T. İŞ BANKASI A.Ş.

2024 CDP Report

C1. Introduction

(1.3) Provide an overview and introduction to your organization.

(1.3.1) Type of financial institution

Select from:

☑ Bank

(1.3.2) Organization type

Select from:

☑ Publicly traded organization

(1.3.3) Description of organization

Established as the 1st national bank of the Turkish Republic, İşbank has been one of the prominent economic actors in the country with its support for economic development. İşbank leads the banking sector in Turkiye with its products and services offered in the corporate, commercial, retail and private banking segments. With its wide shareholder base, the number of İşbank shareholders is nearly 240 thousand. İşbank Member's Supplementary Pension Fund, an institution that has the membership of nearly 50 thousand employees and retirees, holds 38.2% of the Bank's capital. Representing trust and prestige in the eyes of society, İşbank's 21,167 employees serve approximately 24.3 million customers as of 2023 year-end. With its total asset size of TRY 1,408.3 billion along with 1,110 domestic branches & 6,312 ATMs in total, İşbank is the largest privately owned bank in Turkiye. Alongside its widespread branch network, İşbank expands its digital service channels day to day. Global trends, social risks from population growth and inequality, climate change, and rising transparency expectations are reshaping business practices in the banking sector and beyond. This transformation presents both opportunities and threats, compelling banks, as key players in sustainable development, to adopt new business models. İşbank fulfills 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. İşbank has defined its emission reduction targets in terms of environmental impacts arising directly from operations in 2020 to become a carbon-neutral bank. The Bank has further strengthened its commitment by joining the industry-led, UN-convened Net-Zero Banking Alliance (NZBA), committing to align its portfolio with net-zero emissions by 2050, in line with the Paris Climate Agreement in 2022. İşbank announced its 2030 targets for emission reduction in the power generation, cement and iron and steel sectors, which are among the carbon-intensive sectors. Accordingly, by 2030,the target is to reduce the emission intensity by 61% in the power generation sector, 21% in cement and 10% in iron and steel compared to the 2021 base year. In parallel with these decarbonization efforts, İşbank also announced that it will gradually phase out coal financing by 2040.

(1.4) State the end date of the year for which you are reporting data. For emissions data, indicate whether you will be providing emissions data for past reporting years.

(1.4.1) End date of reporting year

12/31/2023

(1.4.2) Alignment of this reporting period with your financial reporting period

Select from:

☑ Yes

(1.4.3) Indicate if you are providing emissions data for past reporting years

Select from:

☑ Yes

(1.4.4) Number of past reporting years you will be providing Scope 1 emissions data for

Select from:

☑ 2 years

(1.4.5) Number of past reporting years you will be providing Scope 2 emissions data for

Select from:

☑ 2 years

(1.4.6) Number of past reporting years you will be providing Scope 3 emissions data for

Select from:

☑ 2 years

(1.5) Provide details on your reporting boundary.

	Is your reporting boundary for your CDP disclosure the same as that used in your financial statements?
	Select from: ☑ Yes

(1.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

ISIN code - bond

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ Yes

(1.6.2) Provide your unique identifier

TRAISC TR91N2 (for Group C shares)

ISIN code - equity

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ Yes

(1.6.2) Provide your unique identifier

TRAISC TR91N2 (for Group C shares)

CUSIP number

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ No

Ticker symbol

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ No

SEDOL code

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ No

LEI number

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ No

D-U-N-S number

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ Yes

(1.6.2) Provide your unique identifier

628123515

Other unique identifier

(1.6.1) Does your organization use this unique identifier?

Select from:

☑ No

(1.10) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

Banking (Bank)

(1.10.1) Activity undertaken

Select from:

☑ Yes

(1.10.3) Reporting the portfolio value and % of revenue associated with the portfolio

Select from:

☑ Yes, both the portfolio value and the % of revenue associated with it

(1.10.4) Portfolio value based on total assets

2453783299000

(1.10.5) % of revenue

100

(1.10.6) Type of clients

Select all that apply

☑ Retail clients

☑ Corporate and institutional clients (companies)

☑ Business and private clients (banking)

(1.10.7) Industry sectors your organization lends to, invests in, and/or insures

Select all that apply

☑ Retail

☑ Apparel

☑ Services

☑ Materials

☑ Hospitality

☑ Biotech, health care & pharma

☑ Manufacturing

☑ Infrastructure

☑ Power generation

☑ Transportation services

☑ Food, beverage & agriculture

Investing (Asset manager)

(1.10.1) Activity undertaken

Select from:

☑ No

Investing (Asset owner)

(1.10.1) Activity undertaken

Select from:

☑ No

Insurance underwriting (Insurance company)

(1.10.1) Activity undertaken

Select from:

☑ No

(1.24) Has your organization mapped its value chain?

(1.24.1) Value chain mapped

Select from:

☑ Yes, we have mapped or are currently in the process of mapping our value chain

(1.24.2) Value chain stages covered in mapping

Select all that apply

☑ Upstream value chain

☑ Portfolio

(1.24.3) Highest supplier tier mapped

Select from:

☑ Tier 1 suppliers

(1.24.4) Highest supplier tier known but not mapped

Select from:

☑ Tier 2 suppliers

(1.24.5) Portfolios covered in mapping

Select all that apply

☑ Banking (Bank)

(1.24.7) Description of mapping process and coverage

Many different metrics for the Bank's portfolio are monitored and recorded. We plan to complete the portfolio mapping study by using these metrics with relevant methods and techniques. In addition, a sustainability survey is conducted for our Bank's suppliers and our leading suppliers can be distinguished through this approach. In addition to this, we intend to complete the mapping of our suppliers separately by conducting other necessary studies.

(1.24.1) Have you mapped where in your direct operations or elsewhere in your value chain plastics are produced, commercialized, used, and/or disposed of?

(1.24.1.1) Plastics mapping

Select from:

☑ No, but we plan to within the next two years

(1.24.1.5) Primary reason for not mapping plastics in your value chain

Select from:

☑ No standardized procedure

(1.24.1.6) Explain why your organization has not mapped plastics in your value chain

Currently, the bank is developing a comprehensive mapping strategy for its portfolio. This initiative is expected to be completed within the next two years. The mapping process requires detailed analysis and data collection, which are resource-intensive and time-consuming. After completing this process, the bank will prioritize the life cycle of plastics and commence related mapping activities. Moreover, the lack of a standardized, generally accepted and financial sector-specific framework and tool for plastic mapping process is one of the reasons why it is not a priority focus.

C2. Identification, assessment, and management of dependencies, impacts, risks, and opportunities

(2.1) How does your organization define short-, medium-, and long-term time horizons in relation to the identification, assessment, and management of your environmental dependencies, impacts, risks, and opportunities?

Short-term

(2.1.1) From (years)

0

(2.1.3) To (years)

3

(2.1.4) How this time horizon is linked to strategic and/or financial planning

İşbank's Strategic Plan is prepared annually and covers the upcoming 3-years period. The Business Program, which includes financial planning and strategic prioritization, is also prepared annually for the following year. Since the economic, politic and social environment of Turkiye is considered to be fast changing compared to developed countries, long-term planning becomes challenging due to the variability of macroeconomic factors and assumptions. In this setting; while 3 years is considered as medium-term for strategic and capital planning for the İşbank, most of the environmental dependencies, pressures, risks and opportunities implicate a longer time period of planning, commitment and execution in nature. From an environmental risk and opportunity assessment perspective, İşbank defines short-term time horizon as 0 to 3 years. This period may cover actions such as; aligning environmental goals with Bank's immediate strategic priorities, aligning with short-term goals such as reducing energy consumption or waste, implementing quick-return sustainability projects, lower utility costs from energy-saving initiatives, etc.

Medium-term

(2.1.1) From (years)

3

(2.1.3) To (years)

5

(2.1.4) How this time horizon is linked to strategic and/or financial planning

Medium-term is regarded as the time needed to embed environmental considerations into strategic objectives, such as improving the Bank's sustainability performance, building resilience against environmental risks, gradual integration of sustainability into core business model and enhancing Bank's reputation. Financial planning for mid-term covers investments with longer pay back-periods, such as R&D budgets for environment friendly products, renewable energy investments, risk mitigation projects, etc. In this context, İşbank defines medium-term time horizon as 3 to 5 years.

Long-term

(2.1.1) From (years)

5

(2.1.2) Is your long-term time horizon open ended?

