

İŞBANK

UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING 2022 REPORT

| Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks. | | |
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| Reporting and Self-Assessment Requirements | High-level summary of bank’s response | Reference(s)/Link(s) to bank’s full response/relevant information |
| <p>Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.</p> | <p>Established as the first national bank of the Republic of Turkey, İşbank has been one of the most prominent economic actors of the country. As of the end of 2022, with its 23,309 employees providing services to almost 23 million customers, İşbank is the largest private bank in Turkey with its total asset size of TL 1,408.3 billion.</p> <p>İşbank is among the highly respected institutions of the banking sector with its products and services in corporate, commercial, SME, retail and private banking. Having continued to deliver multidimensional banking services through its diversified digital service platforms during 2022, the number of İşbank’s digital customers rose to 13 million by the end of the year, while the share of non-branch channels reached 96% in total transactions.</p> <p>İşbank Group is an integrated group with its domestic and international subsidiaries operating in many fields. As of the end of 2022, İşbank has direct partnerships in 29 companies. The number of companies controlled directly or indirectly by the Bank is 136. As of the end of 2022, the size of İşbank's subsidiaries portfolio is TL 82.8 billion; 73.9% of the portfolio consisting of the shares of Türkiye Sınai Kalkınma Bankası, Anadolu Hayat Emeklilik, İş Leasing, İş Gayrimenkul Yatırım Ortaklığı, İş Yatırım Menkul Değerler and Türkiye Şişe ve Cam Fabrikaları is traded on the Borsa İstanbul A.Ş.</p> | <p>For more information, please refer to İşbank’s 2022 Integrated Annual Report “Overview of İşbank” section.</p> |

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| | <p>İsbank also has an international coverage through its branches, representative offices and subsidiaries abroad. The bank subsidiaries are İsbank AG in Germany, JSC İsbank in Russia and JSC İsbank Georgia in Georgia. In addition, İsbank operates 2 branches in Iraq, 2 branches in Kosovo, 2 branches in England, 1 branch in Bahrain and 14 branches in Northern Cyprus. The Bank has 2 representative offices, one in Shanghai (China) and one in Cairo (Egypt). For its customers abroad İsbank provides basic banking services such as loans, deposits, domestic and international remittance, and foreign trade brokerage. In addition to these, different products specific to countries are also designed. In recent years, the weight of digital channels has increased in the provision of services abroad. The presentation of products and services are being revised dynamically by considering the different needs of customers.</p> | |
| <p>Describe how your bank has aligned and/or is planning to align its strategy to be consistent with Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p> | <p>The banking industry is in a significant position and has important resources to offer both direct and indirect solutions to the global and regional problems such as climate change. İsbank relates the outputs from its value creation process with the United Nations Sustainable Development Goals (UN SDGs) that it has contributed to, and manifests its support to global goals with its vision of creating shared and sustainable value. The Bank contributes to the UN SDGs with a responsible financing approach and considers its support to these goals as an important component of its value creation process. İsbank actively supports the goals by playing a leading role in providing the required financing within the scope of 17 goals. The contributed SDGs are described in 2022 Integrated Annual Report's "Contribution to Sustainable Development Goals" section in detail.</p> <p>Sustainability has been placed among the strategic priorities, and it has been integrated into core business by embedding ESG considerations into risk management processes, product & service development and long term strategies at İsbank. The Board of Directors has ultimate oversight of sustainability issues. There is a dedicated Board- level Sustainability Committee who drives and executes the sustainability strategy. Decarbonization constitutes the focal point of İsbank's ESG strategy both in terms of its own operations and financed emissions. As a leading financial actor of Turkey, İsbank plays a major role in financing low-carbon activities and also green transition of its customers.</p> <p>In April 2022 İsbank became a member of UN-convened Net Zero Banking Alliance which brings banks together who are committed to aligning their portfolios with net-zero emissions by 2050 in line with Paris Climate Agreement. Within the scope of the commitment, İsbank is going to</p> | <p>For more information, please refer to İsbank's 2022 Integrated Annual Report "Contribution to Sustainable Development Goals" section.</p> |

