

Türkiye İş Bankası A.Ş.

Type of Engagement: Annual Review

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Introduction

In August 2019 and February 2021, Türkiye İş Bankası A.Ş. (İşbank or “the Bank”) issued its first and second green bonds aimed at financing or refinancing projects expected to contribute in the shift to a low-carbon economy in Turkey. In October 2023, İşbank engaged Sustainalytics to review the projects financed with proceeds from 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’s Sustainability Bond Framework 2020 (the “Framework”).^{1,2} Sustainalytics provided a Second-Party Opinion on the Framework in January 2020³ and another on the Framework’s update in August 2021.⁴ This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in October 2021 and September 2022.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2019 and 2021 green bonds issued under the Framework based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category ⁵	Eligibility Criteria	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 100 gCO₂/kWh) • Energy from biomass (Limited to projects using feedstock sourced sustainably) 	<ul style="list-style-type: none"> • Expected annual renewable energy generation (MWh/ year) • Estimated annual GHG emission avoided or reduced (tCO₂e/year)

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

² The İşbank Sustainability Bond Framework 2020 was revised and renamed İşbank Sustainable Finance Framework in August 2021. The revised Framework is available at: <https://www.isbank.com.tr/contentmanagement/IsbankInvestorRelationsGeneric/prospectuses-and-offering-circulars/sustainable-finance-framework.pdf>

³ Sustainalytics, “Second-Party Opinion, Sustainalytics, Türkiye İş Bankası Sustainability Bond Framework”, (2020) at: <https://www.isbank.com.tr/contentmanagement/IsbankInvestorRelationsGeneric/prospectuses-and-offering-circulars/isbank-second-party-opinion.pdf>

⁴ Sustainalytics, “Second-Party Opinion İşbank Sustainable Finance Framework”, (2021) at:

<https://www.isbank.com.tr/contentmanagement/IsbankInvestorRelationsGeneric/prospectuses-and-offering-circulars/second-party-opinion.pdf>

⁵ İşbank has confirmed with Sustainalytics that allocation was only made to projects or assets in the Renewable Energy use of proceeds category of the Framework.

Issuer's Responsibility

İşbank is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from İşbank's green bonds. The work undertaken as part of this engagement included collection of documentation from İşbank and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by İşbank. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. İşbank has disclosed to Sustainalytics that it raised USD 50 million from the 2019 green bond and USD 13 million from the 2021 green bond. The proceeds from both bonds were fully allocated as at October 2020 and October 2021 respectively.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2019 and 2021 green bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2019 and 2021 green bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact of the Eligible Assets

Use of Proceeds Category	Project number ⁷	Loan Amount (USD)	İşbank's share in the total project cost (%)	Impact KPIs		
				Installed capacity (MW)	Energy produced in 2021 (MWh) ⁸	Estimated GHG emissions avoided ⁹ (tCO _{2e}) ¹⁰
Renewable Energy – Solar Power	1	19,888,450	70	21.1	35,820	16,268
	2	7,589,836	73	10.5	16,342	7,740
	3	5,548,091	75	7	11,602	5,646
	4	6,845,829	70	12	19,141	8,693
	5	8,016,942	75	10.8	20,835	10,138
	6	8,479,012	63	23.4	19,879	8,126
Renewable Energy - Wind Power	7	16,419,396	63	25.2	38,418	15,703
Total		72,787,556		110	162,037	72,314
Total allocation of net bonds proceeds (USD)	72,787,556					
Total net bonds proceeds raised (USD)	63,000,000					

⁷ All projects are located in Turkey.

⁸ The reported amount of energy produced is prorated to the share of project finance granted by the Bank.

⁹ The reported estimated GHG emissions avoided is prorated to the share of the Bank's loan in the total project cost.

¹⁰ Estimated emissions avoided is calculated using the 2020 Turkish grid emissions factor of 0.6488 for solar and wind projects, which is the most recent data of the Turkish Ministry of Energy and Natural Resources.

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