Select from:

☑ No

(2.1.3) To (years)

30

(2.1.4) How this time horizon is linked to strategic and/or financial planning

Long-term environmental risks and opportunities are an integral component of Bank's overall strategic vision and business continuity plans. Bank's response strategy may include preparations for significant shifts, such as climate change, evolving regulations and resource scarcity. In that matter, long term goals that should be built into corporate strategy may include achieving net-zero targets, adapting to long-term climate risks, becoming a sustainability leader in the economy, etc. Long-term financial planning should cover resources for large-scale transformational projects and commitments to portfolio decarbonization. İşbank's interim (2030) and final (2050) net-zero emission targets as well as phasing out from coal are appropriate examples of such long-term vision. Thus, Bank defines long-term as 5 to 30 years in relation to the identification, assessment, and management of your environmental dependencies, impacts, risks, and opportunities.

(2.2) Does your organization have a process for identifying, assessing, and managing environmental dependencies and/or impacts?

	Process in place	Dependencies and/or impacts evaluated in this process
	Select from: ☑ Yes	*Select from:* ☑ Both dependencies and impacts

(2.2.1) Does your organization have a process for identifying, assessing, and managing environmental risks and/or opportunities?

	Process in place	Risks and/or opportunities evaluated in this process	Is this process informed by the dependencies and/or impacts process?
	Select from: ☑ Yes	*Select from:* ☑ Both risks and opportunities	*Select from:* ☑ Yes

(2.2.2) Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities.

Row 1

(2.2.2.1) Environmental issue

Select all that apply

☑ Climate change

☑ Water

(2.2.2.2) Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this environmental issue

Select all that apply

☑ Dependencies

☑ Impacts

☑ Risks

☑ Opportunities

(2.2.2.3) Value chain stages covered

Select all that apply

☑ Direct operations

☑ Upstream value chain

(2.2.2.4) Coverage

Select from:

☑ Partial

(2.2.2.5) Supplier tiers covered

Select all that apply

☑ Tier 1 suppliers

(2.2.2.7) Type of assessment

Select from:

☑ Qualitative and quantitative

(2.2.2.8) Frequency of assessment

Select from:

☑ Annually

(2.2.2.9) Time horizons covered

Select all that apply

☑ Short-term

☑ Medium-term

☑ Long-term

(2.2.2.10) Integration of risk management process

Select from:

☑ Integrated into multi-disciplinary organization-wide risk management process

(2.2.2.11) Location-specificity used

Select all that apply

☑ Site-specific

☑ Local

☑ Sub-national

(2.2.2.12) Tools and methods used

Commercially/publicly available tools

☑ LEAP (Locate, Evaluate, Assess and Prepare) approach, TNFD

☑ TNFD – Taskforce on Nature-related Financial Disclosures

☑ WRI Aqueduct

☑ WWF Water Risk Filter

☑ Other commercially/publicly available tools, please specify**:** Encore tool

Enterprise Risk Management

☑ Enterprise Risk Management

☑ Internal company methods

International methodologies and standards

☑ ISO 14001 Environmental Management Standard

Other

☑ Internal company methods

☑ Materiality assessment

☑ Scenario analysis

(2.2.2.13) Risk types and criteria considered

Acute physical

☑ Cyclones, hurricanes, typhoons

☑ Drought

☑ Flood (coastal, fluvial, pluvial, ground water)

☑ Heat waves

☑ Heavy precipitation (rain, hail, snow/ice)

Chronic physical

☑ Changing precipitation patterns and types (rain, hail, snow/ice)

☑ Changing temperature (air, freshwater, marine water)

☑ Increased severity of extreme weather events

☑ Sea level rise

☑ Water stress

Policy

☑ Carbon pricing mechanisms

☑ Changes to international law and bilateral agreements

☑ Changes to national legislation

☑ Increased pricing of water

Market

☑ Availability and/or increased cost of raw materials

☑ Changing customer behavior

☑ Inadequate access to water, sanitation, and hygiene services (WASH)

☑ Rise in risk-based pricing of insurance policies (beyond demand elasticity)

Reputation

☑ Impact on human health

☑ Increased partner and stakeholder concern and partner and stakeholder negative feedback

☑ Negative press coverage related to support of projects or activities with negative impacts on the environment (e.g. GHG emissions, deforestation & conversion, water stress)

Technology

☑ Dependency on water-intensive energy sources

☑ Transition to lower emissions technology and products

☑ Transition to water efficient and low water intensity technologies and products

☑ Transition to water intensive, low carbon energy sources

☑ Unsuccessful investment in new technologies

Liability

☑ Exposure to litigation

☑ Non-compliance with regulations

☑ Regulation and supervision of environmental risk in the financial sector

(2.2.2.14) Partners and stakeholders considered

Select all that apply

☑ NGOs

☑ Employees

☑ Investors

☑ Suppliers

☑ Regulators

☑ Local communities

(2.2.2.15) Has this process changed since the previous reporting year?

Select from:

☑ Yes

(2.2.2.16) Further details of process

Different from last year, we implemented the latest version of ENCORE tool & database and TNFD's LEAP approach into environmental risk & opportunity identification, assessment and management framework. Mapping the sectoral activities' dependencies and pressures (as data published in ENCORE), together with their materiality level in our operations, we identify the business areas that are exposed to higher environmental risks and opportunities and thus must be prioritized. Although tools and methodologies for risk identification and assessment might differ across different risk types, İşbank's Enterprise Risk Management (ERM) framework integrates environmental issues into company-wide risk management processes with a holistic approach. Environmental risks in terms our upstream and direct operations are considered as a part of İşbank's operational, reputational and climate risk taxonomies and they are included in risks assessments at both top-down (TDRA) and bottom-up (RCSA) levels. Environmental issues arising from upstream activities and direct operations are mainly associated with three major management functions at the Bank: 1) suppliers 2) office buildings 3) other stakeholders. Key suppliers in terms of size&dependency are considered in the assessment. Results of the LEAP approach indicate that suppliers operating in construction, paper, plastics and transportation industries have higher pressure on the environment, whereas overall dependency is higher in food and construction sectors. In response to these, during the supplier evaluation various criteria are taken into consideration such as whether the legal requirements for the disposal of waste generated from the activities carried out for the Bank are met, whether recycled materials are used, and the frequency of environmental emergencies. In procurements with high environmental impact, suppliers are expected to submit the required documents related to the subject. No goods or services are purchased from those suppliers who fail to meet the expectations. Also the Bank has the authority to audit the suppliers when considered necessary. Environmental concerns related to our daily operations are relatively low, mainly associated with our head office buildings, data centers and branches. Paperless banking activities are carried out and performance indicators of waste generation, water and energy consumption and carbon emission in the head office, technology and operations, data centers and branches are monitored. Vulnerability to water-related risks such as water stress, drought and flooding are assessed with WWF Water Risk Filter and WRI Aqueduct tools, with regard to geographical distribution of Bank's assets and operations. External data used in risk assessments are collected from various Turkiye specific official databases such as Statistics Institute. In addition, Bank annually conducts an "Environmental Risk Assessment" for its direct and supply chain operations, such as, waste management, compliance with regulatory requirements, employee health and safety, etc. Managing various stakeholders' (investors, regulators, customers, employees, etc.) environmental concerns is also a key element of Bank's direct operations. We consider this issue as an integral part of reputation risk management. We integrated ESG performance (Sustainalytics) score into our reputation risk monitoring tool "Reputation Risk Index" to better manage its positive and negative effects on the company value.

(2.2.4) Does your organization have a process for identifying, assessing, and managing environmental dependencies and/or impacts related to your portfolio activities?

	Process in place covering this portfolio	Dependencies and/or impacts related to this portfolio evaluated in this process
Banking (Bank)	*Select from:* ☑ Yes	*Select from:* ☑ Both dependencies and impacts

(2.2.5) Does your organization have a process for identifying, assessing, and managing environmental risks and/or opportunities related to your portfolio activities?

	Process in place covering this portfolio	Risks and/or opportunities related to this portfolio are evaluated in this process	Is this process informed by the dependencies and/or impacts process?
Banking (Bank)	*Select from:* ☑ Yes	*Select from:* ☑ Both risks and opportunities	*Select from:* ☑ Yes

(2.2.6) Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities related to your portfolio activities.