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| | disclose its target at least one of the carbon-intensive sectors until October 2023 and to cover the majority of the carbon-intensive sectors until April 2025. There is an ongoing project which is conducted with the participation and contribution of related business units within the Bank. Within the scope of the project, emission reduction roadmaps that will enable to reach net zero in 2050 for priority sectors will be determined under different scenarios, and the effects of these scenarios on the Bank's balance sheet and income statement are studied through financial modeling. It is foreseen that the roadmaps to be determined and the transition financing opportunities shaped accordingly will have reflections on the credit and funding policies of our Bank in the upcoming period. | |
| Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these? | İşbank fulfills the commitments of the Principles of the United Nations Global Compact, of which the Bank is a signatory. The Bank has successfully completed the UN Global Compact Early Adopter Programme in 2022. As an Early Adopter of the UN Global Compact's Communication on Progress, İşbank has disclosed its progress on the Ten Principles of the United Nations Global Compact and its contribution to the Sustainable Development Goals. İşbank has been reporting its sustainability efforts since 2012 firstly via separate sustainability reports, then through integrated reports and for the past two years through integrated annual reports. The Bank also publishes Turkish Capital Markets Board's (CMB) Sustainability Principles Compliance Report as an appendix to its integrated annual reports. | |
| Principle 2: Impact and Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts. | | |
| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) to bank's full response/relevant information |
| 2.1. Impact Analysis: Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact | Within the scope of its commitment to Responsible Banking Principles, İşbank started its impact analysis on its loan portfolio in 2022 by utilizing the second version of the Portfolio Impact Analysis Tool (Tool) which has been developed by Principles for Responsible Banking Signatories and UNEP FI Member Banks. The Tool focuses on maximizing the positive impacts and reducing | |

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| <p>areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following elements:</p> <p>a) <u>Scope</u>: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.</p> <p>b) <u>Portfolio Composition</u>: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products & services and by types of customers for consumer and retail banking portfolios.</p> | <p>the negative impacts by identifying the positive and negative impact areas resulting from the banking activities.</p> <p>Impact analysis was not focused on the retail loans considering its proportions to overall loan portfolio of İşbank. Furthermore largest components of the retail loans is general purpose consumer loans of which the bank cannot monitor the usage of these types of loans. Therefore İşbank included non-retail loans portfolio (approximately %80) which consists of corporate, commercial and SME segments into the impact analysis process As İşbank's main country of operation is predominantly Turkey, activities in other countries were not considered in the impact analysis as they remain negligibly low.</p> <p>Analyzes were carried out on the tool through appropriate modules, excluding non-retail loans, in line with bank segments. İşbank's business segmentation is different from the tool's. Because of that reason the Bank adapted its internal loan segmentation while using the tool rather than the tool's breakdown in order to reach meaningful results. With respect to İşbank's definition of loan categories the Bank analysed Corporate and Commercial segments in Corporate Banking category; SME segments in Business Banking category respectively.</p> <p>İşbank uses NACE (Nomenclature des Activités Économiques dans la Communauté Européenne) codes for the sector classification, it selected 30 sectors for both Corporate and Business Banking. While selecting the sectors for each banking category, lending volumes were taken into consideration as the basis. In addition to that, İşbank's internal climate-related risk taxonomy was considered in the selection decision. As part of the risk taxonomy, İşbank created a sectoral risk heatmap to identify priority areas in the portfolio by combining both a qualitative and a quantitative assessment. For the qualitative part, İşbank combined 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.</p> <p>As a result of the selection made, 30 sectors (mainly renewable energy, manufacture of basic metals, civil engineering, transportation, monetary intermediation, construction, accommodation, health activities, real estate activities, financial service activities, textile, electric power generation, mining, telecommunication activities, agriculture, transmission and distribution) were included in the analysis. Agriculture, mining, construction, wholesale trade,</p> | |
