

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 September 2022, İşbank engaged Sustainalytics to review the projects funded 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 in the İşbank Sustainability Bond Framework 2020 (the “Framework”).^{1,2} Sustainalytics provided a second-party opinion on the Framework in 2020³ and another on the Framework’s update in 2021.⁴

Evaluation Criteria

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

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for a use of proceeds category outlined in the Framework.

Table 1 lists the use of proceeds categories, their eligibility criteria and associated KPIs⁵

Table 1: Use of proceeds categories, eligibility criteria and associated KPIs

Use of Proceeds Category	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)
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	<ul style="list-style-type: none"> • Annual energy savings (MWh/year) • Estimated annual GHG emission avoided or reduced (tCO₂e/year) • Storage capacity (MW)

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, 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 The Framework identifies seven categories for green use of proceeds and two categories for social use of proceeds. The Bank has allocated all proceeds from both issuances so far to only one green category, namely Renewable Energy.

	storage, district heating, smart grids, appliances and energy saving products	<ul style="list-style-type: none"> • Distribution capacity (MW)
Eco-efficient or Circular Economy Adapted Products, Technologies and Processes	<p>Loans related to resource use efficiency including but not limited to:</p> <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 	<ul style="list-style-type: none"> • Annual savings of relevant resources (tons raw material/year) • Estimated annual GHG emission avoided or reduced (tCO₂e/year)
Green Buildings	<p>Investments in new or existing commercial or residential buildings which are compliant with green buildings standards as evidenced by:</p> <ul 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 for commercial and residential building energy efficiency projects which reduce energy consumption by at least 30% 	<ul style="list-style-type: none"> • Environmental certification • Annual energy savings (MWh/year) • Estimated annual GHG emission avoided or reduced (tCO₂e/year)
Clean Transportation	<p>Loans related to:</p> <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); • Development, operation and upgrade of rail transport for both passengers and goods; • Transportation infrastructure (expansion of train and metro networks, projects in relation to capacity improvement, station upgrade); • Electric and hybrid vehicles (low-carbon vehicles) that have tailpipe emissions intensity below 75 gCO₂/km • Manufacture of above components 	<ul style="list-style-type: none"> • Estimated annual GHG emissions avoided or reduced (tCO₂e/year) • Number of electric/low carbon vehicles
Pollution Prevention & 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 nonrecoverable waste (tonnes); • 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 	<ul style="list-style-type: none"> • Type and annual amount of recycled waste (tons) • Energy generation (MWh/year) • Amount and type of pollutant treated per year (tons/year)
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 	<ul style="list-style-type: none"> • Organic farming certification scheme

<p>Access to Essential Services</p>	<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 	<ul style="list-style-type: none"> • Number of beneficiaries • Number of facilities
<p>Employment Generation Including Through the Potential Effect of SME Financing</p>	<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) 	<ul style="list-style-type: none"> • Number of SMEs financed • Number of women-owned businesses financed

Issuing Entity's Responsibility

İşbank is responsible for providing accurate information and documentation relating to the details of the assets and projects funded, including description of eligible assets and projects, amounts allocated and 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 bonds' use of proceeds. The work undertaken as part of this engagement included collection of documentation from İşbank employees and review of documentation to assess conformance with the Framework.

Sustainalytics has relied on information and facts presented by İşbank with respect to the funded assets and projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings or conclusions herein are not correct due to 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,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded with proceeds from the green bonds issued by İşbank, are not in conformance with the use of proceeds and reporting criteria in the Framework. İşbank has disclosed to Sustainalytics that the proceeds of the first and second green bonds were fully allocated as of October 2020 and October 2021 respectively.

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

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bonds issued by İşbank to determine if projects aligned with the use of proceeds criteria 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 by the green bonds issued by İşbank to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. 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

Appendices

Appendix 1: Allocation and Impact Reporting of the Eligible Assets⁷

Use of Proceeds Category	Project number ⁸	Loan Amount (USD)	İşbank's share in the total project cost (%)	Impact KPIs		
				Installed capacity (MW)	Energy produced in 2021 (MWh) ⁹	Estimated GHG emissions avoided (tCO ₂ e) ¹⁰
Renewable Energy – Solar Power	1	19,888,450	70	18	35,092	15,937
	2	7,589,836	73	10.5	16,146	7,647
	3	5,548,091	75	7	12,888	6,271
	4	6,845,829	70	10	20,051	9,106
	5	8,016,942	75	9	22,099	10,753
	6	8,479,012	63	15.6	25,708	10,508
Renewable Energy - Wind Power	7	16,419,396	63	10.8	16,380	6,695
Total allocation of net bonds proceeds (USD)		72,787,556		80.9	148,364	66,919
Total net bonds proceeds raised (USD)		63,000,000				

⁷ No allocation was made to project or assets in other categories of the Framework.

⁸ All projects are located in Turkey.

⁹ The reported amount of energy produced is prorated to the share of project finance granted by the Bank.

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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