Banking (Bank)

(2.2.6.1) Environmental issue

Select all that apply

☑ Climate change

☑ Water

(2.2.6.2) Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this portfolio

Select all that apply

☑ Dependencies

☑ Impacts

☑ Risks

☑ Opportunities

(2.2.6.3) % of portfolio covered by the assessment process in relation to total portfolio value

33

(2.2.6.4) Type of assessment

Select from:

☑ Qualitative and quantitative

(2.2.6.5) Industry sectors covered by the assessment

Select all that apply

☑ Retail

☑ Apparel

☑ Services

☑ Materials

☑ Hospitality

☑ Food, beverage & agriculture

☑ Biotech, health care & pharma

☑ Fossil Fuels

☑ Manufacturing

☑ Infrastructure

☑ Power generation

☑ Transportation services

(2.2.6.6) Frequency of assessment

Select from:

☑ Annually

(2.2.6.7) Time horizons covered

Select all that apply

☑ Short-term

☑ Medium-term

☑ Long-term

(2.2.6.8) Integration of risk management process

Select from:

☑ Integrated into multi-disciplinary organization-wide risk assessment process

(2.2.6.9) Location-specificity used

Select all that apply

☑ Site-specific

☑ Local

☑ Sub-national

☑ National

(2.2.6.10) Tools and methods used

Select all that apply

☑ ENCORE

☑ WRI Aqueduct

☑ Scenario analysis

☑ WWF Water Risk Filter

☑ Internal tools/methods

☑ CDP Disclosure Framework

☑ UNEP FI Portfolio Impact Analysis Tool for Banks

(2.2.6.11) Risk type and criteria considered

Acute physical

- ☑ Drought
- ☑ Tornado
- ☑ Avalanche
- ☑ Landslide
- ☑ Wildfires
- ☑ Heavy precipitation (rain, hail, snow/ice)
- ☑ Flood (coastal, fluvial, pluvial, ground water)
- ☑ Storm (including blizzards, dust, and sandstorms)
- ☑ Heat waves
- ☑ Subsidence
- ☑ Cold wave/frost
- ☑ Glacial lake outburst
- ☑ Cyclones, hurricanes, typhoons

Chronic physical

- ☑ Heat stress
- ☑ Soil erosion
- ☑ Solifluction
- ☑ Water stress
- ☑ Sea level rise
- ☑ Temperature variability
- ☑ Precipitation or hydrological variability
- ☑ Increased severity of extreme weather events
- ☑ Water availability at a basin/catchment level
- ☑ Changing temperature (air, freshwater, marine water)
- ☑ Coastal erosion
- ☑ Saline intrusion
- ☑ Soil degradation
- ☑ Groundwater depletion
- ☑ Changing wind patterns
- ☑ Changing precipitation patterns and types (rain, hail, snow/ice)

Policy

- ☑ Carbon pricing mechanisms
- ☑ Increased pricing of water
- ☑ Changes to national legislation
- ☑ Limited or lack of river basin management
- ☑ Uncertainty and/or conflicts involving land tenure rights and water rights
- ☑ Introduction of regulatory standards for previously unregulated contaminants

Market

☑ Changing customer behavior

☑ Uncertainty in the market signals

☑ Availability and/or increased cost of raw materials

☑ Rise in risk-based pricing of insurance policies (beyond demand elasticity)

☑ Inability to attract co-financiers and/or investors due to uncertain risks related to the environment

☑ Contraction of insurance markets, leaving clients exposed and changing the risk parameters of the credit

Reputation

☑ Increased partner and stakeholder concern and partner and stakeholder negative feedback

☑ Insurance underwriting that could create or contribute to systemic risk for the economy

☑ Lending that could create or contribute to systemic risk for the economy

☑ Negative press coverage related to support of projects or activities with negative impacts on the environment (e.g. GHG emissions, deforestation & conversion, water stress)

☑ Stakeholder conflicts concerning water resources at a basin/catchment level

Technology

☑ Transition to increasing renewable content

☑ Transition to lower emissions technology and products

☑ Transition to water efficient and low water intensity technologies and products

☑ Transition to water intensive, low carbon energy sources

☑ Unsuccessful investment in new technologies

Liability

☑ Exposure to litigation

☑ Non-compliance with regulations

☑ Regulation and supervision of environmental risk in the financial sector

(2.2.6.12) Partners and stakeholders considered

Select all that apply

☑ Customers

(2.2.6.13) Further details of process

Majority of the material environmental risks and opps. stem from Bank's commercial loans portfolio. İşbank uses various tools and methods to identify, assess and manage environmental dependencies, impacts, risks, and/or opps. related to its banking portfolio. İşbank's Enterprise Risk Management(ERM) framework integrates environmental issues into company-wide risk management processes (RMP) with a holistic approach. ERM contains 5 pillars which are Strategy, Org.&gov., RMP, Culture, communication&training, Infrastructure and is the core structure that ensures all possible types/sources of environmental risks are assessed in conjunction with other traditional risks. Different from last year, we implemented the latest version of ENCORE tool&database and TNFD's LEAP approach into environmental risk&opportunity identification, assessment and management framework. By mapping commercial loan customers' sectoral dependencies and pressures (as data published in ENCORE) together with their share in the loan portfolio, we can identify the sectors and specific clients that are exposed to higher environmental risks and opps. (both sectoral and systemic) in relevant time horizons and thus must be prioritized. İşbank has also been conducting an impact analysis on its commercial loan portfolio by utilizing the PRB's Portfolio Impact Analysis Tool. As the vast majority of the operations of the Bank originate from Turkey, activities in other countries were not considered in the analysis. Results indicate that "Climate", "Inclusive&Healthy Economies" and "Waste" emerge as 3 significant areas of impact. These approaches are applied to commercial loans, which constitutes 71% of İşbank's total loan portfolio and 33% of its asset size at 2023YE. İşbank also uses a sectoral "Climate Risk Heatmap" to identify sectors that should be prioritized in climate scenario analysis&risk appetite framework. 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 risks. İşbank also defined Board approved risk tolerance limits for the sectors with a high climate risk in the heatmap, in the form of a % share in total outstanding commercial loans. These limits are monitored monthly by the Risk Management Division and reported to the Risk Committee and the Board on a quarterly basis.

(2.2.7) Are the interconnections between environmental dependencies, impacts, risks and/or opportunities assessed?

(2.2.7.1) Interconnections between environmental dependencies, impacts, risks and/or opportunities assessed

Select from:

☑ Yes

(2.2.7.2) Description of how interconnections are assessed

In order to assess interconnections between environmental dependencies, impacts, risks & opportunities, Bank employs TNFD recommended LEAP approach in combination with ENCORE database. 1. Locate: The Bank uses the ENCORE database to identify sectors, facilities, clients, suppliers which operations and revenue streams are dependent or have an impact on nature. 2. Evaluate: After identification, materiality of these dependencies & impacts are evaluated. For example, if exposure on carbon intensive sectors is very high, this portfolio composition might indicate a material impact on the nature. 3. Assess: The Bank takes a deeper look at the financial risks and opportunities associated with the environmental dependencies and impacts identified earlier. In this phase, Bank deep-dives into interconnections between its nature related dependencies, impacts, material risks and opportunities. For example, if the Bank's loan portfolio is carbon intensive and a decarbonization plan is not in place, a carbon tax regulation will likely affect the quality of Bank's loan portfolio negatively. ERM is the key structure to assess environmental issues in a holistic manner. 4. Prepare: The last phase involves adjusting Bank's risk management strategies and capitalizing on opportunities. To illustrate this assessment process end to end with a solid example, coal-related industries (mainly coal-extraction, coal-fired power generation/distribution) have substantial impacts on the nature such as high emissions of GHG, generation and release of solid waste, area of land use and various disturbances. At 2023YE, share of coal-related sectors in Bank's total commercial loan portfolio is calculated as 3.58% which is considered as material. These impacts on nature indicates material financial risks for the Bank. For example, if the share of carbon intensive loans increase, Bank will be more exposed to the risk of decreasing asset quality, since the climate regulations are likely to create higher financial burdens for carbon intensive coal sector. Continuing to finance coal in a continuously decarbonizing world may expose the Bank to reputation risk as well. If not mitigated, these risks may reach levels that could threaten Bank's operational and financial soundness. From an opportunity perspective, global phasing out from coal substantially increases demand for renewable energy. Bank can create additional value and increase its positive impact on the nature by financing wind and solar energy. In order to mitigate risks and enhance opportunities, İşbank made a commitment to NZBA to address the impacts arising from its loan portfolio and set net-zero targets by 2050. In order to steer phasing out from coal, the Bank included "greenfield investments of coal and natural gas-fired thermal power plants" and "new coal mining investments" in its non-financed activities list, and has committed to providing a total of 300 billion TRY new sustainable financing by the end of 2026.

(2.2.8) Does your organization consider environmental information about your clients/investees as part of your due diligence and/or environmental dependencies, impacts, risks and/or opportunities assessment process?

