the regular review and update of this framework when necessary.

The Sustainability Bond Working Group consists of the representatives from İşbank's Corporate, Commercial and SME Loans Underwriting Divisions, Commercial Banking Product, Corporate Banking Marketing and Sale, Commercial Banking Marketing, Credits Portfolio Management, Investor Relations (responsible for sustainability) and International Financial Institutions Divisions.

The underwriting divisions will screen the loan portfolio on the basis of the eligibility criteria and identify the eligible loans. The eligible loans will be evaluated by the Sustainability Bond Working Group and the most qualified projects will be selected to be included in the Sustainable Loan Portfolio.

İşbank does not provide financing to a number of activities which are outlined in its Exclusion List, which can be found on its website². Accordingly, the net proceeds of the Bond issuances will not be allocated to the areas specified in the Exclusion List.

In addition, İşbank will not knowingly be involved in financing any of the following projects or activities through the proceeds of the Bonds:

- Nuclear power generation
- Fossil fuel

2.3 Management of Proceeds

İşbank intends to allocate the proceeds from the Bonds to a portfolio of loans that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above, the Sustainable Loan Portfolio.

İşbank will strive over time, to achieve a level of allocation for the Sustainable Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding Bonds. Additional eligible loans will be added to the Sustainable Loan Portfolio to the extent required to ensure that the net proceeds from outstanding Bonds will be allocated to the Sustainable Loan Portfolio.

Pending the allocation or reallocation, as the case may be, of the net proceeds of the Bonds to eligible loans, İşbank will invest the balance of the net proceeds in cash and/or cash equivalent and/or other liquid marketable instruments.

2.4 Reporting

İşbank will publish a report on its website annually until the proceeds have been fully allocated. The report will include the information listed below. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the information will be presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).

² İşbank's Exclusion List can be found in its Environmental and Social Impact Policy: https://www.isbank.com.tr/EN/about-isbank/sustainability/our-policies/Documents/environment_and_social_impact_policy.pdf

Allocation Reporting

To the extent practicable İsbank will provide;

- The total amount of proceeds allocated to eligible loans
- The number of eligible loans
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing

Impact Reporting

Where feasible, İsbank may report on the environmental and social impacts of the Sustainable Loan Portfolio. Key performance indicators for İsbank's use of proceeds may include:

Category	Key Performance Indicator (KPI)
Renewable Energy	Expected annual renewable energy generation (MWh/y) Estimated annual GHG emission avoided or reduced (tCO ₂ e/y)
Energy Efficiency	Annual energy savings (MWh/y) Estimated annual GHG emission avoided or reduced (tCO ₂ e/y) Storage capacity (MW) Distribution capacity (MW)
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	Annual savings of relevant resources (e.g. ton raw material/year) Estimated annual GHG emission avoided or reduced (tCO ₂ e/y)
Green Buildings	Environmental certification Annual energy savings (MWh/y) Estimated annual GHG emission avoided or reduced (tCO ₂ e/y)
Clean Transportation	Estimated annual GHG emission avoided or reduced (tCO ₂ e/y) Number of electric/low carbon vehicles
Pollution Prevention and Control	Type and annual amount of recycled waste (ton) Energy generation (MWh/y) Amount and type of pollutant treated per year (ton/y)
Environmentally Sustainable Management of Living Natural Resources and Land Use	Organic farming certification scheme
Access to Essential Services	Number of beneficiaries Number of facilities
Employment Generation Including Through the Potential Effect of SME Financing	Number of SMEs financed Number of women-owned businesses financed

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