



**İŞBANK  
SUSTAINABLE  
FINANCE  
FRAMEWORK**

**August 2021**



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# 1. INTRODUCTION

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## 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 its 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 sharable and sustainable value".

Positioning sustainability as one of the top priorities of its business strategy, İşbank runs its activities with an integrated and long-term perspective. Thanks to the 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 Sustainability Committee is the management body that has the largest responsibility for sustainability-related activities within İşbank. Thanks to its structure consisting of the members of the Board of Directors and the Executive Committee, the Sustainability Committee provides the opportunity for the business units to be represented in an inclusive manner and thus, the Committee monitors sustainability issues in a holistic manner. Besides, the Deputy Chief Executive responsible for Investor Relations and Sustainability function assumes the role of Sustainability Leader of İşbank.

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 considering 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.

Given the growing importance of risks and opportunities related to climate change, İşbank is increasingly incorporating climate considerations into business-as-usual processes. Climate risk is positioned as a

strategic risk in İşbank's risk taxonomy which is the backbone of its risk management framework. İşbank's climate-related risk definition includes both transition and physical risks, based on Task Force on Climate-related Financial Disclosures and international regulator recommendations.

In line with its responsible finance approach, İşbank also attaches importance to renewable energy financing. Undertaking a major role in the transition to a low-carbon economy, İşbank 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. As a member of the United Nations Environment Program Finance Initiative and signatory to the Principles for Responsible Banking, İşbank is pledged to keep contributing to sustainable development and global climate goals.

İşbank has signed the United Nations Global Compact (UNGC) in 2012, and thus declared the importance it attaches to sustainability in an international platform. İşbank'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. İşbank 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. İşbank Sustainability Finance Framework also includes a mapping of SDGs that are particularly relevant to the use of proceeds under this Framework.

## 2. FRAMEWORK OVERVIEW

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This Sustainable Finance Framework is based on the Green Bond Principles (**GBP**) 2021, Social Bond Principles (**SBP**) 2021, Sustainability Bond Guidelines (**SBG**) 2021, Green Loan Principles 2021 (**GLP**) published by the International Capital Markets Association (**ICMA**) and Loan Market Association (**LMA**) (collectively the **Principles**), and consists of the four core components of the GBP, SBP and GLP:

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

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

İşbank has also taken into account the developing EU Taxonomy on environmentally-sustainable economic activities in developing this Framework.

With this Framework, İşbank intends to issue Sustainable Finance Instruments, as defined below, in order to finance or refinance loans which have positive environmental and/or social impacts (such instruments hereinafter referred to as **Instruments** or individually an **Instrument**). This Framework will allow İşbank to issue the types of Instruments below:

- **Green Finance Instruments:** Bonds, loans or other similar instruments to finance and/or refinance eligible projects listed under Green Categories in the 2.1 Use of Proceeds section;

- **Social Finance Instruments:** Bonds, loans or other similar instruments to finance and/or refinance eligible projects listed under Social Categories in the 2.1 Use of Proceeds section;

- **Sustainability Finance Instruments:** Bonds, loans or other similar instruments 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.

The Framework will apply to any Instrument and will be in force as long as Instruments are outstanding. This Framework may be updated or amended from time to time and any changes or amendments will only be applied to the subsequent instruments.