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| <p>If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</p> <p>c) <u>Context:</u> What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy? Please disclose.</p> <p>d) <u>For these (min. two prioritized impact areas):</u> <u>Performance measurement:</u> Has your bank identified which sectors & industries as</p> | <p>accommodation, renting and leasing of motor vehicles were the intersecting sectors among the 30 sectors of Corporate and Business Banking.</p> <p>The positive and negative impact of the Bank's financing activities appear on 22 different areas thanks to the impact radar running in the background. The Impact Radar was developed by UNEP FI's Positive Impact Initiative. The Radar offers a holistic set of 22 impact areas across the three pillars of sustainable development (economic, environmental, social). The impact areas are defined based on internationally recognized standards and definitions, including the SDGs.</p> <p>According to the results of the impact analysis, "Waste", "Climate", "Resources Efficiency", "Air" and "Quality – Water" were the main areas of negative impact for the Corporate Banking, while "Inclusive and Healthy Economies", "Housing" and "Mobility" were the Bank's positive impact areas. On the other hand, for the Business Banking, "Waste", "Climate", "Soil", "Health & Sanitation" and "Quality – Water", including the intersection areas, were the areas that caused negative impact, while "Inclusive and Healthy Economies", "Housing" and "Mobility" were the prominent areas of positive impact. Employment is differentiated as an area where almost equal positive and negative effects are observed for both Corporate and Business Banking.</p> <p>"Waste", "Climate" and "Inclusive and Healthy Economies" emerge as three significant areas of impact. These are intersecting domains for both Corporate and Business Banking lines. In addition İşbank takes its own sustainability priorities, contributed SDGs, its strategy, proportion of portfolio, global trends and severity of impacts into consideration while evaluating the results of impact analysis. Climate is among the extremely important sustainability priorities of İşbank with respect to the materiality analysis conducted in 2022. The Bank's Sustainability Priorities Matrix is given at "Sustainability Priorities" section of the 2022 Integrated Annual Report.</p> <p>As part of its responsible banking approach and on-going support to zero carbon economy, waste management and climate are already among the Bank's priorities and the main areas of impact. İşbank supports the transition to the zero carbon economy and finances the renewable energy investments in order to ensure energy transformation. The Bank also creates resources for the renewable energy sector by committing to obtain the energy it needs in its operations from renewable source. The Bank analyses the risks and opportunities created by the transition economy and increases the number of products and services that support the green economy day by day.</p> | |
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| <p>well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex. If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of</p> | <p>"Inclusive and healthy economies" is an area which emerges as a positive impact area for İşbank. The Bank believes that the banking and financial industry plays an important role in supporting inclusive business models and ensuring that economic prosperity is shared by all segments of society. In addition to its widespread branch network and digital banking applications, the Bank supports access to financial services and contributes to social welfare through its products and services developed for disadvantaged customer groups.</p> <p>Within the scope of these three areas of impact defined, the Bank aims to increase the positive impact while decreasing the negative impact it will create through its credit portfolio.</p> | |
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| <p>products and services, please describe this.</p> | | |
| <p>2.2.Target Setting</p> <p>Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.</p> <p>a) <u>Alignment:</u> which international, regional or national policy frameworks to align your bank’s portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.</p> <p>b) <u>Baseline:</u> Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.</p> <p>c) <u>SMART targets (incl. key performance indicators (KPIs)):</u></p> | <p>According to impact analysis, Climate mitigation and Financial Health & Inclusion emerges as two significant impact areas for İşbank.</p> <p>For climate mitigation:</p> <ol style="list-style-type: none"> 1. İşbank has already set emission reduction targets for its scope 1&2 emissions back in 2020. İşbank has a target of 38% reduction in 2025, 65% emission reduction in 2030 and becoming a carbon neutral bank in 2035. By procurement of renewable energy, we have already reached 2025 and 2030 targets. At the end of 2022 we have decreased scope1&2 75% compared to base year-2018. 2. İşbank has further strengthened its commitment to supporting the transition to net-zero economy by signing Net-Zero Banking Alliance (NZBA) in 2022 which brings together banks committed to aligning their portfolios with net-zero emissions by 2050 in line with the targets set by the Paris Climate Agreement. In line with the commitment, we will disclose our 2030 interim decarbonization targets in at least one carbon intensive sector in October 2023. 3. İşbank evaluates climate change topics not only in terms of reduction and adaptation but also in terms of the opportunities created for green transformation. In this regard, the Bank continues its efforts to offer its customers both product and service packages, as well as to provide consultancy. In parallel with drawing the decarbonization roadmap for the loan portfolio in 2023, İşbank will focus on increasing the sustainable finance balance. İşbank is committed to contributing to the green transformation of the economy by providing sustainable financing amounting to TL 300 billion by 2026. <p>For Financial Health&Inclusion:</p> <ol style="list-style-type: none"> 1. İşbank supports women's participation in business life and continue to offer the necessary financial and non-financial solutions to women entrepreneurs, who are an | |

