

C0. Introduction

C0.1

**(C0.1) Give a general description and introduction to your organization.**

Heading towards celebrating its 100th anniversary in 2024, İşbank has been operating as the symbol of trust and stability in all segments of the society with all the values it has created. Established as the first national bank of the Republic, İşbank has been one of the prominent economic actors in the country with its support for economic development from past to present. İşbank leads the banking sector in Turkey with its products and services offered in the corporate, commercial, retail and private banking segments. İşbank Group is an integrated group with its subsidiaries operating in many sectors. As of the end of 2020, İşbank has direct partnership in 16 companies. The number of companies controlled directly or indirectly by Bank is 106. With its wide shareholder base, the number of İşbank shareholders is nearly 165 thousand. İşbank Member's Supplementary Pension Fund, an institution that has the membership of nearly 50 thousand employees and retirees, holds 37.08% of the Bank's capital.

Representing trust, prestige and respectability in the eyes of society, İşbank's 23,518 employees serve approximately 20 million customers as of 2020. With its total asset size of TRY 593.9 billion along with 1,205 domestic branches & 6,521 ATMs in total, İşbank is the largest private bank in Turkey. With its 22 overseas branches in total, the Bank provides services in 15 branches in the Turkish Republic of Northern Cyprus, two each in the UK, Iraq, Kosovo, and one in Bahrain. Alongside its widespread branch network, İşbank expands its digital service channels day to day and strengthens its competitive position.

Global trends, social risks imposed by population growth and inequality, environmental factors related to climate change, and increasing transparency expectations from all stakeholders have been redesigning ways of doing business in the banking sector as well as in many others. This transformation process, offering opportunities if well managed in addition to a number of threats it brings along, obliges banks which are among the key elements of sustainable development, to implement new approaches in business models.

We, as the "Bank of Turkey," both contribute to the national economy & social development in line with our founding philosophy & adapt the change and transformation with a holistic viewpoint. Within this framework, we fulfill the commitments of the Principles of the UNGC, and thus contribute to the SDGs with a responsible financing approach, which handles economic, social & environmental effects as a whole. In line with this knowledge, we've reviewed our material issues in the field of sustainability considering risks & opportunities and analyzed the global trends that have an influence on our operations, in 2019. As a result of the evaluation made paying regard to global trends, corporate engagements, business strategies, industry analyses and expectations; combating with climate change was added as one of the material issues of İşbank. In 2020, it was decided to preserve the list of the material issues announced in 2019. Starting from 2020, sustainability is placed among the strategic priorities and integrated into core business by embedding ESG considerations into risk management processes, product & service development and long-term strategies which was reflected in our governance structure too. In 2020 we also became a signatory of UNEP FI Responsible Banking Principles, demonstrating our commitment to creating positive impact.

As a financial institution, we are aware of the importance of our role in transitioning to carbon neutral economy. We raise our financial support for renewable energy projects and diversify our products in this area. As of the end of 2020, renewable energy projects accounted for 69,5% of the total energy generation projects portfolio. While we continue to increase its financing support for renewable energy, we continue to reduce financing share of energy generation from coal and natural gas fired power plants in the energy portfolio. In 2020 "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" has been added to İşbank's Exclusion List. The Bank also develops collaborations with international financial institutions to finance renewable energy and energy efficiency. The weight of products that support the green economy, such as green bonds, sustainability-linked loans, Solar Loan by İşbank, Energy Efficiency Loan, Green Mortgage, Green Vehicle Loan, Maximum TEMA Card in the Bank's product portfolio is increasing day by day. İşbank will continue to closely monitor the risks and opportunities created by climate change and will continue its corporate engagements in this field in the future.

C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	Yes	1 year

C0.3

**(C0.3) Select the countries/areas for which you will be supplying data.**

Turkey

C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

TRY

C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

Operational control

## C-FS0.7

**(C-FS0.7) Which organizational activities does your organization undertake?**

Bank lending (Bank)

## C1. Governance

### C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

#### C1.1a

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board Chair	At İşbank, the Board of Directors is the highest-level of governance for climate-related issues. The Board of Directors has tasked a sub-committee, the Sustainability Committee, to focus on sustainability and climate-related issues. One expression of the importance of sustainability and climate-related matters at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as seven Deputy Chief Executives. By the leadership of the Chairperson, the Board of Directors considers climate-related issues when reviewing and guiding the business strategy, major plans of action, risk management policies, and budget plans as well as, setting performance objectives, monitoring implementation and performance.
Director on board	At İşbank, the Board of Directors is the highest-level of governance for climate-related issues. The Board of Directors has tasked a sub-committee, the Sustainability Committee, to focus on sustainability and climate-related issues. One expression of the importance of sustainability and climate-related matters at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as seven Deputy Chief Executives. By the leadership of the Chairperson, the Board of Directors considers climate-related issues when reviewing and guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting our performance objectives, monitoring implementation and performance.
Board-level committee	The Board of Directors has tasked a sub-committee, the Sustainability Committee, to focus on sustainability & climate-related issues. One expression of the importance of sustainability & climate-related matters at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as seven Deputy Chief Executives. By the leadership of Board Chair, the Board of Directors considers climate-related issues when reviewing & guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting our performance objectives, monitoring implementation and performance. The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication including stakeholder engagement. Apart from board-level Sustainability Committee and the CSO, there is Sustainability Coordinator and Sustainability Working Group (WG). Head of Investor Relations & Sustainability serves as the Sustainability Coordinator to ensure sustainability issues are effectively embedded in the Bank's executive bodies. To this end, the Sustainability WG is convened, which contains representatives from all key areas of the Bank, such as credit underwriting, risk management, project finance, product development and marketing, procurement, construction & real estate management, talent management. The objective of the Sustainability WG is to ensure sustainability & climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions. The Sustainability WG's efforts are supported by a dedicated Sustainability Management System. This Sustainability Management System has documented processes, outputs are audited regularly, and audit results are reviewed by top management. Incentives are also provided for the management of sustainability on different fronts. Sustainability-related incentives, including energy efficiency and reduction targets, are embedded in performance cards of our relevant employees.
Board-level committee	Given the importance of risks arising from climate change, climate considerations are incorporated in İşbank's risk management structure. İşbank considers climate-related risks at the corporate level, ensured by the oversight of Risk Committee. Bank's Risk Committee & its members operates in order to define risk management strategies and policies (including climate change risk) to be followed by the Bank, submit them to the approval of the Board of Directors and monitor the practices regarding these strategies and policies. Committee Chairman is a Board member, who is elected by the Board. CEO, Risk Management Division Head and Compliance Division Head are fundamental members of the Risk Committee. In addition to these members, a Board Member appointed by the Committee Chairman and three Deputy Executives appointed by the CEO also serve as Committee members. Risk Committee is responsible for articulating risk management strategies and policies İşbank will adhere to on both bank-only and consolidated basis, presenting them to Board of Directors for approval and monitoring compliance with them. Committee is the common communication platform for the Bank's executive divisions in terms of assessing the risk the Bank is exposed to, making suggestions about the actions to be taken and approaches to be followed. In terms of climate change risk, Risk Committee has oversight responsibility and is appointed as "Accountable" on the following activities regarding climate risk management and governance: - Reporting of climate change risk indicators included in the bank's risk appetite framework, - Establishing and reviewing climate change risk policies, - Creating, developing, periodically reviewing and updating the climate change risk questionnaire, - Designing, monitoring and updating the climate change risk heat map, - Designing, monitoring and updating climate change risk scenario analyses, - Periodic review and calibration of models used in the measurement of climate change risk, - Monitoring climate change risk indicators and reporting to relevant committees, - Periodic review and updating (if necessary) of climate change risk indicators.
Chief Sustainability Officer (CSO)	Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) (aka Sustainability Leader in our previous CDP reporting) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication through activities like stakeholder engagement.

#### C1.1b

**(C1.1b) Provide further details on the board's oversight of climate-related issues.**

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>Climate-related issues are raised to the agenda of the board by our board level committee: Sustainability Committee with scheduled meetings. They are embedded in the most material decisions, such as reviewing and guiding strategy, major plans of action, risk management policies, business plans and sustainability policies. As of 2019, "combating climate change" has been added to our annually reviewed "Sustainability Priorities" as an extremely important and material issue. Parallel to this, in 2020 "climate change risk" is identified and exemplified in Bank's Risk Catalogue with its sub-categories such as transition risks and physical risks. These efforts are raised to the agenda of the board by Sustainability Committee &amp; its surrounding governance structure (Sustainability Committee</p>
Scheduled – all meetings	<p>Reviewing and guiding risk management policies</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>Risk management activities of the Bank are conducted by the Risk Management Division reporting to the Risk Committee and the Board of Directors. Financial &amp; non-financial risks are reported to the Risk Committee on a monthly basis and, through the Audit Committee to the Board of Directors respectively. İşbank's Climate Change Risk Taxonomy, Climate Change Risk Policy, Methodology and Principles Regarding the Measurement and Management of Climate Change Risk and Climate Change Risk RACI Matrix have been established by Risk Committee, approved by the Board and came into effect in March 2021. These policies/documents are reviewed at least annually by Risk Management Division and Risk Committee and any changes made come into effect by Board's approval. Risks related to climate change were classified under strategic risks of the Risk Catalogue of the Bank by the approval of the Board of Directors. Any changes related to climate risk management framework are presented and raised to the agenda of the Board by the outlined governance structure. İşbank plans to integrate climate risk into its risk appetite framework in 2021, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transportation, cement production, etc. Bank's risk profile of climate related risks and any breaches in the risk appetite or risk tolerance limits will be monitored by Risk Management Division/Risk Committee and will be escalated to the Board for further actions. In addition, İşbank disclosed its climate change risk management framework and objectives in its 2020 ICAAP report. The Bank currently does not calculate any additional capital requirement for climate change risk, but we plan to do so as the regulatory awareness and risk measurement abilities improve.</p>

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Sporadic - as important matters arise	Other, please specify (Reviewing and guiding sustainability efforts)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	Our Sustainability Coordinator who is responsible for ensuring effectiveness of work among the executive organs, is able to raise any related issue, progress & development anytime as important matters arise, on the agenda of the Board of Directors through the Sustainability Committee.
Scheduled – all meetings	Other, please specify (Reviewing & guiding our Sustainability Policy, Reviewing & Guiding our Environmental and Social Impact Policy)	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of other products and services on the climate	Our Sustainability Policy and Environmental & Social Impact Policy incorporate components related to our "combating climate change" sustainability priority. These policies are subject to regular audit and revision. Compliance with provisions of these policies is audited within the context of internal audit. Principles to perform the action plans that are required for the elimination of findings detected during the aforementioned audits are determined by the Sustainability Committee. At least once in a year, all of the indicated policies are reviewed in accordance with the requirements and changing operating conditions. Required revisions and amendments, which are submitted to the Board of Directors by the Sustainability Committee, go into effect with the approval of the Board. In 2020 "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" has been added to the Exclusion List, which is a part of Environmental and Social Impact Policy.

C1.2

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
<p>Sustainability committee  <i>At İşbank, the Board of Directors is the highest-level of governance for climate-related issues. The Board of Directors has tasked a sub board-level committee, the Sustainability Committee, to focus on sustainability and climate-related issues.</i></p>	<p>Reports to the board directly</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities  Risks and opportunities related to our other products and services  Risks and opportunities related to our own operations</p>	<p>Quarterly</p>
<p>Risk committee  <i>Bank's Risk Committee &amp; its members operates in order to define risk management strategies and policies (including climate change risk) to be followed by the Bank, submit them to the approval of the Board of Directors and monitor the practices regarding these strategies and policies.</i></p>	<p>Reports to the board directly</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities  Risks and opportunities related to our other products and services  Risks and opportunities related to our own operations</p>	<p>Quarterly</p>
<p>Credit committee  <i>Our Credit Committee has a mandate on overseeing climate-related risks from the credit underwriting perspective.</i></p>	<p>Reports to the board directly</p>	<p>Managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities  Risks and opportunities related to our other products and services</p>	<p>As important matters arise</p>
<p>Chief Sustainability Officer (CSO)  <i>Deputy Chief Executive in charge of Investor Relations &amp; Sustainability function assumes the role of Chief Sustainability Officer (CSO) (Sustainability Leader) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication</i></p>	<p>CEO reporting line</p>	<p>Managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities  Risks and opportunities related to our other products and services  Risks and opportunities related to our own operations</p>	<p>Quarterly</p>
<p>Other, please specify (Sustainability Coordinator)  <i>Apart from board-level Sustainability Committee and the CSO (Sustainability Leader), there is a Sustainability Coordinator at İşbank. Head of Investor Relations &amp; Sustainability serves as the Sustainability Coordinator to ensure sustainability issues are effectively embedded in the Bank's executive bodies.</i></p>	<p>Corporate Sustainability/CSR reporting line</p>	<p>Other, please specify (The Head of Investor Relations Division &amp; Sustainability serves as Sustainability Coordinator to ensure effectiveness of work within the executive organs in İşbank.)</p>	<p>Risks and opportunities related to our bank lending activities  Risks and opportunities related to our other products and services  Risks and opportunities related to our own operations</p>	<p>Annually</p>
<p>Other, please specify (Sustainability Working Group)  <i>Sustainability Working Group (WG) contains representatives from all key areas of the Bank, such as credit underwriting, risk management, project finance, product development and marketing, procurement, construction &amp; real estate management, talent management. The objective of the Sustainability WG is to ensure sustainability &amp; climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions.</i></p>	<p>Other, please specify (Our Sustainability Working Group reports any related progress to our Sustainability Coordinator who reports directly to the CEO &amp; Board.)</p>	<p>Managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities  Risks and opportunities related to our other products and services  Risks and opportunities related to our own operations</p>	<p>As important matters arise</p>

C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

As outlined before, the Board of Directors has delegated sustainability and climate-related issues to the Sustainability Committee. In addition, climate considerations are incorporated in İşbank's risk management structure. İşbank considers climate-related risks at the corporate level, ensured by the oversight of the Risk Committee.

Additionally, the Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (Sustainability Leader) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication including stakeholder engagement. Apart from board-level Sustainability Committee and the Chief Sustainability Officer, there is Sustainability Coordinator and Sustainability Working Group (WG). Head of Investor Relations & Sustainability serves as the Sustainability Coordinator to ensure sustainability and climate-related issues are effectively embedded in the Bank's executive bodies. To this end, the Sustainability WG is convened, which contains representatives from all key areas of the Bank, such as credit underwriting, risk management, project finance, product development and marketing, procurement, construction & real estate management, talent management. The objective of the Sustainability WG is to ensure sustainability & climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions. The Sustainability WG's efforts are supported by a dedicated Sustainability Management System. This Sustainability Management System has documented processes, outputs are audited regularly, and audit results are reviewed by top management. Incentives are also provided for the management of sustainability on different fronts. Sustainability-related incentives, including energy efficiency and reduction targets, are embedded in performance cards of our relevant employees.

C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	All C-Suite executives have cost optimization targets, which include the energy costs of their respective units. These are described in the table below. Beyond the incentives already in place, İşbank's Human Resources Management and Strategy & Corporate Performance Management divisions are planning an extension of the climate-related targets in the next two years. On the one hand, Human Resources Management will introduce behavioural change related indicators. Employees will be given incentives for participating in a climate change e-learning experience on the Mobile HR app, and aligning their behaviours to our climate targets. On the other hand, our Strategy & Corporate Performance Management division is planning to implement sustainability & environmental (covering climate change) related KPIs in performance cards of employees to incentivize climate related targets in the upcoming 2 years.