## 2.1 Use of Proceeds





İşbank will use an amount equivalent to the net proceeds of the Instruments 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 <sup>1</sup>	Eligible Loans	SDG
<i>Green Categories</i>		
<b>Renewable Energy</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Equipment, development, construction, operation and maintenance of renewable energy generation sources from: <ul style="list-style-type: none"> <li>- Wind power</li> <li>- Solar power</li> <li>- Geothermal power<sup>2</sup></li> <li>- Biomass<sup>3</sup></li> </ul> </li> <li>· Construction, renovation, upgrade and refurbishment of electricity grids that transmit electricity generated by renewable power plants to the national grid,</li> <li>· Manufacturing of components or equipment dedicated to renewable energy.</li> </ul>	
<b>Energy Efficiency</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Projects aimed at improving the efficiency of energy use (or reducing specific energy consumption) at least by 15%. Loans may also be related to energy storage, smart grids (including smart meters to minimize grid losses), appliances and energy saving products.</li> </ul>	 
<b>Eco-efficient and/or Circular Economy Adapted Products, Production</b>	<p>Loans related to and investments in;</p> <ul style="list-style-type: none"> <li>· Solutions that extend the product life cycle through product refurbishment, re-usable materials or refillable schemes,</li> <li>· Production that uses renewable or recycled resources, such as</li> </ul>	

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

<sup>2</sup> Limited to projects with emission intensity of less than 100gCO<sub>2</sub>e/kWh.






<sup>3</sup> Limited to projects with emission intensity of less than 100gCO<sub>2</sub>e/kWh and based on the waste feedstock using forestry or agricultural residues.

<b>Technologies and Processes</b>	<p>products that substitute critical materials with biological or bio-based materials<sup>4</sup>, processes fueled by energy from solar, wind or other renewable energy sources,</p> <ul style="list-style-type: none"> <li>· Procurement of the products that can be recycled or composted where the input feedstock derives from recycled/reused waste<sup>5</sup>.</li> </ul>	
<b>Green Buildings</b>	<p>Loans related to and investments in;</p> <ul style="list-style-type: none"> <li>· New or existing commercial or residential buildings which are compliant with green buildings standards as evidenced by: <ul style="list-style-type: none"> <li>i. LEED (min Gold)</li> <li>ii. BREEAM (min very good)</li> <li>iii. BEP-TR “B” or above energy label provided by the Energy Performance Certificate issued in accordance with the related Turkish regulation</li> <li>iv. ÇEDBİK Green Building certification</li> <li>v. DGNB (min. “Gold”)</li> </ul> </li> <li>· Refurbishment and energy efficiency projects related to commercial and residential buildings which reduce energy consumption by at least 30%.</li> </ul>	 
<b>Clean Transportation</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Fully electrified or other low carbon public transport (e.g. convert public bus fleets to alternative fuels: electric, biofuel, hybrid; rail transport, subways, ferries)<sup>6</sup>,</li> <li>· Development, operation and upgrade of electric powered rail transport,</li> <li>· Clean transportation infrastructure (including expansion of train/metro networks, capacity improvement, construction of bicycle paths, transportation of passengers and freight using electric vehicles, charging stations for electric vehicles),</li> <li>· Electric, hydrogen and hybrid passenger vehicles below the threshold of 75 gCO<sub>2</sub>e/p-km,</li> <li>· Design and manufacture of clean transport components.</li> </ul>	 

<sup>4</sup> All biogenic feedstock should be sustainably sourced and should not compete with food sources.

<sup>5</sup> Recyclable or compostable products where the input feedstock is represented by virgin raw material are excluded.




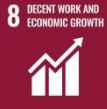

<sup>6</sup> For public bus fleets with direct emissions threshold of <50 gCO<sub>2</sub>e/p-km, for rail transport 50 gCO<sub>2</sub>e/p-km for passenger, 25 gCO<sub>2</sub>e/t-km for freight