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| <p>Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p> <p>d) <i>Action plan:</i> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p> | <p>important dynamic in sustaining economic and social development. Starting from 2023, İşbank is committed to providing financing support of TL 100 billion to women entrepreneurs within 5 years.</p> <p>For climate mitigation, in line with İşbank’s Net Zero Banking Alliance commitment, the Bank will announce interim 2030 decarbonization targets in at least one carbon intensive sector in October 2023. In April 2025, in line with the NZBA guidelines İşbank will disclose interim targets in most of the carbon intensive sectors which are defined by NZBA. Action plans will be formed in line with decarbonization targets set.</p> <p>For financial health&inclusion, İşbank has committed to provide finance support of TL 100 billion to women entrepreneurs within 5 years starting from 2023 through supplying programs designed for women entrepreneurs, microloans disbursal for women, and the financing of companies where women have a right to participate in employment and management. İşbank aims to reach 15,000 women entrepreneurs in 5 years by providing financial literacy training programs under the umbrella of Women Empowering the Future¹.</p> | |
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¹ [isbank declaration on women's empowerment.pdf](#)

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| <p>2.3.Target Implementation and Monitoring</p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p>Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.</p> | <p>İşbank will announce its first climate mitigation targets related to its credit portfolio in October 2023. The Bank will disclose its status compared to targets set in the coming years.</p> | |
| <p>Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p> | | |
| <p>Reporting and Self-Assessment Requirements</p> | <p>High-level summary of bank’s response</p> | <p>Reference(s)/Link(s) to bank’s full response/relevant information</p> |
| <p>3.1 Client Engagement <i>Describe</i> how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients’ transition,</p> | <p>Adopting the principle of providing responsible, transparent and easy-to-understand banking services at all times, İşbank strives to increase financial inclusiveness with services accessible to everyone at any time through its extensive physical service network and digital service channels. İşbank is working to provide a flawless customer experience from all contact points to its customers in personal, commercial, corporate and private banking segments. The Bank has policies and procedures in place to ensure serving customers responsibly and fairly as stated in İşbank’s Ethical Principles and Code of Conduct.</p> <p>In line with its strategic priorities and its met-zero commitment by 2050, İşbank supports the clients’ green transition. İşbank supports green and sustainable development by providing financing for the transition to a net zero-carbon economy with renewable energy, energy</p> | <p>For more information, please refer to İşbank’s 2022 Integrated Annual Report “Financing Renewable Energy” section.</p> |

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| <p>selected indicators on client engagement and, where possible, the impacts achieved.</p> | <p>efficiency and resource efficiency projects. The Bank constantly increases financial inclusion with accessible services for everyone both through extensive physical service network and digital service channels.</p> <p>İşbank is one of the pioneering institutions in financing renewable energy projects in Turkey. All of the new project financing provided by the Bank for electricity generation investments after 2015 has been allocated to renewable energy projects. Considering the environmental, social and economic impacts of lending activities, İşbank supports green and sustainable practices of its customers. All new investment projects financed by İşbank with an investment amount of more than USD 10 million are evaluated for management of environmental and social risks and impacts of the projects. Projects within this scope are subject to environmental and social risk assessment and a risk score is created as a result of this assessment. If the risk of the project is found to be high, an environmental and social action plan is being prepared in cooperation with the customer for the elimination, limitation or removal of the detected impacts, and the follow-up of these actions is provided under the supervision of independent consultants, when necessary.</p> <p>İşbank is currently working on the project of initiating E&S due diligence process for the commercial loan portfolio which is not within the scope of E&S Risk Assessment Tool. The aim of the decision is to assess customers' ESG maturity and awareness and resilience levels against climate risks with the help of questionnaires including one about E&S due diligence questions as well as climate-focused questions. Once the new structure is implemented and fully integrated into IT systems, E&S risk assessment will be on the agenda of employees at every level from front office to head office. This will improve the understanding and know-how about climate-related issues at the Bank and allow İşbank to undertake climate-related risk assessments during the client onboarding.