C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Other, please specify (All C-Suite Executives)	Monetary reward	Energy reduction target	All C-Suite Executives have cost optimization targets including the energy costs of units inside İsbank. This target is included in their performance cards which affects their annual remuneration.
Other, please specify (C-Suite Executive)	Monetary reward	Other (please specify) (Taking part in BIST (Borsa Istanbul) Sustainability Index)	C-Suite Executive who is in charge of investor relations and sustainability function has an annual target of taking part in BIST Sustainability Index assured via performance card which affects annual remuneration. Taking part in the mentioned Index requires fulfilment of several climate-related tasks.
Other, please specify (All Division Heads)	Monetary reward	Energy reduction target	All Division Heads have cost optimization targets including the energy costs of units inside İsbank. By achieving this particular energy reduction target to reduce costs, all business unit managers receive bonus to their annual remuneration.
Other, please specify (Head of Investor Relations and Sustainability Division)	Monetary reward	Company performance against a climate-related sustainability index Other (please specify) (Taking part in BIST (Borsa Istanbul) Sustainability Index)	Head of Investor Relations and Sustainability Division has an annual target of taking part in BIST Sustainability Index assured via his/her performance card. Taking part in the aforementioned Index requires fulfilment of several climate-related tasks.
Other, please specify (Unit Manager of Investor Relations and Sustainability Division)	Monetary reward	Company performance against a climate-related sustainability index Other (please specify) (Taking part in BIST (Borsa Istanbul) Sustainability Index)	The manager of Sustainability Unit operating under Investor Relations and Sustainability Division has an annual target of taking part in BIST Sustainability Index assured via his/her performance card. Taking part in the aforementioned Index requires fulfilment of several climate-related tasks.
Other, please specify (Head of Information Technologies Division)	Monetary reward	Efficiency target	Head of Information Technologies Division has an energy efficiency target which shall be sustained below the internally defined threshold for ATLAS Data Center. This efficiency threshold & target is assured via this division heads' performance card which affects their annual remuneration.
Other, please specify (Head of Data Management Division)	Monetary reward	Efficiency target	Head of Data Management Division has an energy efficiency target which shall be sustained below the internally defined threshold for ATLAS Data Center. This efficiency threshold & target is assured via this division heads' performance card which affects their annual remuneration.
Chief Risk Officer (CRO)	Non-monetary reward	Other (please specify) (Defining, classifying, evaluating, measuring climate change risks.)	It is the responsibility of the CRO (Head of Risk Management Division) to define, classify, evaluate and/or measure and monitor climate change risks that the bank may be exposed to with a holistic perspective, and to report the evaluation and/or measurement results to relevant committees and to the Board. In order to further integrate climate change risk into lending strategy, İsbank plans to integrate climate change risk into its risk appetite framework in 2021, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transport, cement production, etc. Bank's risk profile and any breaches in the risk appetite or risk tolerance limits will be monitored by Risk Management Division (and the CRO), Risk Committee and will be escalated to the Board for further actions.

**C-FS1.4**

**(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?**

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	

**C2. Risks and opportunities**

**C2.1**

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

**C2.1a**

## (C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	30	

## C2.1b

### (C2.1b) How does your organization define substantive financial or strategic impact on your business?

İşbank considers all risks arising from climate change at the corporate level. These risks are evaluated and prioritized based on a qualitative and quantitative assessment. As part of the prioritization process, the Bank defines substantive financial impact at transaction and portfolio level by factoring in three criteria:

1. Customer related risks – Qualitative evaluation threshold: İşbank evaluates each customer sub-sector using a 5-scale grade, to capture their exposure to climate risks (including transition and physical risks). Sub-sectors that are scored with a 4 (mid-high) or 5 (high) are considered to represent a substantive risk for our business. The results are summarized in a heatmap indicating high-risk sectors and relevant risk events. As of 2020 YE, approximately 26% of the commercial loan portfolio (approximately 98 billion TRY) lies in mid-high and high-risk sectors in terms of climate change risk, which indicates a substantive risk for the Bank.
2. Customer related risks – Quantitative evaluation threshold: İşbank follows UNEP-FI's scenario analysis approach for the quantitative assessment. Using scenario analysis, the potential impact of climate related risks is assessed by stressing financials of companies. Based on the stressed financials, an increase in ECL (Expected Credit Loss) higher than a given threshold is considered a substantive impact. We use a four point scale for assessing risk impact level and thresholds are determined as a specific proportion (%0,01, %0,1 and %1) of yearly average of next 3 years estimated net operating income. For 2020, financial impact magnitude up to 810,000 TRY was defined as "low", between 810,000 and 8.1 million TRY as "medium-low", between 8.1 million TRY and 81 million TL as "medium-high", above 81 million TRY as "high". For example, according to our scenario analysis, a \$15/tCO2e carbon tax enforcement on non-renewable energy generation sector in a 3-years horizon is expected to lead to approximately 990 million TRY increase in ECL in total, which will have a substantive impact on Bank's financials.
3. Direct operations related risks – Risks related to own assets: İşbank can suffer from losses related to its direct operations. The bank evaluates and manages operations related risks stemming from climate related events. Climate risks that may result in costs higher than a given threshold are considered risks that have substantive impact.

## C2.2

### (C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

#### Value chain stage(s) covered

Direct operations  
Upstream  
Downstream

#### Risk management process

Integrated into multi-disciplinary company-wide risk management process

#### Frequency of assessment

More than once a year

#### Time horizon(s) covered

Short-term  
Medium-term  
Long-term

#### Description of process

**RISK IDENTIFICATION ASSESSMENT AND RESPONSE PROCESS** İşbank has a robust process in place to identify risks and opportunities related to sustainability and the environment, which are outlined below (see A and B). Given the growing importance of risks and opportunities related to climate change, İşbank is increasingly incorporating climate considerations into business-as-usual processes. İşbank's Climate Change Risk Taxonomy, Climate Change Risk Policy, Methodology and Principles Regarding the Measurement & Management of Climate Change Risk and Climate Change Risk RACI Matrix have been established by Risk Committee, approved by the Board and came into effect in March 2021. Risks related to climate change were classified under strategic risks of the Risk Catalogue of the Bank. İşbank plans to integrate climate risk into its risk appetite framework in 2021, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transportation, cement production, etc. Bank's risk profile of climate related risks and any breaches in the risk appetite or risk tolerance limits will be monitored by Risk Management Division/Risk Committee and will be escalated to the Board for further actions. In addition, İşbank disclosed its climate change risk management framework and objectives in its 2020 ICAAP report. İşbank currently doesn't calculate any additional capital requirement for climate change risk, but we plan to do so as the regulatory awareness and risk measurement abilities improve. To ensure all risks and opportunities arising from climate change have been comprehensively captured, İşbank also conducted a one-off comprehensive risk and opportunity identification process in 2020. This climate specific risks and opportunities identification process is described in more detail below (point C and D). (A) A holistic assessment of sustainability risks and opportunities: The first layer aims to establish a perspective on İşbank's material issues. İşbank's materiality study was conducted in 2017 in accordance with the AA1000 Stakeholder Engagement Standard. First, an initial long-list of sustainability risks and opportunities is created through a literature review and external trend analysis. This includes publications from thought leaders and the most relevant industry parties, such as the UN Sustainable Development Goals, the UNEP-FI and the UN PRI. The initial long-list is then converted into a questionnaire which is shared with a diverse set of stakeholders, such as employees, suppliers, subsidiaries, investors, customers. Responses from stakeholders are used as a foundation to define the Bank's sustainability priorities. The materiality study is reviewed annually considering global trends, corporate engagement and sector expectations. In İşbank's materiality study "combating with climate change" is identified as an extremely important theme. (B) Transaction level ERET (Environmental and Social Risk Evaluation Tool) assessment: İşbank's response to potential environmental and social risks is shaped across three lines of defense. The first line credit decision process requires any project above USD 10 MM to go through an environmental risk assessment process. In this process an environmental specialist is assigned to advise and prepare a mitigation plan to reduce risks identified based on a structured rule set (details provided below). The second line of defense defines policies, guidelines and tools to monitor risk levels using scenario analysis. The third line of defense is responsible for providing independent control and assurance over the entire credit process. Within this scope, the Internal Audit Division reviews evaluation of lending activities, internal environmental impact, calculation of GHG Emissions, training and internal capacity building, reporting activities, internal control and internal audit, and review process. At İşbank, the potential environmental and social risks of all new investment projects worth more than USD 10 MM are evaluated against 26 different criteria such as use of natural resources, waste management, air, soil and water quality, noise, dust, occupational & social health and safety, resettlement and stakeholder engagement by ERET.. Assessment results are used to classify investment projects into 4 risk levels: high (Category A), medium high (Category B+), medium



(Category B-), and low (Category C). Assessments are performed considering national legislation and international best practices including IFC (International Finance Corporation) Performance Standards, EBRD Performance Requirements, and Equator Principles. (C) A climate specific risk identification process: As a financial institution which focuses on lending, İsbank expects the largest climate related risks to arise from its lending portfolio. İsbank performs a detailed literature and trend analysis review to collate a long list of potential risks and opportunities. This assessment includes all reputable data sources, such as international rating agencies, the Sustainability Accounting Standards Board (SASB), think tank publications, industry fora and development banks. The findings are standardized and compared to establish a view on the most material risks and opportunities from an industry perspective. This industry perspective is then combined with inputs from İsbank experts, including underwriting, project finance and sustainability experts, and İsbank's own portfolio information, to eliminate risks and opportunities not applicable to the İsbank portfolio, as well as to add risks which are specific to the Bank's portfolio. Expert inputs as well as additional data points (e.g. official GHG emissions data stemming from the UNFCCC) are used to sense-check results and incorporated in this perspective. The Bank house-view, which is based on the existing scenario analysis work and own experience is added to arrive at an internal perspective on risks and opportunities. (D) A climate specific opportunity identification process In opportunity identification, İsbank follows a similar methodology. The Bank starts with defining the perimeter of opportunities in terms of product and services, own resource efficiency, own energy sources, markets and resilience. However, given the Bank's focus on lending activities, the largest opportunities are expected to arise from the lending portfolio as opposed to own buildings and operations. The Bank performs a comprehensive review of national climate agenda and investment plans, a review of local and international peer activities, and collects perspectives from climate experts to create an overview of opportunities to be considered. Perspectives from business units, underwriting, risk management, the Sustainability Team, and the Environmental and Social Risk Management Team are collected and used to prioritize climate related opportunities based on strategic fitness and needs of customers.

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**Value chain stage(s) covered**

Downstream

**Risk management process**

A specific climate-related risk management process

**Frequency of assessment**

More than once a year

**Time horizon(s) covered**

Short-term

Medium-term

Long-term

**Description of process**

Climate Change Risk Heatmap: İsbank believes that a significant part of its climate change risks stem from downstream activities such as lending. As transition and physical climate change risks arise, the quality of the loan and collateral portfolio deteriorates, resulting in higher provisions and non-performing loans. İsbank uses a sectoral climate change risk heatmap to identify sectors that should be prioritized in climate change risk assessment. The heatmap helps to determine to what extent each sector is affected by the risks of climate change, and to what risk types and risk events these sectors will be exposed to. In this context, the identification of priority sectors and risk events in terms of climate change risk constitutes the main objective of the climate change risk heat map study. The climate change risk heatmap approach includes the following steps: 1. Determining the scope of the portfolio: The climate change risk heatmap is created by taking into account the Bank's commercial loan portfolio. The year-end loan amount is used as an indicator of the size of the credit risk. 2. Determination of climate change risk types: Within the scope of the heat map, transition risks and physical risks, which are defined as sub-components of climate change risk in the Bank's Risk Catalogue, and their subcategories are taken into account. 3. Determination of sector breakdown: Appropriate sector breakdowns are created in order to best identify and manage the types of risks that may arise from climate change on a sectoral basis. While creating these sector breakdowns, both international good practice examples and the Bank's own sector breakdown are taken into account. Within the scope of this approach, it is aimed to create sector and sub-sector breakdowns, which differ significantly from each other with the perspective of being affected by climate change risk, at the most detailed level possible. 4. Defining risk levels: To facilitate the prioritization of sectors, risk levels are determined to reflect the timing and magnitude of climate change risks. When determining risk levels, the risk levels used in the Bank's other risk measurement methodologies and their definitions and international good practice examples are taken into consideration. 5. Determining the climate change risks of the sectors: After the risk types, sector breakdowns and risk levels are determined, the extent to which the sectors will be exposed to each climate change risk type is determined by taking into account the external resources, expert opinion and the size of the bank's loan portfolio. İsbank combines climate risk related literature, external studies and expert input to assess climate risk level. The qualitative assessment is translated into a 5-grade risk scale (high, high-mid, mid, mid-low, low) to assess vulnerability of each sector to climate change risks. High-risk sectors are prioritized in the scenario analysis to be carried out after the creation of the heat map. The results heat map indicates that non-renewable energy generation, basic metal production, land transport, mining, air transport, maritime transport and cement sectors have been categorized as "high" risk sectors. Especially, considering the total of 18 billion TRY total loan exposure amount and its carbon intensity and exposure to transition risks, non-renewable energy generation sector generates highest climate change risk in İsbank's commercial loan portfolio.

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**Value chain stage(s) covered**

Downstream

**Risk management process**

A specific climate-related risk management process

**Frequency of assessment**

Annually

**Time horizon(s) covered**

Short-term

Medium-term

Long-term

**Description of process**

Climate Change Risk Scenario Analysis: Climate change risk impact analysis for the determined sector and risk events is conducted by the Bank using the scenario analysis approach. The scenario analysis aims to calculate the projected effects of a climate related risk event (such as an emerging Carbon Tax, Emission Trading Scheme regulation or a decrease in precipitation levels) on client firms' PD rates and corresponding ECL, as these factors have a direct substantive impact on Bank's financials. The approach adopted by the Bank has been prepared in line with the climate change methodology followed by the UNEP -FI (United Nations Environment Program - Finance Initiative). The potential impact of climate related risks is assessed by stressing financial statements of a sample of companies operating in the high-risk sectors. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply and demand dynamics of the sectors in which they operate. Based on the stressed financials, PD models or ECL calculation process are re-run to analyze impact on Probability of Default (PD) or ECL. Since scenario analysis is conducted on a specific sector, the first step is determining the high risk sectors (such as non-renewable energy generation, land transport, etc.) through a risk heat map, as outlined above. Then the relevant data must be calculated from various sources. For scenario analysis, 2 different data sets are used, namely bank/client data (risk indicators, financials, production data, etc.) and external sources (supply-demand data, sectoral data, climate change indicators, etc.). The steps for scenario analysis are stated below: 1- Determination of the sample 2- Determination of scenario design and assumptions 3- Calculation of macro-level impact of the risk event on supply and demand 4- Calculation of firm-level financial impact of the risk event 5- Calculation of post-scenario credit loss (ECL) values for each firm in the sample 6- Aggregating the total ECL impact on the sample and disseminating it to the Bank's portfolio 7- Calculating the total impact on the Bank's portfolio. In the selected sample, it is ensured that at least 40% of the total loan amount is covered and/or the number of customers is greater than 30. For Carbon Tax regulation for example, different levels of tax such as \$5,

\$15, \$22 and \$44 / tCO2e are used in order to measure the sensitivity of the portfolio as well. One example of this type of analysis conducted is the assessment of the potential impact on İsbank's non-renewable energy generation sector loan portfolio. This is covered in Question 2.3a of this questionnaire. According to İsbank's Climate Change Risk Policy, The Bank determines and implements alternatives that will minimize the negative impact of its activities on climate change. The Bank designs and maintains all of its activities with an understanding that is sensitive to the existence of climate change risks and to the management of these risks, and that will keep climate change related losses to a minimum. If the results of the scenario analysis indicate a substantive risk for the Bank, the results are escalated to the Board through Risk Committee to be taken into account in overviewing Bank's lending strategy.