<b>Pollution Prevention and Control</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Soil remediation<sup>7</sup>, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy<sup>8</sup> (This includes the development, operation and upgrade of recycling plants and recycling activities such as for metals, plastic and paper),</li> <li>· Measures and technologies to reduce air pollution.</li> </ul>	
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Environmentally sustainable or organic agriculture certified in compliance with EU Organic, Global G.A.P. or other certificates issued by the companies authorized by the competent national authority,</li> <li>· Projects that increase the quality and productivity in agriculture, provide for effective use of natural resources and support sustainable agriculture such as no-till farming systems, restoration of degraded pasture, soil recovery, use of natural fertilizer, crop rotation etc.,</li> <li>· Applicable forestry activities certified by FSC, PEFC or an equivalent standard.</li> </ul>	
<b>Sustainable Water, Wastewater Management and Climate Adaptation</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Development, construction, modernization, operation and maintenance of sustainable water, stormwater and wastewater management facilities<sup>9</sup>,</li> <li>· Investments that increase water-use efficiency, water recycling and reuse water saving systems,</li> <li>· Investments on water, sanitation or sewage treatment facilities,</li> <li>· Flood control and disaster contingency systems.</li> </ul>	 
<b>Terrestrial and Aquatic Biodiversity Conservation</b>	<p>Loans related to;</p> <ul style="list-style-type: none"> <li>· Prevention or reduction of coastal, marine, river and watershed pollution,</li> </ul>	

<sup>7</sup> Not applicable to those soil remediation projects which have been undertaken by the companies that caused the contamination themselves.

<sup>8</sup> All qualifying waste incineration plants to have recovery of recyclables.

<sup>9</sup> Projects which are related to wastewater management facilities of the companies directly associated with fossil fuel operations would not be eligible.

	<ul style="list-style-type: none"> <li>· Measures, technologies and expenditures that enhance the conservation and sustainable use of oceans, seas and rivers,</li> <li>· Environmentally sustainable fishery and aquaculture having Best Aquaculture Practice or Aquaculture Stewardship Council or equivalent certificates.</li> </ul>	
<b>Social Categories</b>		
<b>Access to Essential Services</b>	<p>Loans to improve access to public or subsidized services related to;</p> <ul style="list-style-type: none"> <li>· Healthcare: <ul style="list-style-type: none"> <li>i. Construction, maintenance, modernization, equipment and operation of hospitals, clinics, health care centers and aged care homes,</li> <li>ii. Production, purchase and distribution of healthcare materials and equipment needed for the prevention and treatment of health disasters (such as, but not limited to COVID-19 outbreak),</li> <li>iii. Research and development in the healthcare / pharmaceutical industry aimed at prevention and treatment of health pandemics.</li> </ul> </li> <li>· Education: <ul style="list-style-type: none"> <li>i. Construction, rehabilitation, maintenance and operation of schools, universities and vocational training centers,</li> <li>ii. Development of technologies and programs to improve public education and training.</li> </ul> </li> </ul>	 
<b>Employment Generation Including Through the Potential Effect of SME Financing</b>	<p>Loans to;</p> <ul style="list-style-type: none"> <li>· Small and medium-sized enterprises (<b>SMEs</b>), defined as companies with number of employees below 250 and turnover or total assets equal to or below TL 125 million, including; <ul style="list-style-type: none"> <li>- SMEs located in underdeveloped regions in Turkey,</li> <li>- Women entrepreneurs (SMEs where more than 50% of the shares belong to women, in case the women ownership is below 50%, women to assume at least one of the managerial roles at the company and has at least 20% female ownership),</li> <li>- SMEs where the overall operational management responsibility is held by a woman,</li> <li>- SMEs owned and/or operated by youths<sup>10</sup> or vulnerable groups.</li> </ul> </li> </ul>	 

<sup>10</sup> Those who are under 35 years old.



- |  |   |  |
|--|---|--|
|  | <ul style="list-style-type: none"><li>- SMEs adversely affected by natural disasters or health pandemics (such as, but not limited to COVID-19 outbreak).</li></ul> |  |
|--|---|--|

## 2.2 Project Evaluation and Selection Process

A working group has been formed (**Sustainable Finance 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 Instruments. The Sustainable Finance Working Group is also responsible for the regular review and update of this Framework when necessary.