</p> <p>The commitment to net-zero involves clients being on board; it is not a pledge that we can achieve on our own. It requires innovative products and services that enable and facilitate the green transformation of our portfolio. For this purpose, we not only offer financing solutions, but also aim at enhancing awareness about the need for a transition to low-carbon economy. As an important trading partner of the EU, the Carbon Border Adjustment Mechanism poses a risk for our clients exporting to the Union. Although it will absolutely have an economic cost on the Turkish exporters, especially SMEs which are less resilient to the major changes, we perceive it</p> | |
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| | <p>as an opportunity to facilitate green transition. That’s why as an advisory service we are organizing various meetings with our exporter customers to increase their know-how on near-term threats and opportunities related to carbon border adjustment mechanism, and how we can support and advise them to adjust to low-carbon incentives. We are, at the same time, increasing the depth and variety of our products in order to meet varying demand of clients. In terms of financial solutions: İsbank contributes to the green transformation of its customers with a diverse portfolio of products it offers</p> | |
| <p>3.2. Business opportunities</p> <p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p> | <p>İsbank contributes to the green transformation of its customers with a diverse portfolio of products it offers. We support green and sustainable development by providing financing for the transition to a zero-carbon economy with renewable energy, energy efficiency projects and resource efficiency. After 2015, all new project financing provided by İsbank for electricity generation investment was allocated to renewable energy projects. In 2020 “Loans for financing greenfield investments of coal- and natural gas-fired thermal power plan to be established for electricity generation” has been added to the Exclusion List which is disclosed as an annex to İsbank Environmental and Social Impact Policy. As a recent development, we have added “new coal mining investments” and “Gold mining conducted by using cyanide” top our Exclusion List.</p> <p>At the beginning of 2023 İsbank has announced its sustainable finance pledge of TL 300 bn to be disbursed until 2026. The Bank has a flagging system in its credit data base for sustainable credits. As of Q1 2023, the sustainable finance balance is TL 91 billion. Renewable energy loans, roof solar power loans, energy efficiency loans, green vehicle loans, green office premises loans, green mortgages, marine conservation loans, agriculture loans and female entrepreneurs finance are included into this calculation.</p> <p>İsbank aims to contribute to the green transformation of its customers with the different loan products it offers. Providing financing support for roof, facade and land-type unlicensed solar power plant investments for self-consumption with the Roof Solar Power Plant Loan, the Bank provides advantageous conditions for the purchase of office premises from buildings with high energy efficiency with the Environmentally Friendly Workplace Loan. It offers privileges in the financing of residences with energy classes A and B or one of the LEED, BREEAM certificates. Environmental Vehicle Loan, where electric and hybrid vehicles are financed under favorable terms; Electric Charging Station Installation Loan, which aims to contribute to the development of the electric vehicle industry and encourage vehicle owners to easily access common charging</p> | <p>For more information, please refer to İsbank’s 2022 Integrated Annual Report “Products and Services Contributing to a Green Economy” section.</p> <p>https://www.isbank.com.tr/en/about-us/responsible-products-and-services</p> |

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| | <p>units; Recently, it has added the Let's Protect the Seas Loan to its products such as the Unlicensed Electricity Production Loan, which supports electricity generation based on solar, wind and other renewable energy sources with an installed capacity of 5 MW or less. Businesses that want to invest in a waste water treatment and waste water recycling facility or improve their existing facilities can meet their financing needs with this product on favorable terms.</p> <p>In the field of agriculture, İşbank supports sustainability in agriculture with digital solutions to create a positive impact on food safety and resource efficiency. The Digital Agriculture Solution, implemented with Vodafone Business, aims to reduce the use of inputs such as agricultural fertilizers, pesticides and water. In addition, the İmeceMobil application, developed by Softtech Ventures, İşbank's technology subsidiary, is offered to all manufacturers, whether they are bank customers or not. While financial and digital literacy of farmers is increased with İmeceMobil, thanks to the services provided, cost savings of up to 40% and productivity increase of up to 30% are achieved in the use of agricultural inputs such as pesticides, fertilizers and irrigation. İşbank, which finances not only agricultural production but also "transformation where agriculture meets technology" with its focused agricultural banking activities, offers the Pressure Irrigation Systems Loan, which not only saves water and energy in agricultural production, but also serves to increase the quality and efficiency in production.