

# Türkiye İş Bankası A.Ş.

**Type of Engagement:** Annual Review

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## Introduction

In January 2020, Türkiye İş Bankası A.Ş. (İşbank, “the Bank”) published the İşbank Sustainability Bond Framework<sup>1</sup> to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to advance the shift to a low-carbon economy and generate positive social impacts in Turkey; Sustainalytics has provided a Second-Party Opinion<sup>2</sup> on the Framework. In August 2021, İşbank published a revised İşbank Sustainable Finance Framework<sup>3</sup> and had Sustainalytics update the Second-Party Opinion.<sup>4</sup> In October 2021, İşbank has engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the İşbank Sustainability Bond Framework 2020.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from Bonds issued under the Framework based on whether the projects and programmes:

Met the Use of Proceeds and Eligibility Criteria outlined in the İşbank Sustainability Bond Framework, and reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the İşbank Sustainability Bond Framework.

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

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Renewable Energy</b>	Loans related to equipment, development, manufacturing, construction, operation, transmission, distribution 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 (Limited to projects with direct emissions of less than 100gCO<sub>2</sub>/kWh)</li> <li>• Energy from biomass (Limited to projects using feedstock sourced sustainably)</li> </ul>	<ul style="list-style-type: none"> <li>• Expected annual renewable energy generation (MWh/ year)</li> <li>• Estimated annual GHG emission avoided or reduced (tCO<sub>2</sub>e/ year)</li> </ul>
<b>Energy Efficiency</b>	Loans related to projects aimed at improving the efficiency of energy use (or reducing specific energy consumption) at least by 15% of	<ul style="list-style-type: none"> <li>• Annual energy savings (MWh/ year)</li> <li>• Estimated annual GHG emission</li> </ul>

<sup>1</sup> İşbank, Corporate Website, Sustainability Frameworks and Reports, <https://www.isbank.com.tr/contentmanagement/IsbankInvestorRelationsGeneric/prospectuses-and-offering-circulars/sustainability-bond-framework.pdf>

<sup>2</sup> Sustainalytics, “Second-Party Opinion - Türkiye İş Bankası Sustainability Bond Framework”, [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/t%C3%BCrkiye-%C4%B0%C5%9F-bankas%C4%B1-sustainability-bond-second-party-opinion.pdf?sfvrsn=e5bca60b\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/t%C3%BCrkiye-%C4%B0%C5%9F-bankas%C4%B1-sustainability-bond-second-party-opinion.pdf?sfvrsn=e5bca60b_1)

<sup>3</sup> İşbank, Corporate Website, Sustainability Frameworks and Reports, <https://www.isbank.com.tr/contentmanagement/IsbankInvestorRelationsGeneric/prospectuses-and-offering-circulars/sustainable-finance-framework.pdf>

<sup>4</sup> Sustainalytics, “Second-Party Opinion - Türkiye İş Bankası Sustainable Finance Framework 2021”, [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/%C4%B0%C5%9Fbank-sustainable-finance-framework-second-party-opinion.pdf?sfvrsn=965acfa8\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/%C4%B0%C5%9Fbank-sustainable-finance-framework-second-party-opinion.pdf?sfvrsn=965acfa8_1)

	a business. Loans may also include energy storage, district heating, smart grids, appliances and energy saving products	avoided or reduced (tCO <sub>2</sub> e/ year) <ul style="list-style-type: none"> <li>• Storage capacity (MW)</li> <li>• Distribution capacity (MW)</li> </ul>
<b>Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes</b>	Loans related to resource use efficiency including but not limited to; <ul style="list-style-type: none"> <li>• Solutions that extend the product life cycle</li> <li>• Production that uses renewable or recycled resources</li> <li>• Products that increase efficiency</li> <li>• Products that can be recycled or composted</li> <li>• Innovative circular technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Annual savings of relevant resources (ton raw material/year)</li> <li>• Estimated annual GHG emission avoided or reduced (tCO<sub>2</sub>e/ year)</li> </ul>
<b>Green Buildings</b>	Investments in new or existing commercial or residential buildings which are compliant with green buildings standards as evidenced by: <ul style="list-style-type: none"> <li>• LEED (min Gold)</li> <li>• BREEAM (min very good)</li> <li>• BEP-TR "B" or above energy label provided by the energy performance certificate issued in accordance with the related Turkish regulation</li> <li>• ÇEDBIK Green Building certification</li> </ul> Commercial and residential building energy efficiency projects which reduce energy consumption by at least 30%.	<ul style="list-style-type: none"> <li>• Environmental certification</li> <li>• Annual energy savings (MWh/year)</li> <li>• Estimated annual GHG emission avoided or reduced (tCO<sub>2</sub>e/ year)</li> </ul>
<b>Clean Transportation</b>	Loans related to: <ul style="list-style-type: none"> <li>• Energy efficient public transport (eg. convert public bus fleets to alternative fuels: electric, biofuel, hybrid; subways and electric bus fleets);</li> <li>• Development, operation and upgrade of rail transport for both passengers and goods;</li> <li>• Transportation infrastructure (expansion of train/metro networks, projects in relation to capacity improvement, station upgrade);</li> <li>• Electric and hybrid vehicles (Low carbon vehicles) that have tailpipe emissions intensity of less than 75 gCO<sub>2</sub>/km</li> <li>• Manufacture of above components</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated annual GHG emission avoided or reduced (tCO<sub>2</sub>e/year)</li> <li>• Number of electric/low carbon vehicles</li> </ul>
<b>Pollution Prevention and Control</b>	Loans related to; <ul style="list-style-type: none"> <li>• Reconstruction, expansion, renovation or refurbishment investments aimed to increase resource use efficiency including but not limited to a reduction in non-recoverable waste (tons);</li> <li>• 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)</li> <li>• Projects that reduce end-of-pipe air pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Type and annual amount of recycled waste (ton)</li> <li>• Energy generation (MWh/year)</li> <li>• Amount and type of pollutant treated per year (ton/year)</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and</b>	Loans related to; <ul style="list-style-type: none"> <li>• Environmentally sustainable agriculture such as certified as organic farming in compliance with the national regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Organic farming certification scheme</li> </ul>