	We consider environmental information
Banking (Bank)	*Select from:* ☑ Yes

(2.2.9) Indicate the environmental information your organization considers about clients/investees as part of your due diligence and/or environmental dependencies, impacts, risks and/or opportunities assessment process, and how this influences decision-making.

Banking (Bank)

(2.2.9.1) Environmental issues covered

Select all that apply

☑ Climate change

☑ Water

(2.2.9.2) Type of environmental information considered

Select all that apply

☑ Emissions data

☑ Energy usage data

☑ Emissions reduction targets

☑ Climate transition plans

☑ CDP questionnaire response

(2.2.9.3) Process through which information is obtained

Select all that apply

☑ Directly from the client/investee

☑ Public data sources

(2.2.9.4) Industry sectors covered by due diligence and/or risk assessment process

Select all that apply

- ☑ Retail
- ☑ Apparel
- ☑ Services
- ☑ Materials
- ☑ Hospitality
- ☑ Food, beverage & agriculture
- ☑ Biotech, health care & pharma
- ☑ Fossil Fuels
- ☑ Manufacturing
- ☑ Infrastructure
- ☑ Power generation
- ☑ Transportation services

(2.2.9.5) % of portfolio covered by the process in relation to total portfolio value

1

(2.2.9.6) Total portfolio value covered by the process

24537832990

(2.4) How does your organization define substantive effects on your organization?

Risks

(2.4.1) Type of definition

Select all that apply

- ☑ Qualitative
- ☑ Quantitative

(2.4.2) Indicator used to define substantive effect

Select from:

- ☑ Revenue

(2.4.3) Change to indicator

Select from:

☑ Absolute decrease

(2.4.5) Absolute increase/ decrease figure

95000000

(2.4.6) Metrics considered in definition

Select all that apply

☑ Time horizon over which the effect occurs

☑ Likelihood of effect occurring

(2.4.7) Application of definition

İşbank's definition of substantive financial effect relies on its four-point-scale risk assessment methodology, which is based on the comparison of the magnitude of the expected loss (or a decrease in profits) from a risk factor (or types of risks with the same underlying root cause) with Bank's average yearly-expected operational income, and its likelihood. Impact categories are identified as "low", "mid-low", "mid-high" and "high" and their impact components are determined as a specific proportion (%0,01, %0,1 and %1) of yearly average of last two fiscal year's realized and following year's expected (calculated in ICAAP) Net Operating Income (NOI Gross Operating Income – Expected Credit Loss – Other Provision Expenses – Personnel Expense – Other Operating Expenses). For instance, average of 2022, 2023 realized and 2024 expected NOI is calculated as approximately TRY 95 billion. Correspondingly, financial effect magnitude up to TRY 9.5 million was defined as "low", between TRY 9.5 million and 95 million TRY as "medium-low", between TRY 95 million and TRY 950 million as "medium-high", above TRY 950 million as "high". Any risks with an expected loss amount above TRY 95 million (high and mid-high categories) are by definition considered to have a substantive financial effect on our business. Combining the potential effect of a risk with its likelihood (low, mid-low, mid-high and high) gives us the Expected Gross Loss Matrix. By adding risk mitigation effect of control efficiency to the picture, we reach to the Net Risk Matrix. We also consider reputational factors in a qualitative way while deciding if the effect of the risk is substantial. Substantial reputational impact assumed to occur when a risk event causes at least one of the following; - ongoing negative media attention for a significant period for a time - reputational damage in the eyes of both customers and regulatory authorities, resulting in mass customer losses and significant penalties, - a substantive decline on the bank's stock price. Total effect of a risk event is assumed to be substantial if either one or both of the financial or reputational effect is assessed to be substantial. For any risk that might have financial, strategic or reputational impact on our business, such as climate and water risks, definition of substantive impact and its thresholds/criteria does not differ from the methodology explained above.

Opportunities

(2.4.1) Type of definition

Select all that apply

☑ Qualitative

☑ Quantitative

(2.4.2) Indicator used to define substantive effect

Select from:

☑ Revenue

(2.4.3) Change to indicator

Select from:

☑ % increase

(2.4.4) % change to indicator

Select from:

☑ Less than 1%

(2.4.6) Metrics considered in definition

Select all that apply

☑ Frequency of effect occurring

☑ Time horizon over which the effect occurs

☑ Likelihood of effect occurring

(2.4.7) Application of definition

İşbank's definition of substantive financial effect relies on the comparison of the magnitude of the expected revenue (or an increase in profits). Any opportunities with an expected profit amount above 1% of revenue are by definition considered to have a substantive financial effect on our business.

C3. Disclosure of risks and opportunities

(3.1) Have you identified any environmental risks which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?

Climate change

(3.1.1) Environmental risks identified

Select from:

☑ Yes, both within our direct operations or upstream value chain, and within our portfolio

Water

(3.1.1) Environmental risks identified

Select from:

☑ Yes, both within our direct operations or upstream value chain, and within our portfolio

Plastics

(3.1.1) Environmental risks identified

Select from:

☑ No

(3.1.2) Primary reason why your organization does not consider itself to have environmental risks in your direct operations and/or upstream/downstream value chain

Select from:

☑ Environmental risks exist, but none with the potential to have a substantive effect on our organization

(3.1.3) Please explain

As a financial institution, activities such as Production of plastic polymers, Production of durable plastic components, Production / commercialization of durable plastic goods (including mixed materials), Production / commercialization of plastic packaging, Production of goods packaged in plastics and Provision / commercialization of services or goods that use plastic packaging (e.g., retail and food services) are not applicable within our operations. Therefore, environmental risks on plastics do not have substantive effect on our organization in the reporting year, or are not anticipated to have a substantive effect in the future.

(3.1.1) Provide details of the environmental risks identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.

Climate change

(3.1.1.1) Risk identifier

Select from:

☑ Risk1

(3.1.1.3) Risk types and primary environmental risk driver

Reputation

☑ Increased partner and stakeholder concern or negative partner and stakeholder feedback

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☑ Direct operations

(3.1.1.5) Risk type mapped to traditional financial services industry risk classification

Select all that apply

☑ Reputational risk

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☑ Turkey

(3.1.1.9) Organization-specific description of risk

İşbank is the largest privately owned commercial bank of Türkiye in terms of total assets (2,453.8 billion TRY) and cash loans (1,147.4 billion TRY) size. On the other hand, its ability to generate capital largely depends on maintaining its market leader position with steady and sustainable revenues from its operations, due to its unique shareholding structure (significant ownership of the employee pension fund). Thus, its brand value is significantly important and reputation risk pose a substantial threat on the sustainability of its operations. About 2.5% of İşbank's asset size is comprised of loans related to fossil-fuels. Tightening lending requirements mandated by IFIs and newly emerging environmental regulations (CBAM, Green Asset Ratio, etc.) amplified the reputation risks related to environmental issues for İşbank. Bank made aggressive long-term portfolio decarbonization and short term reporting commitments to NZBA, and a declaration to phase out from coal in 2040. As the peer pressure and sensitivity on environmental concerns surges in the banking sector, reputation related several major risks stand out for İşbank in case it fails to fulfill its commitments and maintain sufficient level of climate-related efforts aligned with a 1.5C temperature increase. In this scenario, İşbank may be penalized by brand damage and loss of stakeholder trust, and even be exposed to substantial liquidity risk if its fund raising capacity gets severely impaired.

(3.1.1.10) % of portfolio value vulnerable to this risk

Select from:

☑ 1-10%

(3.1.1.11) Primary financial effect of the risk

Select from:

☑ Brand damage

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☑ Long-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☑ Unlikely

(3.1.1.14) Magnitude

Select from:

☑ High

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Environmental controversies can erode stakeholder trust, resulting in reputational damage that may hamper İşbank's market leader position and competitiveness. As ESG considerations continue to grow in importance, banks which fail to address environmental issues effectively may face diminished long-term financial resilience, making it crucial to proactively manage and mitigate such risks. From reputational risk point of view; primary effect of a negative environmental issue (such as green-washing allegations, commitment failures, lending carbon intensive industries, etc.) on İşbank is considered to be "brand damage", which in the long-run may translate into financial risks such as; 1) loss of public/stakeholder trust 2) deterioration of client relationships & difficulty in attracting new clients, 3) reduced/costly access to capital, 4) decline in revenues, 5) operational and legal costs. All of these financial risks in turn may put the Bank in a difficult position in terms of long-term competitiveness and as a result its share price, market value and brand value is expected to decline substantially. Quantifying financial effects of reputational risk is challenging since there is no consensus in literature towards a common methodology. In addition, different risk factors might be correlated, so any quantitative measurement is prone to high level of uncertainty. Academic studies relates financial effects of reputation to brand image and generally focuses on the change of market value/share price of a firm before and after the announcement of an event causing brand damage. General view on the literature is that a major ESG-related controversy expose a firm on average to suffer a 4% stock price decline following year compared to those not involved. A particular study on ESG risks (Velazquez G., Oliver J., 2023) measured that firms involved in environmental controversies (defined as conflicts between a corporation and any given social agent or stakeholder) on average experience %3.35 market value underperformance (from %2.10 up to 8.92%) compared to their peers over the six months following the incident. Using the minimum and maximum values of this study and İşbank's 2023YE market capitalization of 251.1 billion TRY (8.5 billion USD) we calculated the anticipated range of negative effect on İşbank's market capitalization as 5.3 to 22.4 billion TRY (179.1 to 760.8 million USD).