</p> <p>Women and youth are among the areas we particularly focus on. We have implemented the e "Women Entrepreneurs Export Support Loan" and "Young Entrepreneurs Export Support Loan" with Türk Eximbank in order to enable women and young entrepreneurs to take more part in exports. İşbank is the first bank to sign the "Young Entrepreneur Export Support Loan" protocol. İşbank believes that sustainable development can only be achieved with the participation of women's businesses in the economy and the increase of women's workforce. In this direction, we increasingly use both our own resources and the foreign funds we provide to support women businesses. In addition, we carry out studies for women entrepreneurs within the scope of our cooperation with Turkey's only women-oriented investment platform, Arya Women's Investment Platform.</p> | |
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Principle 4: Stakeholders
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) to bank's full response/relevant information |
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| <p>4.1. Stakeholder identification and consultation</p> <p><i>Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.</i></p> | <p>İşbank frequently engages with its stakeholders including its clients, employees, investors and society. A materiality analysis study is carried out by consulting the opinions of internal and external stakeholders, while determining the sustainability priorities of the Bank. The materiality analysis is conducted in accordance with AA1000 Stakeholder Engagement Standard. In this regard, İşbank consulted stakeholder groups including employees, customers, investors, nongovernmental organizations, associations, international organizations, financial institutions, subsidiaries, business partners, public institutions, suppliers and universities. Through online surveys sent to these stakeholders, the Bank took their views on material issues, and their expectations of the Bank regarding sustainability were also taken into account. The aforementioned materiality analysis is reviewed every year and repeated if deemed necessary. In 2022, the Bank's material issues were reviewed with "double materiality" approach. The level of financial and reputational risk posed by each issue in the Bank's materiality process and the impact of the issue on the relevant stakeholders were evaluated simultaneously. Please see "Prioritization Process at İşbank" section of 2022 Integrated Annual Report for the full list of the revised material issues.</p> <p>İşbank supports many initiatives in the field of sustainability and has various memberships. The Bank is a member of the Global Compact Turkey Sustainable Banking and Finance Working Group, which aims to spread the concept of Sustainability in the real sector, especially in the Turkish finance sector, and to mobilize the private sector to create the financial resources needed to achieve the Sustainable Development Goals. The other initiatives supported in the field of sustainability can be found on "Supported Initiatives" section of İşbank 2022 Integrated Annual Report.</p> | <p>For more information, please refer to İşbank's 2022 Integrated Annual Report "Prioritization Process at İşbank" and "Supported Initiatives" sections.</p> |
| <p>Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking</p> | | |
| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) to bank's full response/relevant information |

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| <p>5.1 Governance Structure for Implementation of the Principles</p> <p>Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about</p> <ul style="list-style-type: none"> - which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to), - details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as - remuneration practices linked to sustainability targets. | <p>At İşbank, the Board of Directors is the highest-level of governance for sustainability issues. The Board of Directors has tasked a sub-committee, the Sustainability Committee, to focus on ESG issues. The Sustainability Committee is the top management body dedicated to sustainability activities in the Bank. Thanks to its structure chaired by the Chairperson of the Board, consisting of the members of Board of Directors and the Executive Committee, the Sustainability Committee provides the opportunity for the business units to be represented in an inclusive manner and thus, the Committee monitors sustainability issues in a holistic way.</p> <p>Deputy Chief Executive in charge of Investor Relations and Sustainability function assumes the role of 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 Sustainability Leader, there is Sustainability Coordinator and Sustainability Working Group. Head of Investor Relations and Sustainability serves as the Sustainability Coordinator to ensure ESG issues are effectively embedded in the Bank’s executive bodies. To this end, the Sustainability Working Group 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 Working Group is to ensure sustainability issues are embedded in business decisions and there is appropriate flow of information across all divisions. The Sustainability Working Group’s efforts are supported by a dedicated Sustainability Management System.</p> <p>This Sustainability Management System has documented processes, outputs are audited regularly, and the audit results are reviewed by the top management. İşbank's Sustainability Policy and other complementary policies form the basis for the functioning of the Sustainability Management System. The policies are available at https://www.isbank.com.tr/en/about-us/our-policies.</p> | <p>For more information, please refer to İşbank’s 2022 Integrated Annual Report “Sustainability Management” section.</p> |