<b>Land Use</b>	<ul style="list-style-type: none"> <li>Technologies that increase the quality and productivity in agriculture, provide for effective use of natural resources</li> </ul>	
<b>Access to Essential Services</b>	Loans to improve access to public services related to; <ul style="list-style-type: none"> <li>Healthcare: construct, equip and operate hospitals, clinics, health care centers and aged care homes</li> <li>Education: construct, equip and operate schools, universities and student housing</li> </ul>	<ul style="list-style-type: none"> <li>Number of beneficiaries</li> <li>Number of facilities</li> </ul>
<b>Employment Generation Including Through the Potential Effect of SME Financing</b>	Loans to; <ul style="list-style-type: none"> <li>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</li> <li>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)</li> <li>Enterprises where the overall operational management responsibility is held by a woman (or women)</li> </ul>	<ul style="list-style-type: none"> <li>Number of SMEs financed</li> <li>Number of women-owned businesses financed</li> </ul>

## Issuing Entity's Responsibility

İşbank is responsible for providing accurate information and documentation relating to the details of the Eligible Assets that have been funded, including description of Eligible Assets, amounts allocated, and the impact. İşbank is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, 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 Sustainability Bonds 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 İşbank 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,<sup>5</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bonds projects, funded through proceeds of

<sup>5</sup> Sustainalytics limited assurance process includes reviewing the 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, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Green Bonds issued by İşbank, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the İşbank Sustainability Bond Framework. İşbank has disclosed to Sustainalytics that the proceeds of the Green Bonds were fully allocated as of October 2021.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the green bonds issued by İşbank to determine if projects aligned with the Use of Proceeds Criteria outlined in the İşbank Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the green bonds issued by İşbank to determine if impact of projects was reported in line with the KPIs outlined in the İşbank Sustainability Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

## Appendices

### Appendix 1: Allocation Reporting of the Eligible Assets<sup>6</sup>

Use of Proceeds Category	Sub-category	Number of projects <sup>7</sup>	Allocated amount (USD)
Renewable Energy	Solar Power	9	\$ 70,390,616
Total allocation of net bonds proceeds (USD)			\$ 70,390,616
Total net bonds proceeds raised (USD)			\$ 63,000,000

### Appendix 2: Impact Reporting of the Eligible Assets

Use of Proceeds Category	Project number	Impact KPIs		
		Installed capacity (MW)	Energy produced in 2020 (MWh) <sup>8</sup>	Estimated GHG emission avoided (tCO <sub>2</sub> e) <sup>9</sup>
Renewable Energy – Solar Power	1	25.5	37,493	17,296
	2	6	10,937	5,766
	3	9.9	16,791	8,078
	4	7	13,992	6,916
	5	10	19,395	8,947
	6	10	19,340	9,814
	7	3	4,115	1,817
	8	9	20,098	9,933
	9	16.8	511	212
	<b>Total</b>	<b>97.2</b>	<b>142,672</b>	<b>68,778</b>

<sup>6</sup> No allocation was made under other categories of the Framework.

<sup>7</sup> All projects are located in Turkey

<sup>8</sup> The reported number of energy produced are pro-rated to the share of project finance granted by the Bank.

<sup>9</sup> Estimated emissions avoided is calculated using the 2019 Turkish grid emissions factor of 0.659 for solar projects, as the 2020 value is not yet available

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