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☑ Yes

(3.1.1.23) Anticipated financial effect figure in the long-term – minimum (currency)

5272000000

(3.1.1.24) Anticipated financial effect figure in the long-term – maximum (currency)

22395000000

(3.1.1.25) Explanation of financial effect figure

Using the minimum and maximum impact values %2.10 and 8.92% on firm value presented in a particular study on ESG risks (Velazquez G., Oliver J., 2023) and İşbank's 2023YE market capitalization of 251.1 billion TRY (8.5 billion USD) the range of anticipated negative impact on İşbank's market value is calculated as 5.3 to 22.4 billion TRY (179.1 to 760.8 million USD). This calculated range is subject to change in the future, since the main assumption of the calculation is the estimated negative impact of ESG issues on brand value. As the correlation between ESG practices and reputation increases, figures are likely to increase as well. Calculating the percentage of the assets vulnerable to environmental reputation risk is also a challenge since this risk may damage not only İşbank's asset value but also sustainability of its funds and equity. Thus, most relevant and holistic metric to calculate reputational risk exposure as a percentage of asset size is likely to be İşbank's brand value. Brand Finance's 2024 report quantifies İşbank's brand value as 859 million USD (25.7 billion TRY as of 2023YE). Percentage of portfolio value vulnerable to this risk is calculated as 1.05% by dividing İşbank's brand value to its unconsolidated 2023YE total assets (2,453.8 billion TRY).

(3.1.1.26) Primary response to risk

Policies and plans

☑ Participation in environmental collaborative industry frameworks, initiatives and/or commitments

(3.1.1.27) Cost of response to risk

10065000

(3.1.1.28) Explanation of cost calculation

In 2023, İşbank took several actions to mitigate the impact of environmental issues on its brand value: 1) Consultancy fees related to integration of ESG performance on Bank's reputation risk monitoring tool "Reputation Risk Index": 1,900,000 TRY. 2) Consultancy and development costs related to enhancement of Bank's "Sustainability Assessment System (SÜRAS)": 2,400,000 million TRY. 3) Consultancy fees related to the supervision of Integrated Report: 1,200,000 million TRY. 4) Development costs of 10 Sustainability-Environment Awareness oriented employee courses launched in 2023: 650,000 TRY. 5) Consultancy fees related to complying NZBA commitments: 4,500,000TRY. Total cost of responses in 2023 is 10,065,000 TRY.

(3.1.1.29) Description of response

İşbank conducted several projects and took incentives to mitigate reputation risk that may stem form environmental issues: 1) Major enhancements to reputation risk management framework: With support provided by a consulting firm and academicians, Bank rebuilt and improved its reputation risk monitoring tool "Reputation Risk Index" by incorporating ESG related metrics to its calculation methodology. 2) Employee trainings on sustainability and climate risk: İşbank developed sustainability/environment awareness oriented courses for its employees. In 2023, total number of 1.202 employees participated in these digital or in class trainings. "Climate Change Risk" digital training was launched in early 2024. The training aims to create awareness about climate risks among employees, focuses on risk definitions and their importance from İşbank's risk perspective. 3) Developments on Bank's "Sustainability Assessment System (SÜRAS): SÜRAS was designed and implemented in 2022. It is a process for assessing environmental, social and climate risks across the commercial loan portfolio. "Question sets for ESG and climate enables the Bank to assess environmental and social risks as well as climate risk awareness and resilience levels of its customers. In 2023, improvements continued within the scope of project. 4) Integrated Report Consultancy: Integrated Report is the primary publicly available report containing information about İşbank's environmental & social initiatives, risks and opportunities. Since it is the key element of stakeholder communication, İşbank annually receives supervision from a consulting firm for its content excellence. 5) Consultancies for environmental initiatives and commitments: İşbank is continuously working with international consultants to successfully reach its net-zero targets and commitments. Context of the consultancy includes calculation of carbon intensities of prioritized sectors and road-mapping sectoral decarbonization plans and initiatives.

Water

(3.1.1.1) Risk identifier

Select from:

☑ Risk2

(3.1.1.3) Risk types and primary environmental risk driver

Chronic physical

☑ Water stress

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☑ Banking (Bank) portfolio

(3.1.1.5) Risk type mapped to traditional financial services industry risk classification

Select all that apply

☑ Credit risk

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☑ Turkey

(3.1.1.7) River basin where the risk occurs

Select all that apply

☑ Coruh

☑ Maritsa

☑ Kizilirmak

☑ Sakarya

☑ Asi (Orontes)

☑ Tigris & Euphrates

☑ Van Golu

☑ Other, please specify **:Bursa-İznik, Susurluk, Western Black Sea, Yeşilırmak, Konya Closed, Gediz, Küçük Menderes, Büyük Menderes, Southern Aegean, Western Mediterranean, Antalya, Akarçay, Burdur Lakes, Seyhan, Ceyhan, Eastern Black Sea, Aras, Zapsuyu Basins**

(3.1.1.9) Organization-specific description of risk

According to WWF, four river basins in Türkiye are at risk of water scarcity, and seven others are experiencing water stress. The Water Efficiency Strategy Document and Action Plan prepared by the Ministry of Agriculture and Forestry in response to the changing climate indicates that agricultural water usage accounts for approximately 70% of total sectoral water usage globally. In 2022, this figure was 77% for Türkiye. Water stress is a major risk for agricultural production. The depletion of water resources can lead to reduced soil fertility, lower production efficiency and increased costs, which could result in food insecurity. For the sake of a specific example of the risk is that sunflower production in Türkiye decreased by 13,8% in 2023. This result was atributed to increasing water stress in country. As customers in the agricultural sector rely directly on production to meet their financial obligations, their ability to repay loans may diminish, increasing credit risks. As of 2023YE, İşbank's agricultural production loan portfolio exceeded 12 billion TRY, which corresponds to 0.5% of its total assets and 1.6% of its commercial loans. Non-performance of agriculture loans would have a substantial effect on the Bank's financial performance.

(3.1.1.10) % of portfolio value vulnerable to this risk

Select from:

☑ Less than 1%

(3.1.1.11) Primary financial effect of the risk

Select from:

☑ Decreased revenues due to reduced production capacity

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☑ Long-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☑ Likely

(3.1.1.14) Magnitude

Select from:

☑ High

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

In the long term, water stress is expected to have an increased effect on financial results of the Bank. As water stress intensifies, some farmers may no longer be able to grow certain crops in Türkiye. In such cases, farmers may either have to cease production entirely or switch to other, potentially less profitable crops. This situation could affect the future performance of the Bank's credit portfolio and the value of assets. The rise in water stress may lead to an increase the production costs for clients as technologies required for irrigation and water access, along with energy and labor costs, are expected to rise. In addition, reduced production will decrease agricultural income, which will increase the risk of default for firms in agricultural sector. The lower yields of water-dependent crops could negatively affect the overall performance of the Bank's credit portfolio. Increased financial hardships of customers due to the decreased yields potentially increase non performing loans (NPL) and negatively affect asset quality. Also, increased provisions because of the increase in expected credit loss (ECL) of agriculture production sector would cause Bank's revenue to diminish relative to its potential. If farmers stop production or switch crops, it could lead to disruptions in loan repayments, causing fluctuations in the Bank's cash flows. Assuming Bank's portfolio structure and production methods of clients would not change in the long term, according to analysis' using WRI Aqueduct Tool and Encore Tool, it is anticipated that water stress would cause a loss of income between 128 to 900 million TRY because of the increase in ECL.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☑ Yes

(3.1.1.23) Anticipated financial effect figure in the long-term – minimum (currency)