| <p>5.2.Promoting a culture of responsible banking:</p> | <p>In order to increase the knowledge and awareness of its employees in the field of sustainability, İşbank organizes training programs for the needs of employees at different roles and positions. In this context, digital trainings such as “Sustainability Training Series” and “Ethical Principles and Working Rules” were given to all employees. At the same time “Environmental & Social Risk</p> | <p>For more information, please refer to İşbank’s 2022 Integrated Annual</p> |

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| <p>Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).</p> | <p>Management in Sustainable Finance and Loans” live digital training was offered to employees working in the design, marketing and loan allocation processes. The “Diversity and Inclusion” module was placed in various training programs, and trainings and conferences were held on environmental and social issues under different topics. In line with this, 27,994 hours of training were provided to 12,291 employees in 2022 on the topics covered under the sustainability. In addition, within the scope of the ISO 14001 Environmental Management System Project, Environmental Management System Training is given to employees in the position of environmental officers, and Environmental Management System Internal Auditor Training is provided to Internal Control Department employees.</p> <p>Moreover, in terms of remuneration structure, in 2022, İşbank has established a personalized goal setting and bonus system consisting of individual and team-based goals, for all employees in order to evaluate the employees’ performance. In this regard, the Bank implements an incentive-based remuneration system for all employees including senior managers that incorporates specific KPIs related to sustainability including environmental and social issues in line with the Bank’s strategic priorities.</p> | <p>Report “Decent Work” section.</p> |
| <p>5.3.Policies and due diligence processes</p> <p>Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.</p> <p>Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action</p> | <p>All new investment projects to be financed by İşbank with an investment amount of more than USD 10 million are evaluated using the Environmental and Social Risk Evaluation Tool (ÇESMOD). Projects within this scope are subject to environmental and social risk assessment, and a risk score is determined as a result of this assessment. If the risk of a project is determined to be high, an environmental and social action plan is established in cooperation with the customer to eliminate or mitigate the identified effects, and the follow-up of these actions is provided under the supervision of independent consultants, when necessary.</p> <p>With the ÇESMOD Model, E&S risk scores of the investments financed by the Bank are calculated with initial evaluations conducted with specific sets of questions based on the type of investment, e.g. new facility development, capacity expansion and/or additional facilities or refinancing/procurement, followed by evaluations conducted with specific sets of questions based on the sector in question.</p> <p>Sets of questions based on type of investment and sector:</p> <ul style="list-style-type: none"> – EIA decisions, environmental permits, environmental and/or social impact evaluation, – Nature preserve, critical habitat and ecosystem evaluations, – Earthquake risk, | <p>For more information, please refer to İşbank’s 2022 Integrated Annual Report “Environmental and Social Risk Management in Loans” section.</p> |

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| <p>plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.</p> | <ul style="list-style-type: none"> – Natural resource use, – Waste management, – Air, soil and water quality, – Noise and dust, – Occupational health and safety, public health and safety, – Management of chemicals, – Involuntary displacement and stakeholder engagement <p>Factors such as those listed above, the scope of which is set out in the applicable laws and regulations, are evaluated and scored with the answers of the questions specifically developed based on the activities of the company being evaluated. Based on the answers given, the risk category of the project is determined, e.g. high (A), medium high (B+), medium low (B-) and low (C). Thus, a "Project Environmental and Social Evaluation Document" is prepared based on national and international legislation and good practices (e.g. IFC Performance Standards, EBRD Performance Requirements, Equator Principles), and the document is attached to the loan proposal documents which is submitted to the higher management for approval.