## C2.2a

### (C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	İsbank's risk assessment is based on its risk taxonomy, which has recently been upgraded to reflect the latest recommendations from reputable sources such as TCFD and publications of international supervisors. Therefore, the Bank considers both transition and physical risks in the risk assessment. Amongst the transition risks the Bank considers policy & legal risks, technology risks, market risks and reputational risks. Within its broader risk taxonomy, the Bank considers current policy/regulatory risks under transition risks. Examples of the regulation considered include i) the monitoring, reporting and verification regulation for energy intensive industries, and ii) the filtration requirements for energy generation companies. The Bank expects its customers to comply with such requirements and in case of non-compliance, it factors in developments into its periodic credit reviews and provision calculations.
Emerging regulation	Relevant, always included	As part of İsbank's risk taxonomy the Bank considers emerging regulation under transition risks. For bank-related and customer-related regulations the Bank's business lines, underwriting, E&S, legal and compliance teams monitor regulations that are under consideration and relevant. One example of the emerging climate regulation includes the evolution of existing GHG emission monitoring, reporting and verification regulation of the Ministry of Environment and Urbanization towards a Carbon Tax or Emission Trading Scheme, which implies an increased cost of GHG emissions. Such developments are considered in the risk assessment. Specifically, for carbon pricing the bank is also running a UNEP-FI based approach to understand its exposure to high risk sectors in terms of climate risks. According to the Bank's credit policies, throughout the lifecycle of any exposure, changes to obligors' payment capacity and collateral quality are closely monitored. For large exposures where the risk assessment is conducted in detail, potential market developments are accounted for and reflected in PD and ECL calculations. Similarly, as part of its regulatory review process, the bank reviews potential regulations that may impact its direct operations. For example, in the UK, the PRA's BES2021 requires banks to conduct climate related stress testing of their portfolio. Anticipating similar developments, the bank is also advancing its climate risk management capabilities.
Technology	Relevant, always included	As part of İsbank's risk taxonomy, the Bank considers technology risk under transition risks. The transition to a low-carbon economy will result in displacement of existing technologies and therefore lead to additional cost or loss of competitive advantage for some companies. One example of a technology risk could be the displacement of existing combustion engine vehicles by electric vehicles. This could materially impact Automotive OEMs' financials due to the requirement for additional investment. Another example is that new climate-friendly ventilation and cooling technologies create additional investment needs in the Bank's service buildings by rendering old technologies idle.
Legal	Relevant, always included	As part of İsbank's risk taxonomy, the Bank considers legal risks under transition risks. Examples of legal risks include risks that may result from clients' non-compliance to regulations and protocols associated to climate change. Lawsuits or compensation requests that İsbank customers may face can cause deterioration of financial performance and an increase in the PD (probability of default). In this context, the Bank is closely monitoring developments on i) potential litigation, and ii) "suspension of activity" cases in energy and cement sectors and takes firm-level business decisions considering implications of such developments. Similarly, the Bank's direct operations are exposed to legal risks due to climate change. For example, failure to perform fiduciary duties or non-compliance to contractual commitments may result in lawsuits against the Bank.
Market	Relevant, always included	As part of İsbank's risk taxonomy, the Bank considers market risk under transition risks. Market risks arising from changes in supply and demand dynamics of products and services are a type of transition risks for the Bank. Examples of market risk include abrupt and unexpected shifts in input (e.g. oil price), electricity costs or changes in consumer behavior (e.g. favoring "green" products). Such changes may impact heavy industries or the transportation sector which account for a sizable portion of the credit portfolio. Similarly, the Bank's direct operations are exposed to market risks due to an increase in input price (electricity price) which has an impact on its operational expenses.
Reputation	Relevant, always included	As part of İsbank's risk taxonomy, the bank considers reputation risk a type of transition risk. Examples of reputation risk include loss of investor appetite, loss of access to green facilities or inability to meet customer expectations related to climate change or non-compliance to certain commitments that İsbank makes publicly or non-publicly (e.g. commitments to Development Finance Institutions when sourcing green funds). Similarly, the Bank's customers may be exposed to reputation risk due to their carbon-intensive or unsustainable activities. Examples include misconduct in terms of reporting emissions or damages to environment due to their activities. Aligned with its ambition to manage these risks, the Bank does not finance certain sectors (such as companies active in the production of materials that may damage the ozone layer) to mitigate potential risks.
Acute physical	Relevant, always included	As part of İsbank's risk taxonomy, the Bank considers acute physical risks (i.e. increased frequency or severity of weather events) to be a type of physical risks. These events may affect both its customers and direct operations. Examples of acute physical risks include damage to the Bank's facilities and damage to collateral the Bank has in relation to its lending activities. Similarly, its customers are exposed to acute physical risks, for example agriculture companies may lose their income due to acute wildfires, hail storms or floods.
Chronic physical	Relevant, always included	As part of İsbank's risk taxonomy, the Bank considers chronic physical risks a type of physical risks. The Bank considers the impact from long-term "chronic" changes in climate. Given governments are taking major action to mitigate the impacts of climate change, the Bank expects chronic risks to materialize in considerably longer term compared to transition risks. Nonetheless, chronic physical risks are important and must be taken into account. An example of chronic physical risk would be a long-term drop in precipitation levels, which could threaten the productivity of hydropower generation plants, and thus affect the payment capacity of customers operating such plants.

## C-FS2.2b

**(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?**

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	İşbank assesses its portfolio's exposure to climate-related risks and opportunities comprehensively on a regular basis. The majority of the impact is expected to originate from İşbank's downstream activities (i.e. its customers). Climate risks: The majority of the Bank's climate risk is originated through its customers and especially related to its credit portfolio. The Bank follows a two-step approach to evaluate the credit portfolio's exposure to climate risks: (1) identification of relevant risk events and high-risk sectors by creating a risk heatmap. The heatmap allows the bank to identify high-risk sectors and relevant risk events. (2) quantification of the impact using scenario analysis following UNEP-FI approach and extrapolating the impact to portfolio. Climate related opportunities: The majority of the opportunities is related to products and services. To unveil opportunities, İşbank follows a two-step approach: • Identification: İşbank starts by developing a long list of opportunities based on a review of local and international peer activity, the national climate agenda and national climate strategy and its collaboration with external experts. The Bank sees the largest opportunities related to products and services. • Prioritization: Bank prioritizes climate related opportunities based on strategic fit, international principles and customer needs. Based on the prioritization, the Bank has already developed and introduced various Green Financing opportunities. For example, İşbank has published its Sustainability Bond Framework under which it intends to issue bonds in order to finance loans which have positive environmental and/or social impacts. In 2019, the Bank issued its first Green Bond to finance projects with a positive environmental impact and with respect to this issuance published its first impact reporting in 2020. Also in 2020 the Bank, as part of a consortium of seven banks, financed the largest sustainability-linked loan deal in Turkey. 650 million Euro credit was extended to EnerjiSa, a leading power generation company as part of the agreement, the company made commitments to significantly increase the share of renewable energy and to attain the best international standards in gender equality.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

**C-FS2.2c**

**(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.**

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	RISK ASSESSMENT: İşbank analyses its non-retail credit portfolio covering all sectors. İşbank's non-retail credit portfolio constitutes 75% of the total credit portfolio as of YE2020. The Bank follows a two-step approach to evaluate its portfolio's exposure to climate risks: (1) Climate Change Risk Heatmap: İşbank creates a sectoral risk heatmap to identify priority areas by combining both a qualitative and a quantitative assessment. The heatmap helps to determine to what extent each sector is affected by the risks of climate change, and to what risk types and risk events these sectors will be exposed to. It includes the following steps: 1. Determining the scope of the portfolio 2. Determination of climate change risk types 3. Determination of sector breakdown 4. Defining risk 5. Determining the climate change risks of the sectors İşbank combines climate risk related literature, external studies and expert input to assess climate risk level. The qualitative assessment is translated into a 5-grade risk scale (high, high-mid, mid, mid-low, low) to assess vulnerability of each sector to climate change risks. High-risk sectors are prioritized in the scenario analysis. The results heat map indicates that non-renewable energy generation, basic metal production, land transport, mining, air transport, maritime transport and cement sectors have been categorized as "high" risk sectors. (2) Climate Change Risk Scenario Analysis: It aims to calculate the projected effects of a climate related risk event (such as an emerging Carbon Tax, ETS regulation or a decrease in precipitation levels) on client firms' PD rates and corresponding ECL, as these factors have a direct substantive impact on Bank's financials. The approach adopted is in line with the climate change methodology followed by the UNEP-FI. For scenario analysis, 2 different data sets are used, namely bank/client data and external sources. The steps for scenario analysis are: 1-Determination of the sample 2-Determination of scenario design and assumptions 3-Calculation of macro-level impact of the risk event on supply and demand 4-Calculation of firm-level financial impact of the risk event 5-Calculation of post-scenario ECL values for each firm in the sample 6-Aggregating the total ECL impact on the sample and disseminating it to the Bank's portfolio 7-Calculating the total impact on the Bank's portfolio. One example of this type of analysis conducted is the assessment of the potential impact of a carbon tax regulation on İşbank's non-renewable energy generation sector loan portfolio. This is covered in Question 2.3a of this questionnaire. If the results of the scenario analysis indicate a substantive risk for the Bank, the results are escalated to the Board through Risk Committee to be taken into account in over-viewing Bank's lending strategy. OPPORTUNITY ASSESSMENT: İşbank is aware that climate change can provide green and transition financing opportunities and has already started capturing various sets of opportunities, categorized under product and services, own resource efficiency, own energy source, markets and resilience in our opportunity taxonomy. İşbank sees the largest potential in products and services such as green bonds, green infrastructure financing, green loans/mortgages, products and services ensuring resiliency. Bank first develops a long list of opportunities by reviewing literature, market growth estimates for different products/ services and by collaborating with leading external climate experts. Then, the Bank prioritizes climate related opportunities based on strategic fit and customer needs. Green opportunities also include extending green financing provided by International Development Banks to its clients, financing of renewable energy investments, ESG investment products for retail customers and green loans. For example: • Since 2015, 100% of the new project financing provided by İşbank for electricity generation investments have been allocated to renewable energy projects. This is targeted for 2021 as well. • In 2020, with 45 projects financed by İşbank, the amount of clean energy produced in 2020 is 24.9 million MWh. The amount of clean energy generated by the projects financed by the Bank was 63.7 million MWh in the last 3 years. • In 2019, İşbank issued its first Green Bond. Funds from the bond were used to finance projects with positive environmental impacts, mainly in the field of renewable energy. This issuance is also the first 100% Green Eurobond transaction completed by a Turkish bank. Additionally, İşbank has green products targeting both retail and non-retail customers. For example, "İşte Güneş" targets companies looking for solar investments financing to install solar energy plants on the roofs of their industrial facilities for self-consumption. Similarly, the Bank has a green mutual fund (TEMA Environmental Variable Fund) to allow investors to put their savings into environment friendly investments.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	İşbank assesses its non-retail credit portfolio's exposure to water-related risks & opportunities. RISKS: İşbank assesses the potential E&S impacts arising from the investment projects that are financed. Projects are evaluated within the context of national law and regulations including the Water Pollution Control Regulation, Urban Wastewater Treatment Regulation, Surface Water Quality Regulation and Water Pollution Control Regulation. Customers are required to comply with these regulations, and international standards (IFC PSSs, EBRD PCs, EPs). The potential E&S risks of all new investment projects worth more than USD 10 MM are evaluated by the E&S Risk Evaluation Tool (ERET) against 26 criteria. In ERET there are 3 criteria regarding water-related risks: • Water resources: the project's negative impact on the surface and ground water such as amount of water usage, change of water temperature, change of the river bed • Waste water: whether the project results in exceptional amounts of waste water and whether the waste water is heavily contaminated • Resource consumption: the project's dependency on natural resources In addition, "irrigation methods used" info is used in the credit assessment for customers in the agriculture industry, as the industry is exposed to higher water related risks. To mitigate impacts of water related risks, İşbank requires project companies to conduct a study to determine the water quality and resource efficiency before&after the project. OPPORTUNITIES: Although climate change imposes high risks, it can provide green opportunities. E.g. agricultural production uses ~65% of the annual fresh water supply in Turkey. However, it's possible to reduce this usage through investments in source and irrigation efficiency, new equipment, and process optimization systems. İşbank has included contributing to sustainable agriculture within its priority targets in 2020. Efforts are ongoing to proliferate the Digital Agriculture Solution (in partnership with Vodafone Business) that uses agricultural forecasting and early warning systems that rely on advanced technology in agricultural activities. Thanks to the data obtained within the scope of the Digital Agriculture project, a decrease in the use of inputs including agricultural fertilizers and water, an increase in productivity and a decrease in environmental waste were achieved in 2020.
Investing (Asset manager)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Investing (Asset owner)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable >	

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Majority of the portfolio	İşbank assesses its non-retail credit portfolio's exposure to forests-related risks; also is aware that climate change provides a number of opportunities including opportunities related to forestry. RISKS: Investments that use forestry materials in their processes as a raw material are required to comply with national forestry laws&ulations. They are monitored on a regular basis by the Ministry of Forestry and Water Affairs, and Ministry of Environment and Urbanization. In all projects financed by İşbank, customers are required to comply with forest-related national laws and regulations, and İşbank expects them to make a commitment via loan agreements. At İşbank, the potential E&S risks of all new investment projects worth more than USD 10 MM are evaluated by the E&S Risk Evaluation Tool. Our E&S Risk Management Team evaluates investments against 26 criteria; one considered to assess forest-related risks is land use. Within this criterion, İşbank factors in project's impact on the environment in terms of deforestation and use of agricultural land. E.g. large scale highway projects or wind power plants projects are generally classified as risky projects due to their significant levels of land usage. İşbank takes precautionary actions to eliminate and compensate the adverse effects of land use. İşbank: • requires companies to carry out reforestation to replace trees that are cut during the project and in certain cases requires companies to replace the trees to the appropriate place around the project • provides financial solutions only to agricultural producers that are registered in the systems of the Ministry • requires companies to take action towards the protection of local, endangered, protected species OPPORTUNITIES: İşbank established its Sustainability Bond Framework in 2020. Funds raised via these bonds will be used for ventures with a positive social impact and to finance green projects. Environmentally Sustainable Management of Living Natural Resources&Land Use is one of the green categories for the use of proceeds and it aligns with SDG15 (Life on Land). In this category, loans will be used for: • Environmentally sustainable agriculture, such as farming certified as organic in compliance with the national regulation • Technologies that increase agricultural quality&productivity, and allow for effective use of natural resources
Investing (Asset manager)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Investing (Asset owner)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable >	

C-FS2.2f

**(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?**

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	İşbank requests climate related information for two objectives. (1) Scenario analysis and (2) ERET assessment (1) Scenario Analysis: İşbank intends to quantify the impact due to the climate change for high risk sectors. Therefore, İşbank needs climate related information of its customers. İşbank has started collecting structured data and this data collection is integrated in the climate risk measurement process. For example, energy generation is identified as a high-risk sector. To run scenario analysis, the Bank needs generation portfolio mixes and carbon emissions at company level and collects these data from its customers. As its scenario analysis capabilities mature, the Bank plans to embed the data collection in business-as-usual processes. (2) ERET: At İşbank, the potential environmental and social risks of all new investment projects worth more than USD 10 million are evaluated by the Environmental and Social Risk Evaluation Tool (ERET). Environmental and Social Risk Management Team evaluates investments against 26 different criteria such as use of natural resources, waste management, air, soil and water quality, noise, dust, occupational health and safety, social health and safety, resettlement and stakeholder engagement. As part of this evaluation process İşbank requires climate related information from its customers. This includes: • National EIA Application Report or Project Introduction Records: o Air Quality Modelling o Waste Heat Modelling o Hydrogeological Report o Sea Discharge Thermal Modelling • All legal approvals, licenses and permits for construction/operation phase: o EIA Affirmative Decision o Environmental Permits o Electricity Production License o Forest Permits o Water Consumption Permit o Well Drilling Permits o Waste Storage License o Industrial Waste Storage License • Environmental and Social Impact Assessment (ESIA), Environmental and Social Due Diligence (ESDD), Stakeholder Engagement Plan (SEP) or Non-Technical Summary (NTS) conducted by an Environmental Consultant • Other project specific management plans: o Air Quality and GHG Management Plan o Waste Management Plan o Water and Waste Water Management Plan • Ongoing lawsuits on environmental issues against project or project company
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

**C2.3**

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

**C2.3a**

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

Emerging regulation	Carbon pricing mechanisms
---------------------	---------------------------

**Primary potential financial impact**

Increased credit risk

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

The Intergovernmental Panel on Climate Change (IPCC) urges countries to act in order to limit the temperature rise to well below 2 degree Celsius above pre-industrial levels. Aligned with that call for action, the World Bank launched the Partnership for Market Readiness (PMR) in 2011 which is an assistance program to support developing countries in their efforts to reduce GHG emissions through market-based instruments (MBI). Within this program, Turkey was the first country to sign an agreement with the World Bank. As an initial output of the PMR with Turkey, the "Evaluation of Market-Based Emission Reduction Policy Options" report was published in 2018 which evaluates mechanisms to achieve Turkey's GHG emission reduction targets and suggests 5 potential mechanisms; Carbon tax, Energy Efficiency Trading Schemes, Renewable Energy Trading Schemes, Comprehensive Crediting Mechanism and Result Oriented Financing. The regulatory framework on 'Monitoring GHG Emissions' was published by the Ministry of Environment and Urbanization in 2014. Companies in select energy intensive sectors are required to monitor, report and verify their GHG emissions. The regulation paves the way for implementation of market-based emission reduction approaches such as Carbon Tax and Emissions Trading Scheme (ETS). İşbank expects to face the largest impact related to carbon pricing through its customers, which operate in carbon intense sector. Such a carbon tax may cause a deterioration in its clients' payment capacity and consequently may increase credit provisions allocated for these clients. One example of high-risk debtors would be the conventional energy generation companies in its credit portfolio, for which scenario analysis has already been conducted. The Bank is currently in the process of rolling this out to other carbon-intensive sectors, such as land transportation and cement.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

990489900

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Increased pricing of GHG emissions is expected to result in a shift in supply and demand equilibrium of the electricity market. In scenario analysis, İsbank has simulated 4 different carbon prices (\$5, \$15, \$22 and \$44 / tCO2e) considering peer practices and international benchmarks. The Bank has chosen a carbon price scenario of \$15/tCO2e as its central scenario and assumed a gradual implementation across three years. The new market equilibrium implies an increase in electricity price and a reduction in the volumes produced. Based on the new unit price, new electricity volume produced, and new unit costs the change in company financials is calculated. Changes in such critical financial metrics imply a change in cash flow and an impact on companies' ability to pay back existing credit obligations. In its selected sample for this scenario analysis, the total financial impact is calculated in terms of increased credit provisions and is around 990 MM TL (converted to TRY with 2020YE rates).