128019482

(3.1.1.24) Anticipated financial effect figure in the long-term – maximum (currency)

898819659

(3.1.1.25) Explanation of financial effect figure

Since water stress is a chronical physical risk its material effect is expected to be observable in the long term. It is expected that a major factor in failure of agricultural loans will be water stress in the long term. To determine the long term effects of the water stress risk, scenario analysis module of the WRI Aqueduct tool and LEAP anaysis by Encore tool are used. According to WRI Aqueduct tool's 2050 business as usual projections, the portion of the Bank's portfolio which is vulnerable to water stress risk in the long term is determined. Considering the assumption that water stress is expected to be a major stress factor in the long term, ECL of agricultural production is expected to increase. In 2023 ECL of agricultural production increased by 0.5%. Since the effect of water stress in the long run is expected to be more severe, a potential 3% ECL ratio increase applied to portfolio that assumed to be vulnerable in the long run to determine the minimum financial effect. Anticipated financial figure-minimum was calculated as 128 million TRY. Anticipated financial effect figure -maximum was calculated by the LEAP analysis which was performed using ENCORE tool, assuming that firms in our portfolio operating in agriculture sector who are most dependent on the availability of water will no longer be able to produce and consequently default. Their credit risk of 899 million TRY is the maximum anticipated effect.

(3.1.1.26) Primary response to risk

Engagement

☑ Engage with customers

(3.1.1.27) Cost of response to risk

1541434

(3.1.1.28) Explanation of cost calculation

To response water stress risk, firstly the Bank organized events to raise awareness of the risk among its customers and employees. 38 farmers meetings were organized in 2023. The cost of these events was TRY 1.176.484. In the reporting year, 152 Bank employees received training on "Smart Agriculture Technologies" and 218 employees received training on "Specialization in Agriculture". The cost of these trainings to the Bank was TRY 364.950.

(3.1.1.29) Description of response

İşbank aims to disseminate sustainable practices supported by technology that increase productivity in agriculture. In line with this goal, İşbank has implemented "Digital Agriculture Project" with Vodafone Business partnership, which enables farmers to receive early warnings for any natural risks in agricultural production by using agricultural meteorology and data stations in production areas and helps them in managing their farming activities in line with the recommendations created with data collected directly from production areas. Additionally, The Bank supports farmers to control costs and achieve better product yields by enabling them to track the status of their soil and the health of their products with its mobile application İmeceMobil, a platform specific to the agricultural sector. Expenditures of those projects are not included in cost of response calculation, since they were completed in 2022. Moreover, the Bank organizes farmer meetings with participation of academics as part of raising awareness among customers. Many pieces of information are transferred to producers, from agricultural technologies to energy efficiency, from the possible effects of water scarcity to investments in irrigation systems. Within the scope of sustainable transformation of its customers, the Bank offers its agricultural customers new products such as smart agricultural loan campaign and pressurized irrigation system loan. The Bank encourages its customers to have TARSIM to the extent possible for the transfer of risk. Moreover, the Bank raise awareness of its employees on the issues and risks in agriculture with trainings which includes water stress risk.

Climate change

(3.1.1.1) Risk identifier

Select from:

☑ Risk3

(3.1.1.3) Risk types and primary environmental risk driver

Policy

☑ Carbon pricing mechanisms

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☑ Banking (Bank) portfolio

(3.1.1.5) Risk type mapped to traditional financial services industry risk classification

Select all that apply

☑ Credit risk

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☑ Turkey

(3.1.1.9) Organization-specific description of risk

The Medium-Term Programme 2024-2026 outlines measures for establishing an Emission Trading System (ETS) in Türkiye. In addition, Türkiye aims to implement the ETS in alignment with its 2053 Net Zero Emission Target and Nationally Determined Contributions. The design of the ETS aims to address needs arising from international conditions, with particular attention to the Carbon Border Adjustment Mechanism (CBAM). Since the ETS will be implemented for the first time in Türkiye, awareness and visibility efforts are expected to be carried out to inform stakeholders about its practices and ensure their active engagement. A pilot phase needs to be initiated to test methodologies, institutions, and policies, providing participants with a learning period before the full implementation. ETS is expected to be completed at least in the medium-term, and its effects to be visible in the medium and long-term. 7.67% of İşbank's commercial loans portfolio is carbon-related. Depending on the level of carbon-pricing, for the customers operating in carbon intensive sectors the impact of a tax scheme will be higher production costs. Thus, primary effect associated with a carbon pricing mechanism is an increase in the default risk of Bank's lending portfolio.

(3.1.1.10) % of portfolio value vulnerable to this risk

Select from:

☑ 1-10%

(3.1.1.11) Primary financial effect of the risk

Select from:

☑ Increased credit risk

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☑ Medium-term

☑ Long-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☑ Likely

(3.1.1.14) Magnitude

Select from:

☑ High

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Since there was no official carbon tax mechanism in Turkiye in the reporting year, an effect can not be quantified. An ETS or carbon tax is expected to be implemented in the medium-term and could effect İşbank's clients in the medium and long-term, particularly those in carbon-intensive sectors (e.g. energy, cement production, transportation, and metal) by increasing their operating costs. This might increase credit risk if these clients struggle to meet financial obligations, potentially affecting loan payments. As a result, expected credit loss (ECL) of İşbank's carbon-intensive loans could increase, negatively affecting the overall loan portfolio value. If the balance sheet value of loan provisions increase (2023YE solo value is 38 billion TRY), this will be reflected adversely on the net operating income. As a result, Bank's net income decreases, reducing the overall profitability and capital substantially. These effects are expected to be amplified in the long-run, as some of the assets become stranded due to perpetually high operating costs.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☑ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

437975187

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

670147522

(3.1.1.23) Anticipated financial effect figure in the long-term – minimum (currency)

437975187

(3.1.1.24) Anticipated financial effect figure in the long-term – maximum (currency)

6530819605

(3.1.1.25) Explanation of financial effect figure

Anticipated effects of a carbon-tax on Bank's financial position is quantified by incorporating NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology on 4 carbon intensive sectors: energy, cement, land transport and metal production, in medium and long-term horizons. Financials of clients are stressed by imposing 5 different levels of carbon price (base: 0, 30-50-100-150 and 200 USD/tCO2) based on customized NGFS hot-house and net-zero scenarios and their probability of default (PD) rates are calculated by a PD model that is built solely on financial metrics affected by the carbon tax such as operating costs, revenues, profitability, etc. The effect of the tax on Bank's financials is calculated as the sum of the differences between clients' ECLs after a carbon tax and their base ECLs (no tax). ECL is calculated by the IFRS9 definition: Exposure at default (EAD) x Loss given default (LGD) x PD. About 8,600 clients in these sectors with an aggregate EAD of 154 billion TRY are included in the analysis. General assumptions and results are given below: Medium-term scenario (2026–28): The level of the carbon tax is anticipated to range between 30-100 USD/tCO2 with an increasing trend. Clients face increased operational costs. Some of the costs are reflected into prices in proportion to supply and demand elasticities of their sectors. None of the clients has power to affect the equilibrium price. For the majority of the clients, operating costs increase, production and revenue decreases. None of the major clients go default. For the sake of simplicity, LGDs of the clients assumed to be stable (w. avg 50.2%). It is calculated that weighted average PD of the portfolio increases from 1.46% to %2 for a tax level of 30 USD/tCO2 (min) and to 2.21% for 100 USD/tCO2 (max). Minimum and maximum anticipated financial effect (ECL increase) range is calculated as 438 million TRY to 670 million TRY. Long-term scenario (2028-): The level of the carbon tax is anticipated to range between 30-200 USD/tCO2 with an increasing trend. 3 of the major clients in coal energy sector go default as their production facilities become stranded due to high operating costs. It is calculated that weighted average PD of the portfolio increases from 1.46% to %2 for a tax level of 30 USD/tCO2 (min) and to 9.03% for 200 USD/tCO2 (max). Minimum and maximum anticipated financial effect (ECL increase) range is calculated as 438 million TRY to 6,530 million TRY.

(3.1.1.26) Primary response to risk

Compliance, monitoring and targets

☑ Establish organization-wide targets

(3.1.1.27) Cost of response to risk

7550000

(3.1.1.28) Explanation of cost calculation

In order to mitigate climate related credit risk that may stem from its portfolio, İşbank took various actions in the reporting year such as projects on portfolio decarbonization, enforcement of exclusion policies, increase customer due-diligence and employee trainings: 1) Consultancy fees related to complying NZBA targets and commitments: 4,500,000 TRY. 2) Enforcing its exclusion policies for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation and new coal mining investments: no additional costs. 3) Conducting scenario analysis on exposed sectors: no additional costs. 4) Consultancy and development costs related to enhancement of Bank's "Sustainability Assessment System (SÜRAS)": 2,400,000 million TRY. 5) Development costs of 10 Sustainability-Environment Awareness oriented employee courses launched in 2023: 650,000 TRY.