</p> <p>For all projects deemed eligible based on the evaluations conducted by the Sustainable Finance (SF) team, including but not limited to those projects which are classified by İşbank as high-risk (risk category A), an independent environmental consultant is assigned to act on behalf of the Bank. The independent environmental consultant conducts site visits and literature research to determine the current status of the project and its possible environmental and social impact. As a result of this work, an Environmental and Social Due Diligence (ESDD), which describes the current status and applicability of any permission / approval process regarding environmental obligations as well as the consultant's comments, and an Environmental and Social Action Plan (ESAP), which describes how to mitigate and eliminate these impacts and manage the process, are drawn up and submitted to the Bank.</p> <p>For high-risk projects, an Environmental Impact Evaluation (EIA) Report, which includes additional and more detailed baseline studies, may be requested separately from the EIA application form prepared during the EIA process. Project companies are also demanded to prepare an Environmental and Social Management Plan (ESMP) for management of the risks and impact of their project and submit it to the Bank.</p> <p>Additionally, both during construction phase and operation phase, environmental and social monitoring activities are carried out at agreed intervals regarding the factors (e.g. compliance with environmental legislation, waste management, emission measurements, soil and water</p> | |
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| | <p>analyses, impact on socio-economy, eco-system and habitat, compensation mechanisms, occupational health and safety practices) set out in the ESAP. Our Sustainable Finance (SF) team also participates in the monitoring activities conducted by the environmental consultant as part of field visits in person.</p> <p>Various assessments are also made in order to determine forest and water risks in the Environmental and Social Risks Policy published by İş Bank and in the ÇESMOD prepared by Sustainable Finance team.</p> | |
| <p>The governance structure of İşbank with a dedicated Sustainability Committee ensures the implementation of the Principles.</p> | | |
| <p>Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p> | | |
| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) to bank's full response/relevant information |
| <p>6.1. Assurance Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?</p> | <p>As İşbank, we have become a signatory to the principles of responsible banking in 2020. As part of our commitment to comply with the PRB, we will have the publicly available information published within the scope of our PRB reports undergo an independent assurance within 4 years from the date of signing. In parallel with this, we will receive assurance within the scope of our PRB report next year.</p> | |
| <p>6.2. Reporting on other frameworks</p> | <p>İşbank discloses its climate-related efforts through Carbon Disclosure Project Climate Change Program since 2019. With its A- rating in 2021, İşbank confirmed that the Bank was on its way towards realizing its targets in combatting climate change. This year in addition to Climate</p> | <p>https://www.isbank.com.tr/en/about-us/our-reports</p> |

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| <p>Does your bank disclose sustainability information in any of the listed below standards and frameworks?</p> <p><input checked="" type="checkbox"/> GRI</p> <p><input checked="" type="checkbox"/> SASB</p> <p><input checked="" type="checkbox"/> CDP</p> <p><input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published)</p> <p><input type="checkbox"/> TCFD</p> <p><input checked="" type="checkbox"/> Other: IIRC</p> | <p>Change Program, İşbank also published its second report in the scope of CDP water security program with the rating B.</p> <p>Also İşbank’s integrated annual report uses the capital classification of capital items suggested by the International Integrated Reporting Council (IIRC) and is prepared in accordance with the “GRI Standards: Comprehensive option”. While creating the report content, GRI Standards Financial Services Sector Supplement and the Provisional Standard for Commercial Banks released by the Sustainability Accounting Standards Board (SASB) are also used.</p> | |
| <p>6.3.Outlook</p> <p>What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis , target setting and governance structure for implementing the PRB)? Please describe briefly.</p> | <p>The Investor Relations and Sustainability Division will carry out the activities related to the PRB principles with the participation of all other relevant teams (such as the Risk Management Division, Credits Portfolio Management Division and underwriting divisions). Necessary actions to achieve the targets, specific to the chosen impact areas, will be carried out by the related divisions. The results of the Impact Analysis, target implementation and monitoring will be presented to the Sustainability Committee and the approval of the Committee will be obtained at the points that require top management decision.</p> <p>In conclusion, like all other sustainability activities, implementation of the PRB principles also will be carried out under the umbrella of the Bank's Sustainability Management System, under the oversight of the Sustainability Committee.</p> | |