**Cost of response to risk**

4900000

**Description of response and explanation of cost calculation**

İsbank responds to these risks in three ways: • Risk management activities: Firms are closely monitored in the context of changes to their payment capacity and credit risk in line with the bank's risk management policies. Underwriting, monitoring and risk management teams closely assess the portfolio for exposure to increased credit risk. In 2020, to improve awareness and to increase İsbank's capabilities related to sustainability, environmental impact and climate risk management, the bank attended various workshops and conferences which incurred no additional operational expenses for the Bank since these events were held online. • Assessing environmental impact: To proactively spot climate related risks the bank uses an Environmental and Social Risk Evaluation Tool (ERET) for all new investment projects worth more than USD 10 million. Within the scope of ERET assessment, environmental and social monitoring activities are carried out through field visits by the Bank's experts. Due to Covid-19 pandemic, these visits were held online and incurred no additional costs to the bank in 2020. • Management focus: Senior leadership of the bank allocates time for climate risk management. In 2020, the bank collaborated with external advisors and enhanced its existing climate risk management capabilities further in terms of Governance, Process, Risk measurement and strategy. These external consultancy services resulted in additional costs to the Bank. In 2020, the total cost attributed to all those activities is estimated as 4,900,000 TRY.

**Comment**

**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
----------------	--

**Primary potential financial impact**

Devaluation of collateral and potential for stranded, illiquid assets

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

İsbank considers transition risks to be more relevant for the bank in the mid-term rather than in the near-term. However, it also considers that the Bank is exposed to certain physical risks (e.g. wildfires, floods) through its customers. One of the important areas for this exposure is the existing collateral base. In case of severe events, collaterals pledged to the bank may lose value due to damage to properties. For example, severe floods would cause İsbank's collateral book to decline in value. To assess the exposure of the collateral base to flood risk, the Bank has categorized its property liens into 5 risk categories based on their location.

**Time horizon**

Long-term

**Likelihood**

About as likely as not

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

1099729259

**Explanation of financial impact figure**

İsbank considered a hypothetical case to calculate the financial impact of devaluation of its collaterals due to flood risk. Three parameters were considered in the calculation. 1) Which cities can be considered high risk in terms of flood risk? Certain cities are more prone to flood risk than others. Based on historical flood data provided by the Meteorological Service of the Turkish State, the bank identified that around 62,4% of its collateral portfolio in terms of value is in high-risk cities. 2) What is the proportion of the value that will remain due to high flood risk? As part of the credit policies the collaterals need to be insured. However, the insurance pay-out may not cover

the flood damage in full (e.g. insurance coverage may be different than value, some collaterals may not be insured for certain risks). Therefore, only a portion of the value is assumed to remain after the flood events. A conservative assumption of 50% is used in quantification. Considering these 2 parameters, the bank estimated that flood risk related damages would lead to a decrease of the collateral book value by 31,019 MM TL at maximum. 3) What is the substantive portion of this risk? İşbank considers this risk as substantive only in case the customer in question defaults, therefore the total impact for this risk is calculated by the multiplication of the decrease of the collateral book value by the average probability of default. 12-month average observed default rate for 2020,01-2020,12, 3.54%, is used as a proxy to estimate average probability of default. Considering cities exposed to higher flood risk and distribution of İşbank's collaterals to these cities, potential value loss in collateral value due to flood as well as default cases where devaluation of collaterals will become substantive for the bank, the Bank estimated that flood risk related to damages would lead to a potential value decrease of 0 – 1,100 MM TL of its collateral book.

**Cost of response to risk**

0

**Description of response and explanation of cost calculation**

İşbank manages these risks in three ways: 1) Collateral view: As part of the risk assessment process, a physical risk heatmap is created incorporating various risk types. İşbank reviews collateral locations in the risk identification process to assess exposure to physical risks 2) Collateral valuation: İşbank periodically evaluates the value of collaterals that are pledged with collateral value review process 3) Insurance arrangements: As part of the credit process and policies, İşbank requires all properties to be insured. Given these mitigants form part of the Bank's business as usual practice, there is no additional cost assumed for managing these risks.

**Comment**

**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
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**Primary potential financial impact**

Increased credit risk

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

Due to its location and climate change Turkey is expected to face a mean temperature rise, which may result in water scarcity and drought. Water scarcity, drought and change in precipitation level affect the water-dependent sectors in our portfolio. İşbank expects its most critical exposures are to hydro-power plants which may be affected by water scarcity. Reduction in the power generation capacity and efficiency may cause deterioration of the Bank's clients' payment capacity and consequently may increase credit provisions allocated for these clients.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

335267617

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Although it is not possible to precisely estimate the change in mean temperature and the effect of drought on hydropower plants, İşbank considered average generation reduction of hydropower plants financed by İşbank in order to calculate the potential financial impact. Accordingly, it is estimated that drought would lead to an additional provision of 335,267,617 TRY based on the change in customers' payment capacity (converted to TRY with 2020YE rates).

**Cost of response to risk**

4900000

**Description of response and explanation of cost calculation**

İşbank responds to these risks in three ways: • Risk management activities: Firms are closely monitored in the context of changes to their payment capacity and credit risk in line with the bank's risk management policies. Underwriting, monitoring and risk management teams closely assess the portfolio for exposure to increased credit risk. In 2020, to improve awareness and to increase İşbank's capabilities related to sustainability, environmental impact and climate risk management, the bank attended various workshops and conferences which incurred no additional operational expenses to the Bank since these events were held online. • Assessing environmental impact: To proactively spot climate related risks the bank uses an Environmental and Social Risk Evaluation Tool (ERET) for all new investment projects worth more than USD 10 million. Within the scope of ERET assessment, environmental and social monitoring activities are carried out through field visits by the Bank's experts. Due to Covid-19 pandemic, these visits were held online and incurred no additional costs to the bank in 2020. • Management focus: Senior leadership of the bank allocates time for climate risk management. In 2020, the bank collaborated with external advisors and enhanced its existing climate risk management capabilities further in terms of Governance, Process, Risk measurement and strategy. These external consultancy services resulted in additional costs to the Bank. In 2020, the total cost attributed to all those activities is estimated as 4,900,000 TRY.s

**Comment**

**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Reputation	Increased stakeholder concern or negative stakeholder feedback
------------	--

**Primary potential financial impact**

Decreased access to capital

**Climate risk type mapped to traditional financial services industry risk classification**

Funding risk

**Company-specific description**

İşbank currently source 7.5 BN TRY green financing loans (energy efficiency and building efficiency loans) from international development banks. These facilities are provided to finance energy efficiency and renewable energy loans and projects and to support the transition to a low-carbon economy. Given the Bank's current efforts in financing the transition to a low-carbon economy, it can access these funds. However, in case the Bank fails to provide enough focus on such investments, existing green financing facilities may be suspended. Such suspension and inability to obtain new Green funding may result in the need to arrange for alternative funding, which could be more expensive.

**Time horizon**

Medium-term

**Likelihood**

About as likely as not

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

75047544

**Potential financial impact figure – maximum (currency)**

375237724

**Explanation of financial impact figure**

İşbank currently has access 7.5 BN TL green financing from IFC, EBRD, EIB and PROPARCO. An inability to meet the associated requirements in the loan agreements could result in suspension of existing green financing facilities. Details of these facilities are provided in the 2020 Integrated Report of İşbank and converted to TRY with USD/TRY 7.42 and EUR/TRY 9.12 (2020YE rates) İşbank calculated the potential financial impact based on a scenario with 2 main assumptions: 1) Loss of access to funding: Although it is challenging to estimate an exact impact, İşbank assumes 50% - 100% of the existing funding could be at risk if requirements in the loan agreements are not met. 2) Replacement of these funds at a higher cost: To replace these facilities, İşbank would need to approach alternative funding sources which are expected to be at a higher cost. In this hypothetical scenario, İşbank assumes the additional cost could be between 200bps to 500bps. This estimate is calculated based on the difference between the cost of green financing and traditional funding sources (e.g. bond issuance) Based on the Bank's assumptions, the potential financial impact will range from 75 MM TL to 375 MM TL.

**Cost of response to risk**

0

**Description of response and explanation of cost calculation**

İşbank manages these risks in two ways: (1) Credit process: If a customer is allocated a green financing loan which has certain obligations, İşbank passes through the requirements by clearly defining technical covenants on such lending arrangements. (2) Reporting: İşbank regularly reports on how funds are used to the development banks, to allow for monitoring and early identification of any issues. Given these mitigants form part of the Bank's business as usual practice, there is no additional cost assumed for managing these risks.

**Comment**

**Identifier**

Risk 5

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

Legal	Exposure to litigation
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**Primary potential financial impact**

Increased credit risk

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

In early 2020, several conventional energy generation plants in Turkey faced fines and suspension of their operations because of non-compliance with filtration requirements and lack of necessary environmental investments. A suspension of their operations may result in the loss of income due to a reduction in the electricity generation capacity for some of İşbank's customers. Changes in generation capacity may cause deterioration of the Bank's customers' payment capacity and consequently may increase credit provisions allocated for these customers.



**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

388031472

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

To calculate the financial impact, İsbank considered the short-term exposure to the affected firms that are exposed to this risk type, in its conventional energy generation portfolio. Accordingly, it is calculated that a suspension of activities would lead to a 388MM TRY ECL increase, as these customers' payment capacity and capacity utilization rates deteriorate (converted to TRY with 2020YE rates).

**Cost of response to risk**

4900000

**Description of response and explanation of cost calculation**

İsbank responds to these risks in three ways: • Risk management activities: Firms are closely monitored in the context of changes to their payment capacity and credit risk in line with the Bank's risk management policies. Underwriting, monitoring and risk management teams closely assess the portfolio for exposure to increased credit risk. In 2020, to improve awareness and to increase İsbank's capabilities related to sustainability, environmental impact and climate risk management, the bank attended various workshops and conferences which incurred no additional operational expenses to the bank since these events were held online • Assessing environmental impact: To proactively spot climate related risks the bank uses an Environmental and Social Risk Evaluation Tool (ERET) for all new investment projects worth more than USD 10 million. Within the scope of ERET assessment, environmental and social monitoring activities are carried out through field visits by the bank's experts. Due to Covid-19 pandemic, these visits were held online and incurred no additional costs to the bank in 2020. • Management focus: Senior leadership of the bank allocates time for climate risk management. In 2020, the bank collaborated with external advisors and enhanced its existing climate risk management capabilities further in terms of Governance, Process, Risk measurement and strategy. These external consultancy services resulted additional costs to the Bank. In 2020, the total cost attributed to all those activities is estimated as 4,900,000 TRY.

**Comment**

## C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.****Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&amp;D and innovation

**Primary potential financial impact**

Increased access to capital

**Company-specific description**

Development banks across the world are providing funds at a lower cost for initiatives that can evidence they are being used to mitigate climate change. İsbank can gain access to this type of funding at a lower cost by providing financing to customers with climate- and environment related products and services. At the same time, the Turkish government plans to help 1.7 million households to improve dwelling energy efficiency through thermal insulation. This initiative, which is part of the National Energy Efficiency Action Plan for 2017 and 2023, has two objectives in the buildings sector: expanding the use of renewable energy and promoting the use of central and district heating/cooling systems. Bringing the lower cost funding, the Turkish government plans and the bank's clients together can continue to generate an attractive business opportunity for İsbank. The Potential Financial Impact listed below reflects the volume of new capital which İsbank may gain access to by offering these products.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

3762980000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Potential impact is estimated based on the current funding volume: - In 2013, İsbank obtained a facility from PROPARCO focusing on energy efficiency in residential buildings that amounts to € 50 MM with 2 years remaining maturity as of 2021 - In 2014, İsbank sourced a facility from EIB focusing on energy efficiency in buildings that amounts to € 108,5 MM with 3 years remaining maturity as of 2021 - In 2015, İsbank obtained two facilities from EBRD focusing on energy efficiency in buildings that amounts to \$ 60 MM and \$ 15 MM with 1- and 9-years remaining maturity as of 2021, respectively - In 2017, İsbank obtained two facilities from IFC focusing on "Green Mortgages" that amounts to \$ 105 MM and \$ 20 MM with 5 years remaining maturity as of 2021.

**Cost to realize opportunity**

0

**Strategy to realize opportunity and explanation of cost calculation**

İsbank has already been a key player in providing financing solutions for residential energy efficiency and expects to continue capitalizing the opportunities in Green Mortgages in the next years. İsbank realizes these opportunities as a part of its business-as-usual activities in four ways: • Funding from international development banks: Financial Institutions (FIs) Division develops collaborations with international development banks to obtain financing in order to support the transition to a low carbon economy. • Disbursement of loans: Sales teams work closely with İsbank's customers. The focus of the bank's teams is to examine and understand their clients' financial needs. At a point where its customers' financial needs and İsbank's green products overlap, financial support is initiated. • Credit evaluation: The Project Finance team closely examines green projects, including resource efficiency and renewable energy investments, considering environmental protection, industrial pollution, and compliance with International Financial Institutions' requirements. • Management focus: Senior leadership of the bank is aware of climate-related opportunities. Recently the bank started collaborating with external advisors to enhance its existing climate related management capabilities. As a part of this work, a strategic review of all climate related opportunities was conducted, as outlined in FS2.2c. This review process will be further embedded in the bank business-as-usual processes going forward. The additional cost associated with the identification of strategic opportunities overlaps with the cost estimates provided for Risk 1 and 3. Given these are business as usual practices, there is no additional cost to realize these opportunities.

**Comment**

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&D and innovation

**Primary potential financial impact**

Increased access to capital

**Company-specific description**

Development banks across the world provide funding at a lower cost and/or longer maturity for initiatives that can evidence they are being used to mitigate climate change. İsbank can gain access to funding at a lower cost and/or with longer maturity by providing customers with climate- and environment related products and services. Above and beyond the initiatives targeting retail clients and the building sector described in Opportunity 1, the National Energy Efficiency Action Plan also targets a reduction of 23.9 million tons of oil equivalent by 2023. This will help reduce Turkey's reliance on fossil fuels and CO2 emissions. The reduction is to be achieved through targeted investment in sustainable energy projects in Turkey. At the same time projects to improve the resource efficiency of industrial equipment, systems and processes are to be realized. In this context, İsbank has obtained various loans focusing on energy efficiency, renewable energy and resource efficiency, which support the transition to a low-carbon economy for enterprises operating in Turkey. İsbank have sourced funds from EIB, EBRD, PROPARCO and IFC for this purpose. The funds obtained within the scope of energy efficiency, renewable energy and resource efficiency are usually long-term facilities and covers a broad range of sectors. The bank supports Turkey's transition to a low-carbon economy through effective disbursement of these funds.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

3741774484

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

The potential impact is estimated based on the current funding volume: - İsbank sourced two facilities from EIB focusing on energy efficiency amounting to € 75 MM and \$

111.2 MM with 3- and 8-years remaining maturity respectively - İsbank sourced five facilities from EBRD focusing on energy efficiency amounting to \$ 6.6 MM, € 50 MM, € 50 MM, \$ 55 MM and \$ 55 MM with 5, 3, 4, 7- and 3-years remaining maturity respectively - İsbank sourced a facility from PROPARCO focusing on energy efficiency amounting to € 50 MM with 1-year remaining maturity. -İsbank obtained funds from PROPARCO amounting EUR 25 million with 10 years maturity for the medium- and long-term financing of agriculture in general as well as energy and resource efficiency initiatives of SMEs engaged in agricultural and agribusiness sectors.

#### Cost to realize opportunity

0

#### Strategy to realize opportunity and explanation of cost calculation

İsbank places high importance in supporting transition of commercial enterprises to the low-carbon economy. İsbank has been a key player in providing financing opportunities to the commercial enterprises to improve the energy and resource efficiency of Turkish economy. İsbank realizes these opportunities as a part of its business-as-usual activities in four ways: • Funding from international development banks: Financial Institutions (FIs) team develops collaborations with international development banks to source facilities in order to support the transition to a low carbon economy. • Disbursement of loans: Sales teams are closely working with İsbank's customers. The focus of the bank's teams is to examine and understand the bank's customers' financial needs in their businesses. At a point where its customers' financial needs and İsbank's green products overlap, financial support is initiated. • Credit evaluation: Project Finance team examines closely the green projects including resource efficiency and renewable energy investments in terms of environmental protection, industrial pollution, and compliance with International Financial Institutions' requirements. • Management focus: Senior leadership of the bank is aware of climate-related opportunities. Recently the bank started collaborating with external advisors to enhance its existing climate related management capabilities. As a part of this work, a strategic review of all climate related opportunities was conducted, as outlined in FS2.2c. This review process will be further embedded in the bank business-as-usual processes going forward. The additional cost associated with the identification of strategic opportunities overlaps with the cost estimates provided for Risk 1 and 3. Given these are business as usual practices, there is no additional cost to realize these opportunities.

