

Türkiye İş Bankası

Type of Engagement: Annual Review

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Introduction

In 2019, Türkiye İş Bankası (İşbank) issued a green bond aimed at financing and/or refinancing projects that have positive environmental impacts. In 2020, İşbank engaged Sustainalytics to review the projects funded through the issued green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Türkiye İş Bankası Sustainability Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded based on whether the companies financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Türkiye İş Bankası Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Türkiye İş Bankası Sustainability Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.¹

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

| Use of Proceeds | Eligibility Criteria | Key performance indicators (KPIs) |
|--|---|---|
| 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) | Expected annual renewable energy generation (MWh/y) Estimated annual GHG emission avoided or reduced (tCO ₂ e/y) |
| 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 | 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, | Loans related to resource use efficiency including but not limited to; <ul style="list-style-type: none"> · Solutions that extend the product life cycle | Annual savings of relevant resources (e.g. ton raw material/year) |

¹ Note that the impact reporting in this Annual Review refers only to the Renewable Energy Use of Proceeds category.

| | | |
|--|---|--|
| production technologies and processes | <ul style="list-style-type: none"> · Production that uses renewable or recycled resources · Products that increase efficiency · Products that can be recycled or composted · Innovative circular technologies | Estimated annual GHG emission avoided or reduced (tCO ₂ e/y) |
| Green Buildings | <p>Investments in new or existing commercial or residential buildings which are compliant with green buildings standards as evidenced by:</p> <ol style="list-style-type: none"> i. LEED (min Gold) ii. BREEAM (min very good) iii. BEP-TR "B" or above energy label provided by the energy performance certificate issued in accordance with the related Turkish regulation iv. ÇEDBİK Green Building certification <p>Commercial and residential building energy efficiency projects which reduce energy consumption by at least 30%.</p> | <p>Environmental certification</p> <p>Annual energy savings (MWh/y)</p> <p>Estimated annual GHG emission avoided or reduced (tCO₂e/y)</p> |
| Clean Transportation | <p>Loans related to:</p> <ul style="list-style-type: none"> · Energy efficient public transport (eg. convert public bus fleets to alternative fuels: electric, biofuel, hybrid; subways and electric bus fleets); · 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 | <p>Estimated annual GHG emission avoided or reduced (tCO₂e/y)</p> <p>Number of electric/low carbon vehicles</p> |
| 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 | <p>Type and annual amount of recycled waste (ton)</p> <p>Energy generation (MWh/y)</p> <p>Amount and type of pollutant treated per year (ton/y)</p> |
| Environmentally Sustainable | Loans related to; | Organic farming certification scheme |

| | | |
|--|---|---|
| Management of Living Natural Resources and Land Use | <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 | |
| 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 | <p>Number of beneficiaries</p> <p>Number of facilities</p> |
| Employment generation including through the potential effect of SME financing | <p>Loans to;</p> <ul style="list-style-type: none"> · Small and medium 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) | <p>Number of SMEs financed</p> <p>Number of women-owned businesses financed</p> |

İşbank's Responsibility

İşbank is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of İşbank's green bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from İşbank employees and review of documentation to confirm the conformance with the Türkiye İş Bankası Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by İşbank with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by İşbank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of İşbank's green bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Türkiye İş Bankası Sustainability Bond Framework. İşbank has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of June 30, 2020.

Detailed Findings

Table 2: Detailed Findings

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---------------------------------|---|--|--------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded by the green bond issued in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Türkiye İş Bankası Sustainability Bond Framework and above in Table 1. | All projects reviewed complied with the Use of Proceeds criteria. | None |
| Reporting Criteria | Verification of the projects funded by the green bond issued in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Türkiye İş Bankası Sustainability Bond Framework and above in Table 1. | All projects reviewed reported on at least one KPI per Use of Proceeds criteria. | None |

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Impact Reporting by Eligibility Criteria

| Use of Proceeds Category | Project | Loan Amount (USD) | Energy produced in 2019 (MWh) | Estimated GHG emission avoided (tCO ₂ e) |
|--------------------------|-------------------|-------------------|-------------------------------|---|
| Renewable Energy | Solar power plant | 19,888,450 | 49,491 | 17,772 |
| | Solar power plant | 3,861,492 | 10,763 | 4,417 |
| | Solar power plant | 7,589,836 | 16,711 | 6,258 |
| | Solar power plant | 5,548,091 | 13,148 | 5,063 |
| | Solar power plant | 6,845,829 | 14,447 | 5,173 |
| | Solar power plant | 8,285,841 | 22,844 | 9,024 |
| | Solar power plant | 1,875,123 | 88 | 30 |
| | Solar power plant | 7,000,000 | 16,780 | 5,423 |
| | Totals | | 60,894,662 | 144,272 |

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5th Green Bond Pioneer Awards
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GlobalCapital
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Named

2015: Best SRI or Green Bond Research or Rating Firm
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**The
Green Bond
Principles**