(3.1.1.29) Description of response

İşbank conducted several projects and took incentives to reach its portfolio decarbonization targets and mitigate climate related credit risk that may stem from its portfolio: 1) Consultancies for environmental initiatives, targets and commitments: İşbank is continuously working with international consultants to successfully reach its net-zero targets and commitments. Context of the consultancy includes calculation of carbon intensities of prioritized sectors and road-mapping sectoral decarbonization plans and initiatives. 2) Developments on Bank's "Sustainability Assessment System (SÜRAS): SÜRAS was designed and implemented in 2022. It is a process for assessing environmental, social and climate risks across the commercial loan portfolio. Question sets for ESG and climate enables the Bank to assess environmental and social risks as well as climate risk awareness and resilience levels of its customers. In 2023, improvements continued within the scope of project. 3) Exclusion policies: Exclusion of financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation and new coal mining investments continued in 2023. 4) Scenario analysis: ScA on carbon intensive sectors continued. Scope of the scenario analysis expanded by including metal sector. 5) Employee trainings on sustainability and climate risk: İşbank developed sustainability/environment awareness oriented courses for its employees. In 2023, total number of 1.202 employees participated in these digital or in class trainings. "Climate Change Risk" digital training was launched in early 2024. The training aims to create awareness about climate risks among employees, focuses on risk definitions and their importance from İşbank's risk perspective.

Water

(3.1.1.1) Risk identifier

Select from:

☑ Risk4

(3.1.1.3) Risk types and primary environmental risk driver

Acute physical

☑ Drought

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☑ Banking (Bank) portfolio

(3.1.1.5) Risk type mapped to traditional financial services industry risk classification

Select all that apply

☑ Credit risk

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☑ Turkey

(3.1.1.7) River basin where the risk occurs

Select all that apply

☑ Coruh

☑ Maritsa

☑ Kizilirmak

☑ Sakarya

☑ Asi (Orontes)

☑ Tigris & Euphrates

☑ Van Golu

☑ Other, please specify **:Bursa-İznik, Susurluk, Western Black Sea, Yeşilırmak, Konya Closed, Gediz, Küçük Menderes, Büyük Menderes, Southern Aegean, Western Mediterranean, Antalya, Akarçay, Burdur Lakes, Seyhan, Ceyhan, Eastern Black Sea, Aras, Zapsuyu Basins**

(3.1.1.9) Organization-specific description of risk

Semi-arid climate conditions prevail in 37.3% of Turkey. Therefore, water dependent sectors, such as hydropower facilities can be significantly affected by changes in the amount and distribution of water. In case of a severe drought, utilization rate of production capacity may drop significantly, which in turn leads to a decrease in revenue. Drought risk implies a substantial impact on İşbank' asset quality, throughout the loans advanced to Hydro Electric Power Plants (HEPPs). As of 2023YE, total amount of cash loans advanced by İşbank to HEPP projects is TRY 25 billion, which constitutes a significant proportion (34%) of İşbank's renewable energy portfolio. According to WRI Aqueduct Tool, 45% of the Bank's HEPP loan portfolio are located in the basins with medium-high level of dorught risk, and 55% are in basins with medium risk basins. A decrease in river flow rates due to drought can severely affect HEPP capacity utilization and lead to a decrease in the likelihood of loan repayments especially in basins with higher level of drought risk. In the reporting year, two HEPPS in our portfolio with a total credit risk of TRY 30 million experience their driest period in the first half of the year and electricity generation decreased almost 60% when it's compared to the same period of previous year. There were no default thanks to strong financials of the sponsorship firms and increasing rainfall in the second half of the year.

(3.1.1.10) % of portfolio value vulnerable to this risk

Select from:

☑ 1-10%

(3.1.1.11) Primary financial effect of the risk

Select from:

☑ Decreased revenues due to reduced production capacity

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☑ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☑ Very likely

(3.1.1.14) Magnitude

Select from:

☑ Medium-high

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

In the medium term, drought risk is expected to increasingly and more severely affect energy production capacity of hydroelectric power plants. A sustained decrease in energy production may result in the failure of some HEPPs and increase in the NPL ratio of our Bank. A continuous decline in energy production due to drought risk could lead to more frequent delays in loan repayments for HEPP companies. Bank's own data of the HEPP firms operating in high drought risk regions indicates that production may suffer a %39 decrease on medium term in the regions that experienced sustained drought. This decrease could create fluctuations in the repayment capacity of borrowers by affecting their cash flows. Also sustained droughts could increase Bank's ECL and cause loss in revenue. However, through a diversified loan portfolio and strategic risk mitigation efforts, İşbank aims to minimize the financial impact.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☑ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

22822468

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

242987280

(3.1.1.25) Explanation of financial effect figure

It is not possible to isolate the impact of drought on companies' financial performance. Therefore, the contribution of drought to financial performance has been assessed based on production data at the facility level. The following methodology was used to determine the impact of drought on Hydroelectric Power Plant (HEPP) customers in the reporting year: - Regions affected by drought in 2023 were identified using the drought analysis map provided by MGM. - The hydroelectric power plants located in areas classified as "severely" or"extremely" drought-stricken were analyzed to assess how their production was impacted compared to previous year - For these HEPPs, the reduction in production was multiplied by the electricity price to estimate the revenue loss of customer. By this analysis, HEPPs operating in drought-stricken regions suffered %24 percent production decrease and are estimated to suffer approximately 246 million TRY potential revenue loss in 2023. In the same year the average expected credit loss (ECL) of the same HEPPs increased by %1. This %1 increase means additional 14 million TRY provisions for ECL. However this financial effect is not considered as substantial for the Bank. Based on previous years data, it is estimated that drought may cause a 39% decrease in production in the medium term for the HEPP companies in the Bank's portfolio whic are operating in drought-stricken regions. Anticipated financial effect-minimum is estimated by considering the effect of %39 decrease on the reporting year estimated financial effect of 14 million TRY. It is estimated that in medium term the anticipated effect of the risk is at least 23 million TRY, which is not substantial still. However, In 2023 a single HEPP suffered %39 decrease in production because of severe drought and its ECL increased by %6. The same firm suffered drought periods in past years also. If the drought persists the firm will no longer be able to produce enough to cover its debt service as a result of consecutive dry periods and is likely to go default. Anticipated financial effect-maximum is determined by assumption of the default of given firm, which is its credit risk of 243 million TRY. So the maximum anticipated effect in the medium term is expected to be substantial for the Bank.

(3.1.1.26) Primary response to risk

Diversification

☑ Develop new products, services and/or markets

(3.1.1.27) Cost of response to risk

0

(3.1.1.28) Explanation of cost calculation

The primary response of the Bank for the risk is to decrease the concentration of HEPPs in the portfolio by increasing the share of other renewable energy firms. For this end the Bank develops new products to increase loans to alternative renewable energy firms. This effort does not cause additional direct costs as the cost is absorbed into business as usual activities of Bank. Also Bank's ÇESMOD (Environmental and Social Model) model and "Project Rating Model" were introduced in previous years to enhance risk assessment and credit risk evaluation and monitoring loans to finance projects, which includes HEPPs. However the expenditures of the models in question were completed in previous years so their costs are not included in reporting years cost calculation.

(3.1.1.29) Description of response

To enhance the quality of risk assessments for its clients, İşbank implemented several key measures: 1. In 2021, İşbank transitioned from the ERET model, which had been used since 2013 to calculate Environmental and Social Risk Scores for its investments, to ÇESMOD (Environmental and Social Model). ÇESMOD model is tailored to specific investment types and sectors and is aligned with global standards for risk measurement. ÇESMOD model evaluates and scores aspects such as EIA (Environmental Impact Assessment) decisions natural resource use, air, soil and water quality, the scope of which are determined by legislation, laws and regulations, are evaluated and scored through questions created within the framework of the company's activities. The model includes sector-specific questions regarding both groundwater and surface water resources. The transition to ÇESMOD was fully completed in 2022, and the new model has since been adopted. 2. To improve credit risk evaluation and monitoring of its project portfolio, İşbank introduced a new, industry-leading "Project Rating Model" in 2022. 3. In order to reduce the risk weight of HEPPs in our portfolio and spread the risk across the portfolio, efforts are being made to increase the share of other renewable energy investments. As part of these initiatives, products like "İş'te Güneş Loan" (a product to finance solar energy projects) are being offered.