#### Comment

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#### Identifier

Opp3

#### Where in the value chain does the opportunity occur?

Downstream

#### Opportunity type

Products and services

#### Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

#### Primary potential financial impact

Increased revenues resulting from increased demand for products and services

#### Company-specific description

To foster renewable energy generation in Turkey, the Presidency of the Republic of Turkey and Ministry of Energy and Natural Resources have launched initiatives in their strategic plans, cementing the nation's shift towards renewable energy generation over the past few years. The Presidency of the Republic of Turkey published the 11th development plan in July 2019, expressing an objective of increasing the share of renewable electricity generation by 2023. (Table 27: Energy Sector Targets) Aligned with this agenda, the strategic plan of the Ministry of Energy and Natural Resources expressed a target of increasing the share of local and renewable energy generation in term of installed capacity from 59% to 65% (Ministry of Energy and Natural Resources 2019-2023 Strategic Plan Objective #1, Target 1.1). Following this agenda, İsbank has already shifted its focus in the energy sector to financing of renewable energy production over the past few years. Since 2015, all new project financing provided in energy production sector were allocated to renewable energy projects. In 2020, İsbank financed 45 projects in the fields of hydro, biomass, solar, wind energy and geothermal, with a total installed power of 1.950 MW. Through İsbank's financing activities in the renewable energy sector, the bank has acquired in-depth knowledge of renewable energy financing, developed tailored processes, tools and products for financing renewable energy generation projects, and built relationship with key players and investors in this market.

#### Time horizon

Short-term

#### Likelihood

Very likely

#### Magnitude of impact

High

#### Are you able to provide a potential financial impact figure?

Yes, an estimated range

#### Potential financial impact figure (currency)

<Not Applicable>

#### Potential financial impact figure – minimum (currency)

297397910

#### Potential financial impact figure – maximum (currency)

346964228

#### Explanation of financial impact figure

İsbank is planning to continue financing renewable energy sector moving forward in the coming years: - In 2019, 75 renewable energy projects were financed by İsbank and the total funding to these projects was approximately 1.3 BN TRY. - In 2020, 45 renewable energy projects were financed by İsbank and the total funding to these projects was approximately 2.6 BN TRY. The potential volume İsbank will finance in renewable energy is calculated based on an increase in the total funds provided to renewable energy projects from 2019 to 2020. Given the volume, an expected return of 6% to 7% is assumed based on the historical data. This will yield an income with an expected range of 297 to 346 MM TRY. We would like to note that some of the facilities stated in Opportunity 2 may also be used for financing renewable energy projects. We expect this overlap to be minimal.

#### Cost to realize opportunity

18500

#### Strategy to realize opportunity and explanation of cost calculation

İsbank already realizes these opportunities as a part of its business-as-usual, mainly in four ways: • Funding from international development banks: Supporting renewable energy investments is extremely important for enabling the transition to a low carbon economy. Aligned with this view, the Financial Institutions (FIs) Division develops collaborations with international development banks to source facilities for renewable energy generation projects. • Disbursement of loans: Sales teams work closely with

the bank's customers. The focus of the bank's teams is to examine and understand customers' financial needs. At a point where its customers' financial needs and İsbank's green products overlap, financial support is initiated. After 2015, all new project financing provided for electricity generation investment was allocated to renewable energy projects. Additionally, the bank offers green products to both retail and non-retail customers. For example, "İşte Güneş (Solar Loan by İsbank)" targets companies looking for solar investments financing to install solar energy plants on the roofs of their industrial facilities for self-consumption. Similarly, the bank has a green mutual fund (TEMA Environmental Variable Fund) to allow investors to put their savings into environment friendly investments. In 2020, İsbank attended various workshops and sponsored conferences where stakeholders were informed about the renewable energy sector in Turkey, İsbank's green products and solar investments incentives.

- Credit evaluation: The Project Finance team closely examines renewable energy generation projects in terms of environmental protection, industrial pollution, and compliance with legal criteria.
- Management focus: Senior leadership of the bank is aware of climate-related opportunities. Recently the bank started collaborating with external advisors to enhance its existing climate related management capabilities. As a part of this work, a strategic review of all climate related opportunities was conducted, as outlined in FS2.2c. This review process will be further embedded in the bank business-as-usual processes going forward. The additional cost associated with the identification of strategic opportunities overlaps with the cost estimates provided for Risk 1 and 3. İsbank estimates all costs for attending workshops and conferences to be around 18,500 TRY in 2020.

#### Comment

#### Identifier

Opp4

#### Where in the value chain does the opportunity occur?

Direct operations

#### Opportunity type

Resource efficiency

#### Primary climate-related opportunity driver

Use of more efficient modes of transport

#### Primary potential financial impact

Reduced direct costs

#### Company-specific description

As a part of our low-carbon transition plan, we're planning to transform our company vehicle fleet with more environmentally-friendly options (hybrid, plug-in hybrid, fully electric). This transformation will proceed incrementally and will result us with reduced direct costs of our fuel consumption & reduced Scope 1 emissions.

#### Time horizon

Short-term

#### Likelihood

Virtually certain

#### Magnitude of impact

Low

#### Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

#### Potential financial impact figure (currency)

232181.6

#### Potential financial impact figure – minimum (currency)

<Not Applicable>

#### Potential financial impact figure – maximum (currency)

<Not Applicable>

#### Explanation of financial impact figure

Financial impact figure of this particular opportunity is calculated by the assumption of not transforming our diesel engined company vehicles with hybrid ones. If we don't seize the opportunity and transform our diesel engined cars with hybrid ones, there will be an additional cost related to fuel usage. This additional cost calculation is based on the difference between conventional usage scenario of diesel engined company fleet and transformation of 10% of this particular fleet with hybrid cars. To calculate the cost advantage of this transformation, Following data have been used: a) Annual fuel cost of our diesel engined company fleet (100% diesel, conventional scenario) b) Annual fuel cost of our transformed fleet (90% diesel) c) Annual fuel cost of our transformed fleet (10% hybrid) Total cost advantage of transformation = a-(b+c) = 232,181.60 TRYs

#### Cost to realize opportunity

0

#### Strategy to realize opportunity and explanation of cost calculation

There is no associated cost of seizing this particular opportunity.

#### Comment

This particular opportunity is based on the scenario of not transforming our diesel engined company vehicles with hybrid ones.

## C3. Business Strategy

### C3.1

#### (C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

### C3.1a

#### (C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, but we intend it to become a scheduled resolution item within the next two years	As of reporting year, we've worked and contemplated ways to incorporate climate risks & opportunities into key processes, such as the annual strategic planning process, the annual ICAAP process, and the annual Risk Appetite process. We've also upgraded our risk taxonomy (the backbone of our risk management framework), positioning climate risk as a strategic risk, and began to extend its definition to include all types of climate risks (both transition and physical risks) based on TCFD and international regulator recommendations. Parallel to the establishment of our corporate risk culture related to climate & sustainability, we've set our ambition with short, medium & long-term climate targets (as 2025, 2030, 2035 respectively) approved by our Board covering the next 15 years of İsbank. These efforts form the foundations of our low-carbon transition plan which drive our business strategy & financial planning. As of this year, we've also committed to Science Based Targets Initiative to align the targets of our low-carbon transition plan with climate science. We are planning to integrate more ESG focus to our Annual Report beginning in 2022. We intend to include actions, strategies and targets related to our sustainability efforts including our emission reduction targets into the Report. Annual Reports should take place as an item in Annual General Meeting agenda according to rules and regulations in Turkey. Therefore we will have a chance to disclose our sustainability performance through our Annual Report. This will enable us to demonstrate transparency over our low-carbon transition plan and helps our investors, & other stakeholders, to assess the extent to which İsbank is committed to align its business model for successful net-zero carbon economy.

### C3.2

#### (C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

### C3.2a

#### (C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
Other, please specify (UNEP FI's Scenario Analysis)	Given the growing importance of risks and opportunities arising from climate change, İsbank is increasingly incorporating climate considerations into business-as-usual processes. In 2020, İsbank has worked with Oliver Wyman to further integrate climate change risk into its risk management framework. With this project, İsbank has upgraded its risk taxonomy (the backbone of its risk management framework and risk identification), positioned climate risk as a strategic risk, and extended its definition to include all types of climate risks (both transition and physical risks) based on TCFD and international regulator recommendations. Also, İsbank's Climate Change Risk Policy, Methodology and Principles Regarding the Measurement and Management of Climate Change Risk (includes the methodology and principles for conducting climate risk heat map and scenario analysis) and Climate Change Risk RACI Matrix documents have been established by Risk Committee, approved by the Board and came into effect in 2021. İsbank plans to integrate climate risk into its risk appetite framework in 2021, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transport, cement production, etc. Bank's risk profile and any breaches in the risk appetite or risk tolerance limits will be monitored by Risk Management Division and Risk Committee and will be escalated to the Board for further actions. In addition, İsbank disclosed its climate change risk management framework and objectives in its 2020 ICAAP report. The Bank currently does not calculate any additional capital requirement for climate change risk, but plans to do so as the regulatory awareness and risk measurement abilities improve. With regard to portfolio's exposure to climate-related risks, İsbank considers and analyses its non-retail credit portfolio covering all sectors. İsbank's non-retail credit portfolio constitutes 75% of the total credit portfolio as of YE2020. As a first step of the risk assessment, İsbank creates a sectoral risk heatmap to identify priority areas (e.g. sectors and risk events) in the portfolio by combining both a qualitative and a quantitative assessment. For the qualitative part, İsbank combines climate risk related literature, external studies and expert input to assess climate risk level. The qualitative assessment is translated into a 5-grade risk scale (high, high-mid, mid, mid-low, low) to assess vulnerability of each sector to climate change risks. For the quantitative assessment, İsbank follows UNEP-FI's scenario analysis approach. The potential impact of climate related risks is assessed by stressing financial statements of a sample of companies operating in the high-risk sectors. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply and demand dynamics of the sectors in which they operate. Based on the stressed financials, PD models or ECL calculation process are re-run to analyze impact on Probability of Default (PD) or ECL. Finally, the impact is extrapolated to the portfolio in case needed. One example of the type of analysis conducted is the assessment of the potential impact on İsbank's energy generation sector credit portfolio.

### C3.3

**(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	We're proactively scanning the risk horizon considering climate-related risks & opportunities that have a substantive effect on our business strategy from products & services perspective. The majority of influence that climate-related risks and opportunities have on our business strategy is related to opportunities arising from products and services. To assess climate-related opportunities on our products and services, the bank first develops a long list of opportunities by reviewing literatures and market growth estimates for different products & services and by collaborating with leading external climate experts. After that, the bank prioritizes climate related opportunities based on strategic fitness and customer needs. Green opportunities have always been high on İsbank's agenda and the bank has done considerable amount of work in these areas across years. These opportunities include extending green financing provided by International Development Banks to its clients, financing of renewable energy investments, ESG investment products for retail customers and green loans. For example: • After 2015, 100% of the new project financing provided by İsbank for electricity generation investments were allocated to renewable energy projects. This is targeted for 2021 as well. • In 2020, 45 renewable energy projects were financed by İsbank and the total funding to these projects was approximately 2.6 BN TRY. • As of the end of 2020, total installed power of renewable energy projects financed by İsbank in 2020 was 1,950 MW, the total installed power to date reached 9,170 MW. The amount of clean energy generated by the projects financed by the Bank was 63.7 million MWh in the last 3 years. • In 2019, İsbank issued its first Green Bond. Funds from the bond will be used to finance projects with positive environmental impact mainly in the fields of renewable energy, energy/resource efficiency. This issuance is also the first 100% Green Eurobond transaction performed by a Turkish bank. •In 2020 we financed the largest sustainability-linked loan deal in Turkey as part of a consortium of seven banks with a total amount of 650 million Euro credit extended to EnerjiSa, a leading power generation company. As part of the agreement, commitments were made by EnerjiSa to significantly increase the share of renewable energy and to attain the best standards in gender equality.
Supply chain and/or value chain	Yes	Our climate-related risk & opportunity identification, assessment and response efforts cover different stages of our value chain from upstream to our operations and downstream. That's why, all value chain and its influence on our business strategy is covered considering climate-related risks and opportunities.
Investment in R&D	No	As an actor of financial services sector, Investment in R&D from a climate change perspective does not directly influence our business strategy. Yet we are responding to the need of investment in R&D, targeting climate change mitigation & adaptation by the help of our lending activities. As R&D and Innovation are among the most effective tools of today's global economy against climate change, İsbank actively provides financing to different actors with its loan solutions.
Operations	Yes	İsbank may suffer from operational losses due to climate change. The bank evaluates & manages risks & opportunities related to its operations, and informs its business strategy and financial planning. Parallel to this fact, we've implemented and will continue to implement various efforts to decrease these impacts related to climate change & seize the opportunities that low carbon future brings. To mitigate these risks we've invested in various areas; - TUTOM is an environmentally friendly building with LEED Gold certification. Systems that provide energy efficiency and reduce resource consumption (lighting automation, photocell armatures, etc.) are used in the building. Recycling is also supported by waste separation. - Atlas Data Center, which was built by considering nature-friendly solutions at every stage (project design to the completion of the construction), is the first LEED v4 Building Design + Construction in Turkey as one of the few data center projects in the world. Energy efficiency is considered as a high priority in all service systems used within the scope of the project. Energy efficiency standard "ASHRAE 90.1.2010" requirements are prioritized in the design and selection of lighting fixtures, heating, cooling, ventilation & lighting automation. In addition, ENERGY STAR criteria were taken into account in the selection of IT equipment. The energy consumption of building systems designed in accordance with international standards is evaluated over the efficiency of the selected devices, and possible inefficiencies are determined & corrected while still in the design phase. Rain water is collected from hard floors other than the roof & parking lot and is stored together with the air conditioner drainage water resulting from cooling equipment. Stored water is reused in landscape irrigation & reservoirs. Thanks to the efficient armatures used in the building and reuse of rain and condensate water, more than 50% water efficiency has been achieved. And also we plan to transform our operations into paperless. İsbank ran a couple of initiatives in 2020 in order to decrease the consumption of paper. Digitalization in channels & branches ended with more than 10 mio digitally approved contracts in 2020. As a result of this, we decreased the total consumption of paper by 32%, which means 71 mio pages and saving of nearly 1000 trees.

**C3.4**

**(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Access to capital Assets	Climate-related risks and opportunities influence our business strategy and financial planning as we take current & possible impacts of changing climate on our revenue streams, direct & indirect costs, ability to access capital and assets. From a risk & opportunity perspective, "revenues" component of our financial planning is influenced when we seize the climate-related opportunity, resulting as a revenue increase due to demand for products and services. In contrast, when we can't cope with today's changing climate reality as our revenue streams may suffer badly because of inability to meet the demand, loss of market position & competitiveness. These particular issues highlight the influence of climate-related risks and opportunities on one of the most important components of our financial planning process: Revenues. Apart from revenues, direct & indirect costs arising from climate related risks and opportunities influence our financial planning, varying from costs of response to climate risks, costs to realize climate-related opportunities to possible costs of climate on our assets. Another important dimension of climate's influence on the Bank's financial planning is "Access to finance". To this date İsbank has obtained over 7.5 BN TRY green financing loans from international development banks. However, in case the bank fails to provide enough focus on such investments, existing green financing facilities may be suspended. Such suspension and inability to obtain new green funding may result in the need to arrange for alternative funding, which could be more expensive. That's why İsbank actively considers scenarios of "decreased access to finance" from a funding risk perspective and take into account its possible financial impact as we go through with our annual financial planning process.