The Sustainable Finance Working Group consists of the representatives from İşbank's Commercial Loans Underwriting, Corporate Loans Underwriting, Corporate and Commercial Banking Marketing, SME Banking Marketing, Project Finance, Investor Relations and Sustainability and 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 Sustainable Finance 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 website<sup>11</sup>. Accordingly, the net proceeds of the Instruments 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 Instruments:

- Nuclear power generation
- Fossil fuel

## 2.3 Management of Proceeds

İşbank intends to allocate an amount equivalent to the net proceeds from the Instruments 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 achieve a level of allocation for the Sustainable Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding Instruments within 3 years following the issuance of Instrument(s). Additional eligible loans will be added to the Sustainable Loan Portfolio to the extent required to ensure that the net proceeds from outstanding Instruments will be allocated to the Sustainable Loan Portfolio.

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

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<sup>11</sup> İşbank's Exclusion List can be found in its Environmental and Social Impact Policy: <https://www.isbank.com.tr/en/about-us/Documents/sustainability/environment-and-social-impact-policy.pdf>

## 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).

### *Allocation Reporting*

To the extent practicable İşbank 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, İşbank may report on the environmental and social impacts of the Sustainable Loan Portfolio. Key performance indicators for İşbank's use of proceeds may include:

Category	Key Performance Indicator (KPI)
<b>Renewable Energy</b>	Expected annual renewable energy generation (MWh) Estimated annual GHG emission avoided or reduced (tCO <sub>2</sub> e)
<b>Energy Efficiency</b>	Annual energy savings (MWh) Estimated annual GHG emission avoided or reduced (tCO <sub>2</sub> e) Storage capacity (MW) Distribution capacity (MW)
<b>Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes</b>	Annual savings of relevant resources (e.g. ton raw material) Estimated annual GHG emission avoided or reduced (tCO <sub>2</sub> e) and/or energy savings (MWh per year)
<b>Green Buildings</b>	Environmental certification Annual energy savings (MWh) Estimated annual GHG emission avoided or reduced (tCO <sub>2</sub> e)
<b>Clean Transportation</b>	Estimated annual GHG emission avoided or reduced (tCO <sub>2</sub> e) Number of electric/low carbon vehicles Number of passengers Number of km of new electric train/electric bus lines created/maintained Number of charging stations Length of bicycle path (in km)
<b>Pollution Prevention and Control</b>	Type and annual amount of recycled waste (ton) Energy generation (MWh/y) Amount and type of pollutant treated per year (ton)
<b>Environmentally Sustainable Management of</b>	Organic farming certification scheme

<b>Living Natural Resources and Land Use</b>	Sustainable agriculture land area (hectares) Land restored (hectares)
<b>Sustainable Water, Wastewater Management and Climate Adaptation</b>	Annual water savings (m <sup>3</sup> or %) Annual amount of wastewater treated, reduced or avoided (m <sup>3</sup> or %) Number of people with access to improved sanitation facilities Liters of clean water provided
<b>Terrestrial and Aquatic Biodiversity Conservation</b>	Maintenance/safeguarding/increase of protected area (km <sup>2</sup> or %) Number of protected and/or priority species
<b>Access to Essential Services</b>	Number of beneficiaries Number of facilities Number of students served
<b>Employment Generation Including Through the Potential Effect of SME Financing</b>	Number of SMEs financed Number of women-owned businesses financed Number / amount of loans granted

## 2.5 External Review

### *Second Party Opinion*

In line with the Principles, İşbank has appointed an external reviewer to provide a Second Party Opinion (**SPO**) to confirm the alignment of the Framework with the Principles. The SPO will be published on İşbank's website<sup>12</sup>.

### *Annual Review*

İşbank may request on an annual basis, starting one year after issuance and until maturity (or until full allocation) a limited assurance report from an external reviewer, on the conformance of the allocation of the net proceeds of Instruments with the use of proceeds and reporting criteria outlined in this Framework.

<sup>12</sup> <https://www.isbank.com.tr/en/about-us/sustainability-frameworks-and-reports>



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