**C3.4a**

**(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

**C-FS3.6**

**(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?**

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

**C-FS3.6a**

**(C-FS3.6a) In which policies are climate-related issues integrated?**

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Risk policy Other, please specify (Sustainability Policy, Environmental & Social Impact Policy)	All of the portfolio	Climate related issues take place in our Sustainability Policy and Environmental & Social Impact Policy. These particular policies cover our whole lending portfolio. The sustainability policies set forth the founding principles and basics with regard to minimizing our negative environmental impact as well as maximizing the positive impacts of the business and other activities of both the Bank and its clients. İşbank takes measures for the prevention and/or minimization of negative environmental impact arising from its operational activities, ensures that its resource and energy efficiency is increased and supports projects for improvement in this field. We commit to reduce our negative impact on climate. Within this context, we aim to improve our performance on energy consumption. We set objectives to regularly measure our greenhouse gas emissions, which are the main reason of climate change, and engage in activities to reduce those in line with our commitments for reduction, and undertake to share the obtained results with all the stakeholders. We inform our clients on the issues of climate change and sustainability, and support them in the development of environmental and/or sustainability practices. Within the scope of the struggle against the climate change, we support investments for renewable energy, energy efficiency, recycling and waste reduction, all of which have an important role in the sustainable development of our country. We commit to play an active role in transition to a low-carbon economy and respond to the demands of public on the axis of sustainability in new product & service development processes. Sustainability action plans are executed under the documents which include our business program and strategic plans. İşbank's Climate Change Risk Taxonomy, Climate Change Risk Policy, Methodology and Principles Regarding the Measurement and Management of Climate Change Risk and Climate Change Risk RACI Matrix have been established by Risk Committee, approved by the Board and came into effect in 2021. Climate Change Risk Policy regulates the principles and procedures regarding the identification, definition, assessment and/or measurement, monitoring, control, reporting and management of climate change risks that the Bank may be exposed to as a result of its activities. İşbank's climate change risk management process is carried out within the framework of the three lines defence approach. The governance structure is defined in the "Roles and Responsibilities Matrix (RACI matrix)" attached to the Climate Change Risk Policy. These policies/documents are reviewed at least yearly by Risk Management Division and Risk Committee and any changes made come into effect by Board's approval. Processes related to the management of climate change risk and compliance with policy provisions are audited by the Internal Audit Division of the Bank.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Other, please specify (Sustainability Policy, Environmental & Social Impact Policy)	All of the portfolio	Climate related issues take place in our Sustainability Policy and Environmental & Social Impact Policy. These particular policies cover the development and use phases of our products and services. The sustainability policies set forth the founding principles and basics with regard to minimizing our negative environmental impact as well as maximizing the positive impacts of the business and other activities of both the Bank and its clients. İşbank takes measures for the prevention and/or minimization of negative environmental impact arising from its operational activities, ensures that its resource and energy efficiency is increased and supports projects for improvement in this field. We commit to reduce our negative impact on climate. Within this context, we aim to improve our performance on energy consumption. We set objectives to regularly measure our greenhouse gas emissions, which are the main reason of climate change, and engage in activities to reduce those in line with our commitments for reduction, and undertake to share the obtained results with all the stakeholders. We inform our clients on the issues of climate change and sustainability, and support them in the development of environmental and/or sustainability practices. Within the scope of the struggle against the climate change, we support environmental investments for renewable energy, energy efficiency, recycling and waste reduction as well as the protection and recovery of environmental conditions, all of which have an important role in the sustainable development of our country. We commit to play an active role in transition to a low-carbon economy and respond to the demands of public on the axis of sustainability in new product & service development processes. In 2020 "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" has been added to the Exclusion List which is disclosed as an annex to İşbank Environmental and Social Impact Policy, Sustainability action plans are executed under the documents which include our business program and strategic plans.

**C4. Targets and performance**

**C4.1**

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Absolute target

**C4.1a**

**(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.**

**Target reference number**

Abs 1

**Year target was set**

2019

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based)

**Base year**

2018

**Covered emissions in base year (metric tons CO2e)**

87487.6

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2025

**Targeted reduction from base year (%)**

38

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

54242.312

**Covered emissions in reporting year (metric tons CO2e)**

77822.3

**% of target achieved [auto-calculated]**

29.0726914442733

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

Well-below 2°C aligned

**Please explain (including target coverage)**

Our Scope 1 + 2 GHG emissions target for 2025 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2025 target are: • Energy efficiency targets & their applications (Energy efficiency in our HQ and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System)). • Renewable energy installments for our self electricity consumption. • Procurement of renewable electricity. • Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand. Considering the cumulative impact of the strategic pillars & sources mentioned above, our scope 1 + 2 emissions target for 2025 is set as 38% with respect to our baseline year. This 38% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installments, digitalization of banking services and our procurement of renewable electricity. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

**Target reference number**

Abs 2

**Year target was set**

2019

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based)

**Base year**

2018

**Covered emissions in base year (metric tons CO2e)**

87487.6

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2030

**Targeted reduction from base year (%)**

65

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

30620.66

**Covered emissions in reporting year (metric tons CO2e)**

77822.3

**% of target achieved [auto-calculated]**

16.9963426904982

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

Well-below 2°C aligned

**Please explain (including target coverage)**

Our Scope 1 + 2 GHG emissions target for 2030 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Main strategic pillar & source for achieving our 2030 target is: • Procurement of renewable electricity. Considering this particular strategic pillar & source mentioned above and by the help of our energy reduction efforts till 2025, our scope 1 + 2 emissions target for 2030 is set as 65% with respect to our baseline year. This 65% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installements, digitalization of banking services and our procurement of renewable electricity. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

**Target reference number**

Abs 3

**Year target was set**



2019

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based)

**Base year**

2018

**Covered emissions in base year (metric tons CO2e)**

87487.6

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2035

**Targeted reduction from base year (%)**

100

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

0

**Covered emissions in reporting year (metric tons CO2e)**

77822.3

**% of target achieved [auto-calculated]**

11.0476227488238

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

Well-below 2°C aligned

**Please explain (including target coverage)**

Our Scope 1 + 2 GHG emissions target for 2035 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2035 target are: • Energy efficiency targets & their applications (Energy efficiency in our HQ and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System). • Renewable energy installments for our self electricity consumption. • Procurement of renewable electricity. • Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand. • Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035. Considering the cumulative impact of the strategic pillars & sources mentioned above, we aim to be a "Carbon Neutral Bank" with a 100% scope 1 + 2 emissions reduction target for 2035. This 100% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installments, digitalization of banking services, our procurement of renewable electricity and carbon offsetting efforts. Following the actualization of our 2025 and 2030 targets, remaining portion of Scope 1 + 2 emissions will be offsetted. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

**C4.2**

**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

No other climate-related targets

**C4.3**

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

**C4.3a**

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*		
Implementation commenced*		
Implemented*	3	3896.3
Not to be implemented		

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

**Initiative category & Initiative type**

Energy efficiency in buildings	Lighting
--------------------------------	----------

**Estimated annual CO2e savings (metric tonnes CO2e)**

2186.07

**Scope(s)**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

4186000

**Investment required (unit currency – as specified in C0.4)**

23614215

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

LED Lighting transformation project on our branches is going on since 2015. LED conversions are carried out in our branches that are renovated or in need because of low lighting level. Until today, LED conversion has been completed in approximately 500 branches. Since this conversion process is carried out together with our branch renovation activities, we do not have the exact spending data related to this particular effort but as we have an average of 40 luminaires in our branches, (and considering that 1 luminaire is approximately 272.96 TRYs (with an average 8.04 EUR/TRY exchange rate of 2020)), the expenditure made up to this day is approximately 7,284,412 TRYs. At the end of 2025, when the transformation of all our 1192 branches is completed, an approximate of 23,614,215 TRYs will be spent. When the transformation of all branches is completed, 4,600,000 kWh of electrical energy will be saved annually with a financial equivalent of 4,186,000 TRY with the current electricity unit price. Estimated annual CO2e savings (metric tonnes CO2e) is calculated with 4,600,000 kWh saved electrical energy annually and Turkey's grid emission factor for 2020.

**Initiative category & Initiative type**

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)
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**Estimated annual CO2e savings (metric tonnes CO2e)**

222.76

**Scope(s)**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

426562

**Investment required (unit currency – as specified in C0.4)**

10552500

**Payback period**

21-25 years

**Estimated lifetime of the initiative**

3-5 years

**Comment**

In 2020, air conditioners have been completely renewed in 17 buildings (a total of 342 ac units). Approximately a sum of 250 air conditioners will have been changed in this way as the end of 2021. During the lifetime (2019-2022) of the initiative, 750 air conditioners will be replaced. The annual average consumption of an air conditioner is approximately 1,800 kWh, and it decreases to 1,175 kWh with an inverter air conditioner. In this case, it is expected to save 30-35% in the consumption of these devices. At the end of 2022, when the transformation of 750 air conditioners is completed, 468,750 kWh of electrical energy will be saved annually with an approximate financial equivalent of 426,562 TRY considering the current electricity unit price. A unit price of 1750 EUR (equals to 14,070 TRYs with an average 8,04 EUR/TRY exchange rate of 2020) is used when calculating investment required for air conditioner transformation. With this approach, a total of 10,552,500 TRYs is required for the whole air conditioner transformation. Estimated annual CO2e savings (metric tonnes CO2e) is calculated with 468,750 kWh saved electrical energy annually and Turkey's grid emission factor for 2020.

**Initiative category & Initiative type**

Energy efficiency in buildings	Building Energy Management Systems (BEMS)
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**Estimated annual CO2e savings (metric tonnes CO2e)**

1487.47

**Scope(s)**

Scope 1

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

2851426

**Investment required (unit currency – as specified in C0.4)**

18747400

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

3-5 years

**Comment**

Automation renovation, which covers all systems, (lighting, heating, cooling and CCTV) is planned to be performed in the Head Office building. With renovation, existing lighting fixtures will be replaced with LED fixtures. Lighting will be automatically dimmed & turned on by means of the sensors based on the amount of light in the floors during the day. All systems such as heating-cooling, fire & lighting will be integrated into the BAS, and consumption analyses will be made through the central automation. With scenarios created by the analyses, reducing consumption is targeted. Another automation-related ongoing project is remote consumption monitoring of branches. With this, all consumption data will be obtained automatically, enabling better management, control & reporting. Although we do not have a direct saving target for the scope of our remote monitoring project, it is thought that our branches will use resources more efficiently, and malfunctions & deviations in resource consumption can be detected earlier, in line with the data we will obtain by monitoring & analysis of the systems. However indirectly, there will be opportunities to save electricity, water & fuel consumption. For the system to be established, approximately TRY 18,747,400 will be invested in a 3-year period. After the establishment of the system, it is thought that there will be an opportunity of 5% annual savings, especially in electricity consumption, with a financial equivalent of TRY 2,851,426.

**C4.3c****(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Compliance with regulatory requirements/standards	Investments required by standards such as ISO14001 are supported by the Bank. The budgets of systems such as automation, remote monitoring and LED conversion, which will contribute to environmental management systems with opportunities such as monitoring consumption and detecting losses, are provided within the framework of this understanding.
Internal incentives/recognition programs	One particular method we use to drive investment in emissions reduction activities is internal incentives/recognition programmes. As stated in detail also in C1.3a, some division heads have an energy efficiency target which shall be sustained below the internally defined threshold. This efficiency threshold & target is assured via these division heads' performance card which drive his/her efforts in terms of designing & applying appropriate emissions reduction activities.
Dedicated budget for energy efficiency	Investments required by standards such as ISO14001 are supported by the Bank. The budgets of systems such as automation, remote monitoring and LED conversion, which will contribute to environmental management systems with opportunities such as monitoring consumption and detecting losses, are provided within the framework of this understanding.

**C4.5****(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

**C4.5a****(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.****Level of aggregation**

Product

**Description of product/Group of products**

Green Bonds are the most prominent financial instruments to increase the flow of private capital into low-carbon sectors, and in general environmentally friendly projects. In line with this importance, İsbank issued its first Green Bond on August 21st, 2019. This issuance is also the first 100% Green Eurobond transaction performed by Turkish banks. The issuance amount of the bond is USD 50 million and the term of the bond is 10 years. The first 100% green bond issue in Turkey is important as it reflects the holism of İsbank's sustainability approach, it provides access to a different investor base, and as it is a long-term funding. In January 2020, İsbank Sustainability Bond Framework was established to enable issuing Eurobonds, which have an important share in non-deposit funding sources, also in the form of green, social or sustainability bonds. In addition to projects with positive environmental impact in the areas of renewable energy, energy efficiency, recycling, organic agriculture, clean transportation, green buildings and circular economy; the funds to be generated from the bond issuances under the Framework will also be allocated to finance loans with positive social impact such as the financing of SMEs and women entrepreneurs in underdeveloped regions. A second party opinion was obtained for the Framework, which was prepared in accordance with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association (ICMA). In February 2021, İsbank issued its second green Eurobond with an issue amount of USD 13 million and a maturity of 5 years within the context of its Sustainability Bond Framework.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Green Bond Principles (ICMA)

**% revenue from low carbon product(s) in the reporting year****% of total portfolio value****Asset classes/ product types**

Bank lending	Other, please specify (Green Bond)
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#### Comment

Green Bonds are the most prominent financial instruments to increase the flow of private capital into low-carbon sectors, and in general environmentally friendly projects. In line with this importance, İsbank issued its first Green Bond on August 21st, 2019.

#### Level of aggregation

Group of products

#### Description of product/Group of products

In transitioning to low carbon economy, encouraging alternative energy resources is paramount. Renewable energy investments should support not only fight against the impacts arising from climate change but also social development through new areas of employment such investments create. By providing financing for renewable energy projects, İsbank contributes to the reduction of risks and impacts stemming from by climate change. Since 2015, all new project financing provided by İsbank for electricity generation investment was allocated to renewable energy projects. This was targeted for 2020 as well. As of the end of 2020, the share of renewable energy financing in the total power generation projects portfolio was 69,5%, and in total financing was 7.5%. While İsbank continues to increase its financing support for renewable energy production, it continues its efforts to reduce its financing share of energy generation from coal and natural gas fired power plants in its energy portfolio. Recently "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" has been added to the Exclusion List.

#### Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

#### Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

#### % revenue from low carbon product(s) in the reporting year

#### % of total portfolio value

#### Asset classes/ product types

Bank lending	Project Finance
--------------	-----------------

#### Comment

İsbank raise its financial support for renewable energy projects and diversifies its products in this area every passing year. As of the end of 2020, renewable energy projects accounted for 69,5% of the total energy generation projects portfolio of İsbank.

#### Level of aggregation

Product

#### Description of product/Group of products

In line with its mission of being a pioneer and leading bank in sustainable energy industry, İsbank developed, and made available for use by its customers in 2019, a commercial loan product for financing unlicensed solar energy plants (SEP) to be installed on the roofs of industrial facilities for self-consumption. "Solar Loan by İsbank (İş'te Güneş Kredisi)" aims to assist in developing and spreading the efficient, flexible, concurrent production-consumption model which is spread to the base, called "distributed production," and in providing service for the energy transformation process on macro scale.

#### Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

#### Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

#### % revenue from low carbon product(s) in the reporting year

#### % of total portfolio value

#### Asset classes/ product types

Bank lending	Commercial Loans
--------------	------------------

#### Comment

İsbank launched a commercial loan product called "Solar Loan by İsbank" intended for unlicensed solar energy plants to be installed on the roofs of industrial facilities for self-consumption.

#### Level of aggregation

Product

#### Description of product/Group of products

A first in Turkey, TEMA Environmental Variable Fund is a product developed to allow environmentally-friendly investors to use their savings to promote environmental efforts. With the resource allocated from the Fund to TEMA, sustainable financing is provided for environmental projects. The fund, allocating part of its portfolio to invest in businesses which have effective environmental management systems in place, emphasizes that businesses which pay regard to environmental impacts will achieve better financial results in the long term.

#### Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

#### Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Bank's own taxonomy)

#### % revenue from low carbon product(s) in the reporting year

0.03

#### % of total portfolio value

0.05

**Asset classes/ product types**

Investing	Other, please specify (Variable Fund)
-----------	---------------------------------------

**Comment**

TEMA Environmental Variable Fund is a product developed to allow environmentally-friendly investors to use their savings to promote environmental efforts. % revenue and % of total portfolio value figures are indicating a range between 0% - 2%. Revenues & total portfolio values of TEMA Environmental Variable Fund are no more than 2%.

**Level of aggregation**

Product

**Description of product/Group of products**

"Maximum TEMA Card": A first in the industry, Maximum TEMA Card enables the Bank to contribute to the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA) by 0.02% of the amount of each transaction carried out by our customers with this card. Maximum TEMA Card and printed materials are produced from card plastic and raw materials that do not harm the environment.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product and avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Bank's own taxonomy)

**% revenue from low carbon product(s) in the reporting year**

2

**% of total portfolio value**

2

**Asset classes/ product types**

Bank lending	Other, please specify (Credit Card Solution)
--------------	--

**Comment**

Maximum TEMA Card enables the Bank to contribute to the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA) by 0.02% of the amount of each transaction carried out by our customers. % revenue and % of total portfolio value figures are indicating a range between 0% - 2%. Revenues & total portfolio values of Maximum TEMA Card are no more than 2%.

**Level of aggregation**

Product

**Description of product/Group of products**

By our variable fund "Electric Vehicles Mixed Fund", at least 80% of the Fund's total value is invested in capital market instruments of both domestic and foreign companies producing electric vehicles and/or components or services for electric vehicles ecosystem.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Bank's own taxonomy)

**% revenue from low carbon product(s) in the reporting year**

0.42

**% of total portfolio value**

2.19

**Asset classes/ product types**

Investing	Other, please specify (Variable Fund)
-----------	---------------------------------------

**Comment**

By our variable fund "Electric Vehicles Mixed Fund", at least 80% of the Fund's total value is invested in capital market instruments of both domestic and foreign companies producing electric vehicles and/or components or services for electric vehicles ecosystem.

**Level of aggregation**

Product

**Description of product/Group of products**

Green Vehicle Loans: İşbank plays an important role in lending to 0 km electric & hybrid vehicles that have less carbon emissions compared to conventional vehicles. Unlike conventional vehicle loan campaigns, our customers are exempt from the allocation fee for environmentally friendly electric & hybrid models of 0 km vehicles.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Bank's Own Taxonomy)

**% revenue from low carbon product(s) in the reporting year****% of total portfolio value****Asset classes/ product types**

**Comment**

Green Vehicle Loans: İşbank plays an important role in lending to 0 km electric & hybrid vehicles that have less carbon emissions compared to conventional vehicles. Unlike conventional vehicle loan campaigns, our customers are exempt from the allocation fee for environmentally friendly electric & hybrid models of 0 km vehicles.

## C5. Emissions methodology

### C5.1

#### (C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

##### Scope 1

**Base year start**

January 1 2018

**Base year end**

December 31 2018

**Base year emissions (metric tons CO2e)**

22647.2

**Comment**

Our Scope 1 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

##### Scope 2 (location-based)

**Base year start**

January 1 2018

**Base year end**

December 31 2018

**Base year emissions (metric tons CO2e)**

64840.5

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable etc.) - residual mix totals attributes are not available and that's why our market-based Scope 2 emissions are same as our location-based Scope 2 emissions.

##### Scope 2 (market-based)

**Base year start**

January 1 2018

**Base year end**

December 31 2018

**Base year emissions (metric tons CO2e)**

64840.5

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable etc.) - residual mix totals attributes are not available and that's why our market-based Scope 2 emissions are same as our location-based Scope 2 emissions.

### C5.2

#### (C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## C6. Emissions data

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?**

**Reporting year**

**Gross global Scope 1 emissions (metric tons CO2e)**

20629.2

**Start date**

January 1 2020

**End date**

December 31 2020

**Comment**

Our Scope 1 Emissions cover emissions from our headquarter buildings, ATMs and branches in Turkey.

**Past year 1**

**Gross global Scope 1 emissions (metric tons CO2e)**

21185.9

**Start date**

January 1 2019

**End date**

December 31 2019

**Comment**

Our Scope 1 Emissions were covering emissions from our headquarter buildings, ATMs and branches in Turkey as of 2019 reporting year.

C6.2

---

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

**Row 1**

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We are reporting a Scope 2, market-based figure

**Comment**

C6.3

---

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?**

**Reporting year**

**Scope 2, location-based**

57193.1

**Scope 2, market-based (if applicable)**

57193.1

**Start date**

January 1 2020

**End date**

December 31 2020

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable, etc.) - residual mix totals attributes are not available and that's why our market-based Scope 2 emissions are same as our location-based Scope 2 emissions.

**Past year 1**

**Scope 2, location-based**

68069.7

**Scope 2, market-based (if applicable)**

68069.7

**Start date**

January 1 2019

**End date**

December 31 2019

**Comment**

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable, etc.) - residual mix totals attributes are not available and that's why our market-based Scope 2 emissions are same as our location-based Scope 2 emissions.

## C6.4

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

No

## C6.5

**(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.**

### Purchased goods and services

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

5459

**Emissions calculation methodology**

We've identified companies that represent 56.31% of our purchasing volume (based on \$ Spent. Parallel to this, we've engaged with these companies to retrieve their actual emissions data. Emissions calculated for this share has been extrapolated to 100%. Two sub-categories have been considered. a) Our software & service purchases, b) Other. Sub category emissions are estimated based on two different approaches. 1) Sub-category "Software and services" emissions are estimated using a weighted average tCO<sub>2</sub>e value per \$spent, which is based on actual Scope 1 and Scope 2 emission data available for 4 companies. These companies represent 12% of software and services category (in \$spent). 2) Sub-category "Other", (purchased goods like Machinery, O&M, Basic Metals and Fabricated Metals, Furniture, and Other Businesses) emissions are based on Scope 3 evaluator provided by Quantis using total \$spent data on purchased goods.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

3.13

**Please explain**

Scope 3 emissions resulting from "purchased goods & services". We're planning to adopt series of measures that will enable to retrieve more primary data from upstream side of our value chain. This will increase the quality of the calculated data in the upcoming years.

### Capital goods

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

25173

**Emissions calculation methodology**

We've identified companies that represent 11.22% of our capital goods (based on \$ Spent). Emissions calculated for this share has been extrapolated to 100%. The emissions are estimated based on Scope 3 evaluator provided by Quantis, using total \$spent data on purchased capital goods.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Please explain**

Scope 3 emissions resulting from "capital goods". We're planning to adopt series of measures that will enable to retrieve more primary data from upstream side of our value chain. This will increase the quality of the calculated data in the upcoming years.

### Fuel-and-energy-related activities (not included in Scope 1 or 2)

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO<sub>2</sub>e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

We're covering emissions from every fuel-and-energy-related activity in our Scope 1 and 2 emissions in related sections of our CDP reporting.

### Upstream transportation and distribution

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO<sub>2</sub>e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

Although emissions related to upstream transportation and distribution (e.g. armoured cars related to cash transport) are relevant for us, they are not yet calculated.



## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

21.9

### Emissions calculation methodology

This calculation contains waste generated in our operations in our HQ building.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

Our Scope 3 emissions resulted from the waste generated in our operations in our HQ building.

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

283.3

### Emissions calculation methodology

This section contains business flights in terms of travel. Domestic, European and Continental flights are taken into account.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

Domestic, European and Continental business flights are taken into account when calculating business travel emissions.

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

1458.2

### Emissions calculation methodology

This section contains emissions from personnel shuttles, buses and taxi travels of employees.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

Emissions from personnel shuttles, buses and taxi travels of employees are taken into account

## Upstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Emissions related to upstream leased assets are not relevant for us.

## Downstream transportation and distribution

### Evaluation status

Relevant, not yet calculated

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Although emissions related to downstream transportation and distribution are relevant for us, they are not yet calculated.

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As we don't sell intermediate products that require processing into final products, we don't have any emissions in this category.

## Use of sold products

### Evaluation status

Relevant, not yet calculated

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Although emissions related to use of sold products (e.g. customer's use of computers and smartphones for online banking) are relevant for us, they are not yet calculated.

## End of life treatment of sold products

### Evaluation status

Relevant, not yet calculated

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Although emissions related to end of life treatment of sold products (e.g. disposal of credit and debit cards and client mailings) are relevant for us, they are not yet calculated.

## Downstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Emissions related to downstream leased assets are not relevant for us.

## Franchises

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As İşbank doesn't operate any franchises, emissions related to franchises are not relevant for us.

#### Other (upstream)

**Evaluation status**

Not evaluated

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

#### Other (downstream)

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

5772.4

**Emissions calculation methodology**

Emissions resulting from paper usage within the organization.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

We plan to transform our operations into paperless. İşbank ran a couple of initiatives in 2020 in order to decrease the consumption of paper. Digitalization in channels & branches ended with more than 10 mio digitally approved contracts in 2020. As a result of this, we decreased our total emissions resulting from paper usage down to 5772.4 CO2e in 2020 from the level of 9123.3 CO2e in 2019.

### C6.10

---

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

**Intensity figure**

131.04

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

77822.3

**Metric denominator**

Other, please specify (Billions of unit currency assets under management)

**Metric denominator: Unit total**

593.9

**Scope 2 figure used**

Market-based

**% change from previous year**

31.28

**Direction of change**

Decreased

**Reason for change**

Intensity figures are calculated considering our unit total revenues (in billion TRYs) as of 2019 & 2020. Our unit total revenue values were 468.1 and 593.9 billion TRYs for 2019 and 2020 respectively. Our gross global combined Scope 1 & 2 emissions have decreased from 89,255.6 metric tons CO2e in 2019 to 77,822.3 metric tons CO2e in 2020, we've achieved to decouple our growth of unit total revenue from our carbon footprint. Due to this condition an approximate 31.28% decrease is observed in our intensity figure compared to 2019 level.

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### C7. Emissions breakdowns

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#### C7.9

---

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

#### C7.9a

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**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption		<Not Applicable >		
Other emissions reduction activities	3896.3	Decreased	5.01	This refers to changes in emissions that have occurred because of proactive emissions reduction initiatives or activities, which are listed in question C4.3b.
Divestment		<Not Applicable >		
Acquisitions		<Not Applicable >		
Mergers		<Not Applicable >		
Change in output	7537	Decreased	9.69	One of the major reasons for the decrease in our gross global combined emissions is coronavirus lockdowns. Due to this fact, our total electricity consumption and fuel usage related to our company vehicle fleet has decreased.
Change in methodology		<Not Applicable >		
Change in boundary		<Not Applicable >		
Change in physical operating conditions		<Not Applicable >		
Unidentified		<Not Applicable >		
Other		<Not Applicable >		

**C7.9b**

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

**C8. Energy**

**C8.1**

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

**C8.2**

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

**C8.2a**

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	80969	80969
Consumption of purchased or acquired electricity	<Not Applicable>	0	119912	119912
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	0	200881	200881

**C9. Additional metrics**

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**C9.1**

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**(C9.1) Provide any additional climate-related metrics relevant to your business.**

**C10. Verification**

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**C10.1**

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**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

**C10.1a**

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**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.**

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

İş Bankası Assurance Report 31 December 2020.pdf

**Page/ section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

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**C10.1b**

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(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

**Scope 2 approach**

Scope 2 market-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

İş Bankası Assurance Report 31 December 2020.pdf

**Page/ section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

C10.1c

---

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

**Scope 3 category**

Scope 3: Business travel

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

İş Bankası Assurance Report 31 December 2020.pdf

**Page/section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope 3 category**

Scope 3: Employee commuting

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

İş Bankası Assurance Report 31 December 2020.pdf

**Page/section reference**

2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope 3 category**

Scope 3 (downstream)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

İş Bankası Assurance Report 31 December 2020.pdf

**Page/section reference**

Page 2 / Our paper consumption figure related to 2020 financial year is verified with a limited assurance with the verification standard ISAE3000. We've calculated emissions related to our paper usage and reported it in C6. Emissions Data in Downstream (Other) section of our CDP Climate Change Reporting.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

C10.2

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(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

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**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C2. Risks and opportunities	Renewable energy products	ISAE3000	• As of the end of 2020, the share of renewable energy financing in İşbank's total energy production projects portfolio was 69.5%, and the share of renewable energy financing in the total financing was 7.5%. With 45 projects financed by İşbank, the amount of clean energy produced in 2020 is 24.9 million MWh. • The total installed power of renewable energy projects financed by İşbank in 2020 was 1,950 MW, the total installed power to date reached 9,170 MW. The amount of clean energy generated by the projects financed by the Bank was 63.7 million MWh in the last 3 years. These data are verified with a limited assurance with the verification standard ISAE 3000 as "Number of renewable energy projects financed during the year, installed power size (MW) and loan amount provided to these projects (million USD)" İş Bankası Assurance Report 31 December 2020.pdf
C3. Business strategy	Renewable energy products	ISAE3000	• As of the end of 2020, the share of renewable energy financing in İşbank's total energy production projects portfolio was 69.5%, and the share of renewable energy financing in the total financing was 7.5%. With 45 projects financed by İşbank, the amount of clean energy produced in 2020 is 24.9 million MWh. • The total installed power of renewable energy projects financed by İşbank in 2020 was 1,950 MW, the total installed power to date reached 9,170 MW. The amount of clean energy generated by the projects financed by the Bank was 63.7 million MWh in the last 3 years. These data are verified with a limited assurance with the verification standard ISAE 3000 as "Number of renewable energy projects financed during the year, installed power size (MW) and loan amount provided to these projects (million USD)" İş Bankası Assurance Report 31 December 2020.pdf
C8. Energy	Energy consumption	ISAE3000	Electricity consumption values related to 2020 financial year are verified with a limited assurance with the verification standard ISAE3000. İş Bankası Assurance Report 31 December 2020.pdf
C6. Emissions data	Year on year emissions intensity figure	ISAE3000	Our emission intensity figure (Emission according to consolidate total assets) related to 2020 financial year is verified with a limited assurance with the verification standard ISAE3000. İş Bankası Assurance Report 31 December 2020.pdf

**C11. Carbon pricing**

**C11.2**

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

**C11.3**

**(C11.3) Does your organization use an internal price on carbon?**

No, and we do not currently anticipate doing so in the next two years

**C12. Engagement**

**C12.1**

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, other partners in the value chain

**C12.1a**



**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Information collection (understanding supplier behavior)

**Details of engagement**

Collect climate change and carbon information at least annually from suppliers

**% of suppliers by number**

1.7

**% total procurement spend (direct and indirect)**

9.7

**% of supplier-related Scope 3 emissions as reported in C6.5**

100

**Rationale for the coverage of your engagement**

We've engaged with companies that represent 67% of total procurement spend. Parallel to this, we've engaged with these companies to retrieve their actual emission data. Three sub-categories have been considered. a) Software & service purchases, b) Other purchases, c) Capital Goods purchases. Among these 3 sub-categories we've been able to collect carbon information from 4 companies in sub-category "Software and services". These companies represent 12% of software and services category and 9.7% of our total purchasing volume spent. We're planning to adopt series of measures that will enable to retrieve more primary data from our suppliers. This will increase the quality of the data in the upcoming years.

**Impact of engagement, including measures of success**

We've been able to collect carbon information from 4 companies in sub-category "Software and services". These companies represent 12% of software and services category and 9.7% of our total purchasing volume spent. During the process, companies that haven't been able to provide actual emissions data for their activities, indicated their willingness to cooperate in terms of improvement in their GHG accounting practices. We're planning to adopt series of measures that will enable to retrieve more primary data from our suppliers. This will increase the quality of the data in the upcoming years.

**Comment**

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**C12.1d**

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**(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.**

İşbank ensures effective stakeholder engagement in investments by developing collaborations with different stakeholder groups, particularly with non-governmental organizations. These initiatives are designed within a framework that complies with the Bank's Corporate Social Responsibility principles, contributes to the Sustainable Development Goals, and meets the current needs of the society. We engage with partners such as TÜSİAD, European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB), PROPARGO and International Finance Cooperation (IFC).

One fruitful output of our climate-related engagement strategy with our partners in our value chain is the loan agreements which are signed with the European Bank for Reconstruction and Development (EBRD) to support renewable energy and resource efficiency investments / activities in the scope of Turkey Sustainable Energy Financing Program (TurSEFF) as well as Turkish Mid-size Sustainable Energy Financing Facility (MidSEFF). In this context, cooperation is made both with TurSEFF and MidSEFF consultants. During monthly meetings held within the scope of TÜSİAD Environment and Climate Change Working Group, with major players of the energy sector, opinions are exchanged within the scope of climate finance. Within the framework of our membership to the TÜSİAD Environment and Climate Change Working Group, together with the actors in the sector, we helped to prepare an attitude document including the determinations / solution suggestions for the rapid introduction of renewable energy sources, which provide important opportunities in supply security, localization and combating climate change.

As a signatory of UN Global Compact since 2012, İşbank is a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Turkey. İşbank is one of the first signatories of Declaration of Sustainable Finance which was published by UN Global Compact Network Turkey and undertakes the evaluation of the environmental and social risks in the loan processes. Going beyond the commitment announced in the aforementioned Declaration, we evaluate the potential environmental and social risks of all new investment projects worth more than USD 10 million which is also stated in Risks & Opportunities section of our CDP Climate Change Reporting.

İşbank became a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking in 2020. Defining the role of banking in the new economy, these principles aim to maximize the impact of the banking sector in achieving an equal and prosperous future.

**C12.3**

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**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Direct engagement with policy makers

**C12.3a**

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**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Clean energy generation	Support	We engage with TUSIAD as a member of their Environment and Climate Change Working Group. The relevant outputs of this WG are presented to policy makers.	Within the framework of our membership to the TUSIAD Environment and Climate Change Working Group, together with the actors in the sector, we helped to prepare an attitude document including the determinations / solution suggestions for the rapid introduction of renewable energy sources, which provide important opportunities in supply security, localization and combating climate change.
Climate finance	Support	We are a member of Sustainability Working Group of the Banks Association of Turkey.	As a member of Sustainability Working Group of the Banks Association of Turkey (formerly WG on the Role of the Finance Sector in Sustainable Growth), in 2020 we assumed active role in the revision process of "Sustainability Guidelines for The Banking Sector". This is a guide and reference setting out good practices in the contributions that the banking and finance sector makes to sustainable development. In 2020, the guide has been revised to provide banks with guidance on current issues they need to be mindful of by taking the environmental and social dimensions of development into account in the conduct of their business activities. The intention is that, with the assistance of these banking sector basic sustainability principles, banks will be able to more systematically manage the environmental and social predictability, transparency, and monitoring of their activities. Two major principles directly linked to climate finance is the Principle 3 and the Principle 1 of the Guideline: "Tackling Climate Change and Adapting Climate Change" and "Assessment and Management of Environmental and Social Risks Arising from Banking Activities" respectively.

**C12.3f**

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

"İşbank Banking" lies in the foundation of İşbank's sustainability approach. İşbank Banking is a business model that focuses on "sharable and sustainable value creation" by handling financial and nonfinancial capital elements of the Bank together. İşbank targets to create value for all of its stakeholders with this strong business model, both in the short and the long run. Called "İşbank Banking" and enabling integration of the Bank's sustainability priorities into all decision making processes, this value creation model represents the sustainability concept of the Bank and the integration of sustainability into business processes.

İşbank creates value through a mix of opportunities offered by its robust financial structure, competent human resources, strong relations with its stakeholders, corporate knowledge, brand value identified with trust and reputation, widespread physical and digital service network, and responsible products and services. İşbank also matches the output of its value creation process with the UN Sustainable Development Goals to which the Bank contributes with its activities. Thus, the Bank integrates its concept of producing sharable and sustainable value with global goals.

İşbank Sustainability Management System is an integrated management system evaluating all of the Bank's operations in terms of sustainability impacts. The system allows for the integrated management of multiple aspects from lending operations to employee development practices and from purchasing decisions to the Bank's environmental footprint. İşbank's Sustainability Policy and other supplementary policies create a basis for the operation of the Sustainability Management System.

Operating under the Board of Directors, the Corporate Governance Committee is the authority responsible for sustainability and climate-related issues at İşbank. Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication. Head of Investor Relations Division serves as Sustainability Coordinator to effectiveness of work within the executive organs in İşbank. The Sustainability Working Group aims to ensure that sustainability and climate-related issues are embedded in business decisions and there is appropriate flow of information across all divisions.

**C12.4**

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**

Other, please specify (In integrated reports, in line with IIRC framework)

**Status**

Complete

**Attach the document**

2020IntegratedReport.pdf

**Page/Section reference**

**Content elements**

- Governance
- Strategy
- Risks & opportunities
- Emissions figures
- Emission targets
- Other metrics

**Comment**

İşbank's 2020 Integrated Report is the third integrated report published by the Bank. This report, which presents İşbank's sustainability performance alongside with Bank's climate change performance for the period between January 1st, 2020 and December 31st, 2020 with an integrated perspective, covers the activities of İşbank in Turkey. İşbank Integrated Report is compatible with the Integrated Reporting Framework ( Framework) of the International Integrated Reporting Council (IIRC). The 2020 Integrated Report has been prepared in accordance with the GRI Standards: Comprehensive option (Please refer to GRI Standards Content Index, p. 160). While creating the report content, GRI Standards Financial Services Sector Supplement and the Provisional Standard for Commercial Banks released by Sustainability Accounting Standards Board (SASB) and United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Responsible Banking were used. The main indicators described in the report were subject to the independent external audit. (Please refer to Independent Assurance Report, p. 157-159). This report also includes the communication on progress report required by the United Nations Global Compact (UNGC) of which İşbank is a signatory. (Please refer to UN Global Compact Communication on Progress, p. 151). Besides, the report includes the Bank's contribution to the United Nations Sustainable Development Goals. (Please refer to Contribution Made to Sustainable Development Goals, p. 43).

**C-FS12.5**

**(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?**

	Industry collaboration	Comment
Reporting framework	Other, please specify (Integrated Reporting Network Turkey)	İşbank is a member of ERTA (Integrated Reporting Network Turkey) which is the official partner of IIRC (International Integrated Reporting Council) in Turkey. The aim of ERTA (Integrated Reporting Network Turkey) is to raise awareness on integrated reporting and integrated thinking throughout Turkey, to enhance the capacity of businesses and to ensure that good practices are shared. Towards this purpose, ERTA aims to have integrated thinking and integrated reporting adopted by all institutions and companies through cooperating with the public and private sectors, civil society and academic circles on a national and international level.
Industry initiative	UNEP FI Principles for Responsible Banking Science-Based Targets Initiative for Financial Institutions (SBTI-FI)	İşbank became a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking in 2020. Defining the role of banking in the new economy, these principles aim to maximize the impact of the banking sector in achieving an equal and prosperous future. In addition, the Bank maintains its cooperation in UNEP FI sub-working groups as well. As a part of our efforts to reduce our environmental footprint, which we conduct with great precision, İşbank set its medium and long-term emission reduction targets within the scope of "Science Based Targets" (SBT) in 2020, and revealed its road plan to be carbon neutral. For our emissions from our operations, we have set our reduction targets to be achieved in 2025 and 2030, and ultimately we anticipate to be carbon-neutral in 2035. We made our commitment to the Science Based Targets Initiative to ensure science-based validation of our emission reduction targets.
Commitment	Other, please specify (Global Compact Network Turkey Declaration on Sustainable Finance)	Incorporation of environmental and social impacts into loan evaluation processes is among sustainability priorities of the banking industry. İşbank is one of the first signatories of the Declaration on Sustainable Finance published by Global Compact Turkey, guaranteeing assessment of environmental and social risks in credit processes.

**C14. Portfolio Impact**

**C-FS14.1**

**(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)**

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Category 15 "Investment" total absolute emissions	Our methodology for calculating Scope 3 portfolio impact depends on an acceptable level of approximation & results may vary slightly from the actual data, given that business activities in each NACE level 1 can contribute differently to emissions. Furthermore, analysis depends on the fact that commercial customers mainly operate & perform business activities as per their classified sector. We will continue to identify emissions at firm level & improve our methodology as we collect customer specific climate data in the next years. To provide a breakdown of Isbank's Scope 3 portfolio impact, the relevant data is collected from various sources. GHG emissions by economic activity at NACE level is collected from Turkish Statistical Institute's database and by dividing GHG emissions by sectoral revenues GHG emission intensity at NACE sector level is calculated. To estimate the funded GHG emission of a company, Isbank considered 4 parameters: (a) Sectoral GHG emission intensity which is calculated in the first step of our approach, (b) Company's asset size, (c) Company's revenue, (d) Company's total loan amount in Isbank portfolio (monthly average) Dividing (d) by (b), gives us the ratio of the funds provided by Isbank to finance company's assets. By multiplying this ratio with (c), we calculate the magnitude of the company's revenue. Multiplying this figure with the corresponding sector's GHG emission intensity (a) gives us the portfolio impact at firm level. Vast majority of Isbank's Scope 3 emissions arises from non-retail loans portfolio, which constitutes 75% of the total loan portfolio as of YE2020. Remaining %25 consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. Therefore; our approach for calculating Scope 3 emissions of the Bank focuses on asset classes such as Corporate/SME loans and project finance loans. Vast majority of Isbank's Scope 3 portfolio impact arises from domestic funding activities, such as loans provided to Turkey based project finance firms (SVPs) and commercial firms. Thus, all of the Isbank's Scope 3 emissions concentrate in Turkey. We calculate the portfolio impact for each firm in Isbank's portfolio and by taking summation at NACE level gives us the breakdown of Isbank's Scope 3 portfolio impact by industry.
Investing (Asset manager)	<Not Applicable >	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable >	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	

**C-FS14.1a**

**(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)**

**Category 15 (Investments)**

**Evaluation status**

Relevant, calculated

**Scope 3 portfolio emissions (metric tons CO2e)**

12751309

**Portfolio coverage**

More than 70% but less than or equal to 80%

**Percentage calculated using data obtained from client/investees**

100

**Emissions calculation methodology**

We believe that vast majority of Isbank's Scope 3 emissions arises from non-retail loans portfolio, which constitutes 75% of the total loan portfolio as of YE2020. Remaining %25 consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities such as project financing and corporate/SME loans. We also assume that wealth management and insurance products also have limited impact on climate. Therefore; our approach for calculating Scope 3 emissions of the Bank focuses on non-retail loan portfolio. Isbank's approximation may vary from the actual data, given business activities in each NACE level 1 can contribute differently to emissions. Furthermore, the bank's analysis rests on the assumptions that companies mainly operate and perform business activities as per their classified sector. In order to provide a breakdown of Isbank's Scope 3 portfolio impact, the relevant data is collected from various sources. Greenhouse gas emissions by economic activity at NACE sector level is collected from Turkish Statistical Institute's database and by dividing GHG emissions by sectoral revenues GHG emission intensity at NACE sector level is calculated. To estimate the funded GHG emission of a company, we considered 4 parameters: (a) Sectoral GHG emission intensity which is calculated in the first step of our approach, (b) Company's asset size, (c) Company's revenue, (d) Company's total risk exposure in Isbank portfolio (monthly average) Dividing (d) by (b), gives us the ratio of the funds provided by Isbank to finance company's assets. By multiplying this ratio with (c), we calculate the magnitude of the company's revenue that is financed by Isbank. Multiplying this figure with the corresponding sector's GHG emission intensity (a) gives us the portfolio impact at firm level.

**Please explain**

As a result of the analysis outlined above, Isbank's total Scope 3 portfolio impact for 2020 is calculated as approximately 12.8 million tons.

**C-FS14.2**

**(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?**

	Scope 3 breakdown	Comment
Row 1	Yes, by asset class Yes, by industry Yes, by country/region	Isbank's Scope 3 portfolio impact for 2020 is calculated as approximately 12.8 million tons. We calculate the portfolio impact for each firm in Isbank's portfolio and by taking summation at asset class, NACE level and country gives us the breakdown of Isbank's Scope 3 portfolio impact, as it was explained in the previous question. When we break down the Scope 3 emissions by industry, it was seen that "Electricity, gas, steam & air conditioning supply" by far has the highest share in total GHG emissions (%63.3) in the portfolio, followed by "Manufacturing", "Transportation and Storage", "Agriculture, Forestry and Fishing" & "Wholesale and Retail Trade" sectors. Energy sector accounts for the largest share in emissions both in Turkey and globally. Since electricity production sector has the highest Scope 3 portfolio impact, we conducted a deep-dive analysis to further break down the GHG emissions by energy production type. In order to do that, Isbank considered 4 parameters: (a) Company's total risk exposure in Isbank portfolio (b) Company's asset size, (c) Installed capacity of the production facility, (d) Firm level yearly energy production amount, (e) GHG emission intensity by production type (obtained from www.ipcc.ch) Dividing (a) by (b), gives us the ratio of the funds provided by Isbank to finance company's assets. Multiplying this ratio with (d) gives us the amount of energy production that is financed by Isbank (If (d) is not available, we multiplied average production per MW capacity for each energy source types with installed capacity of the production facility in order to calculate an estimated figure for missing data. We used the data provided by Turkish Electricity Transmission Corporation). Multiplying this figure with the GHG emission intensity of the fuel type gives us the portfolio impact at firm level. After calculating each firms' carbon emissions based on their production type, we aggregate and reach the breakdown of Isbank's energy generation related Scope 3 portfolio impact by energy production source. We believe that vast majority of Isbank's Scope 3 portfolio impact arises from domestic funding activities, such as loans provided to Turkey based project finance firms (SVPs) and commercial firms. Thus, all of the Isbank's Scope 3 emissions concentrate in Turkey and in asset classes such as project finance loans and corporate/SME loans.

**C-FS14.2a**

**(C-FS14.2a) Break down your organization's Scope 3 portfolio impact by asset class.**

Asset class	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Corporate/SME loans	Total carbon absolute emissions (CO2e)	Metric tons CO2e	5590382	We believe that vast majority of Isbank's Scope 3 emissions arises from non-retail loans portfolio, which constitutes 75% of the total loan portfolio as of YE2020. Remaining %25 consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities such as project financing and corporate/SME loans. We also assume that wealth management and insurance products also have negligible impact on climate. Thus, when we breakdown Isbank's Scope 3 emissions by these two asset types, total Scope 3 portfolio impact of Corporate/SME loans is measured as 5,590,382 metric tons CO2e (%43.8).
Project finance	Total carbon absolute emissions (CO2e)	Metric tons CO2e	7160926	Project finance asset class has the highest share (%56,2) in Isbank's Scope 3 emissions. Isbank's Scope 3 emissions by project finance asset class is measured as 7,160,926 metric tons CO2e. This is expected since; most of the GHG emissions stem from project finance activities in carbon intensive power generation industry.

**C-FS14.2b**

**(C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.**

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Other, please specify (Electricity, gas, steam and air conditioning supply)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	8072820	"Electricity, gas, steam and air conditioning supply" (NACE code D) sector's share in our portfolio impact is 63.3%. Apart from the emission breakdown we report here in C-FS14.2b for "Electricity, gas, steam and air conditioning supply" sector, we also conducted internally a deep-dive analysis to the sub-sector "electricity production", since it has the highest Scope 3 portfolio impact. We analyzed and broke down the GHG emissions by energy production type. In order to do that, Isbank considered 5 parameters: (a) Company's total risk exposure in Isbank portfolio (b) Company's asset size, (c) Installed capacity of the production facility, (d) Firm level yearly energy production amount, (e) GHG emission intensity by production type (obtained from www.ipcc.ch) We calculate each firms' carbon emissions based on their production type. Then we calculate the breakdown of Isbank's energy generation related Scope 3 portfolio impact by energy production source. Result of the analysis is given below: Total: 7,880,941 metric tons CO2e 1. Coal: 7,666,317 metric tons CO2e (97,3%) 2. Hydropower: 79,150 metric tons CO2e (1%) 3. Geothermal: 62,583 metric tons CO2e (0,8%) 4. Biomass: 47,477 metric tons CO2e (0,6%) 5. Wind: 15,275 metric tons CO2e (0,2%) 6. Solar: 10,140 metric tons CO2e (0,1%)
Other, please specify (Manufacturing)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	2597375	The second highest impact sector on climate in our non-retail credit portfolio is "Manufacturing" (NACE code C) with a share of 20.4%.
Other, please specify (Transportation & Storage)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	765858	The third highest impact sector on climate in our non-retail credit portfolio is "Transportation and Storage" (NACE code H) with a share of 6%.
Other, please specify (Remaining sectors on our non-retail credit portfolio)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	1315255	Remaining sectors (e.g. Agriculture, forestry and fishing, Mining and quarrying, Real estate activities, Water supply; sewerage, waste management and remediation activities, Wholesale and retail trade; repair of motor vehicles and motorcycles etc.) in our non-retail credit portfolio have an impact 10.3%.

**C-FS14.2c**

**(C-FS14.2c) Break down your organization's Scope 3 portfolio impact by country/region.**

Country/Region	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Turkey	Total carbon absolute emissions (CO2e)	Metric tons CO2e	12751309	We believe that vast majority of İsbank's Scope 3 portfolio impact arises from domestic funding activities, such as loans provided to Turkey based project finance firms (SVPs) and commercial firms. Thus, all of the İsbank's Scope 3 emissions concentrate in Turkey.

**C-FS14.3**

**(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?**

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	İsbank has taken portfolio decisions that align with a 2° scenario in some sectors, such as focusing new origination on renewable power generation and shrinking the conventional power portfolio. In this context, after 2015, all new project financing provided by İsbank for electricity generation investment was allocated to renewable energy projects. This is targeted for 2021 as well. While İsbank continues to increase its financing support for renewable energy production, it continues its efforts to reduce its financing share of energy generation from coal and natural gas fired power plants in its energy portfolio. In 2020 "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" has been added to the Exclusion List of İsbank. As we are in a unique position to encourage our clients to align their business strategies with global climate-benchmarks and support the well below 2 degrees global warming goal, we're considering to define additional metrics and inquiries in the projects established as "high risk-Category A" that are evaluated by İsbank with Environmental and Social Risk Evaluation Tool (ERET). These additional metrics and inquiries would pave the way for the Bank to steer clients/investee companies' business strategies with additional commitments to mitigate or compensate any environmental impact associated with climate change. İsbank is currently in the process of measuring the impact of climate risks on its portfolio. A decision on alignment of the portfolio to a 2° scenario would be a strategic decision that is taken once these measurement tools have been refined further.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

**C15. Signoff**

**C-FI**

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

**C15.1**

**(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Chief Financial Officer & Chief Sustainability Officer	Chief Financial Officer (CFO)

**Submit your response**

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

**Please confirm below**

I have read and accept the applicable Terms