Water

(3.1.1.1) Risk identifier

Select from:

☑ Risk5

(3.1.1.3) Risk types and primary environmental risk driver

Acute physical

☑ Flooding (coastal, fluvial, pluvial, groundwater)

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☑ Direct operations

(3.1.1.5) Risk type mapped to traditional financial services industry risk classification

Select all that apply

☑ Operational risk

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☑ Turkey

(3.1.1.7) River basin where the risk occurs

Select all that apply

☑ Other, please specify **:**Aegean Basin, Mediterranean Basin, Black Sea Basin, Marmara Basin, Central Anatolia Basin

(3.1.1.9) Organization-specific description of risk

According to Disaster Risk Reduction Plan (2022-2030) prepared by Disaster and Emergency Management Presidency (AFAD) of Türkiye, flood is the second type of disaster that causes loss of life and property in Türkiye. İşbank has an extensive branch network spread across the country. According to WRI Aqueduct Tool, %24 of our branches and 3.596 employees are located in "High" and %6 of our branches and 851 employees in "Extremely High" riverine flood risk area. Also some buildings that are critical in terms of value and business continuity such as TUTOM (Tuzla Technology & Operation Center) and Atlas Data Center are located in Tuzla ("High" flood risk area). In case of heavy precipitation, if the nearby sewerage infrastructure is insufficient, there might be leakage in the interior floors of the buildings and flooding may occur in the basement floors and parking lots. In the event of clogged manholes and backfires or flood, company assets may be damaged, electronic systems may be affected and operations may be disrupted in branches and other buildings. More importantly, physical damage caused by flooding in data center may cause interruption of services in all channels including mobile App and cause material financial and reputational impact. Since the value of İşbank's real estate assets located in extremely high flood risk areas accounts for less than %1 of İşbank's total assets, the main financial impact of flooding is expected to be on revenue due to business disruptions.

(3.1.1.10) % of portfolio value vulnerable to this risk

Select from:

☑ Less than 1%

(3.1.1.11) Primary financial effect of the risk

Select from:

☑ Disruption to sales

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☑ Short-term

☑ The risk has already had a substantive effect on our organization in the reporting year

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☑ Very likely

(3.1.1.14) Magnitude

Select from:

☑ Medium-high

(3.1.1.15) Effect of the risk on the financial position, financial performance and cash flows of the organization in the reporting year

In 2023, particularly during months of heavy rainfall, flood incidents caused service disruptions and physical damages at several branches. Branches that exposed to flood experienced service disruptions, and repair/renovation costs arose in some of damaged branches. The floods resulted in physical damage amounting TRY 153.418, which was recorded as a direct cost. Our branches experienced 48 hours of service interruption due to flooding in 2023. During the service disruptions, our branches were unable to generate revenue and performance temporarily impacted. Additionally, İşbank insures its assets, including owned buildings/equipment, and rental branches against physical risks. Renewal of insurance policies results in an annual insurance cost, which is also included in our expenses. Total value of İşbank's expenses and lost revenues due to flood risk in 2023 is approximately TRY 20 million.

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Although no major change in the frequency of flood events is expected in the short term, the increasing frequency and intensity of flood events are expected to impact İşbank's financial position, financial performance, and cash flows more significantly. The costs associated with repairing and replaced damaged assets, such as furniture, electrical systems, and infrastructure, are likely to increase as flood events become more frequent. This could result in higher capital expenditures over time, which may put pressure on the bank's financial position. As the frequency of floods increases, a higher number of branches are expected to be impacted, leading to more frequent service interruptions and as a result reduced revenue generation across multiple branches. Frequent service disruptions may increase customer dissatisfaction and resulting customer loss, further affecting the Bank's performance in competitive markets. Recurring claims could lead to increased insurance premiums in the future, adding an additional financial burden. Rise in service interruptions and associated repair costs are expected to lead to higher cash outflows. While these are currently manageable, increase in frequency and severity of floods could strain cash reserves, particularly if insurance premiums rise or if damages extend beyond current coverage limits. Also, the risk of physical damage to critical establishments caused by flood may lead to serious service disruptions, which can amount to unprecedented financial and reputational impacts. Given the Bank's back-up data center in a different geographical area, Bank does not anticipate loss from a disruption caused by flood damage to its primary data center Atlas. However, potential financial and reputational effects of the inherent risk could be disastrous, the risk is considered as substantial and its magnitude as medium-high.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☑ Yes

(3.1.1.18) Financial effect figure in the reporting year (currency)

2027493

(3.1.1.19) Anticipated financial effect figure in the short-term – minimum (currency)

2577584

(3.1.1.20) Anticipated financial effect figure in the short-term – maximum (currency)

20105970

(3.1.1.25) Explanation of financial effect figure

12 of our branches experienced flood events in the reporting year. Flood events caused a total of 48 hours of service outage and 153,418.77 TRY of physical damage in related branches. Annual net income of all branches is divided by the total number of branches in order to calculate net income per branch in a year, which is approximately TRY 79 million. Number of working days is taken as 253 days in 2023 and daily working hour is 8 hours. Using this data, net income/ hour per branch is calculated as TRY 39,043.21. Multiplying this figure with the total outage time gives us the financial impact figure of business disruptions, which is TRY 1,874,074. Sum of financial impact figure of business disruptions and physical damage loss due to flood is the financial effect figure in the reporting year. Although the financial impact of flood risk is low during the reporting period, especially, in the case of water leakage into the branches' safe deposit boxes, it is assessed that financial effect of risk will increase significantly due to customer asset damage. Besides, as flooding events are expected to increase in medium/long term, the financial impact is also expected to increase. For the anticipated minimum financial effect figure; the annual average inflation adjusted financial impact of flood risk over the past three years has been used, assuming there will be no extreme flood events, which amounts to 2,6 million TRY. Marmara region holds strategic importance for the Bank. In case of extreme flood, 119 branches located in the region and classified as "high" and "extremely high" flood risk by the WRI within the Marmara Region assumed to be affected. Based on historical data, a branch experiences an average of 4,3 hours of service interruption by a single flooding event. Anticipated financial effect figure (maximum) has been calculated by assuming all 119 branches suffer from one flooding event in short term. This assumption leads to an estimation of 20 million TRY financial loss.

(3.1.1.26) Primary response to risk

Policies and plans

☑ Use risk transfer instruments

(3.1.1.27) Cost of response to risk

18303278

(3.1.1.28) Explanation of cost calculation

Cost of response figure consists of the sum of premium cost (TRY 18,303,278) allocated for insuring Bank-owned buildings/equipment and rented branches. Since the Bank's insurance contracts cover a bundle of physical risks (earthquakes, flood, fire, wind damage, collision, vandalism etc.), it is not possible to separate pricing details for each type of risk. Activities and trainings regarding BCMP and ISCP did not incur any additional costs since these activities are conducted in the scope of business as usual practices.

(3.1.1.29) Description of response

Considering that the flood may affect our assets especially in the "High" and "Extremely High" flood risk areas, we are aware that it is required to take necessary precautions to prevent the immediate losses and future negative effects of flood on our assets. To do so, İşbank's primary response for flood risk is to transfer the risk via insurance contracts. All the Bank assets including rented branches, Bank-owned buildings, equipment are insured against physical risks annually. In addition to that, the buildings especially located in high and extremely high flood risk area are strengthening against flood risk. As in the scope of our Business Continuity Management Plan (BCMP) and Information Systems Continuity Plan (ISCP), the Bank makes provisions for potential floods that may cause operational interruptions and customer dissatisfactions. Crisis and emergency management processes are targeted to be implemented for extreme flood events, in order to prevent any continuity interruption in our systems. Lastly, Bank personnel is subject to periodic Business Continuity training programs in order to improve their risk awareness and crisis management competencies. Atlas Data Center is one of the critical buildings for the İşbank. In the case of a flood disaster, the data center could experience operational disruptions, and there is a risk of data loss or damage, potentially leading to significant impacts on the Bank's operations and financials. To mitigate this risk, the Bank maintains a backup of its data center at an alternative location in Ankara (low-medium flood risk). This setup ensures business continuity in the case that Atlas Data Center becomes non-operational. It is assessed that the likelihood of both data centers being simultaneously incapacitated due to natural causes is very low. This strategic approach provides a robust safeguard against potential disruptions and enhances the resilience of the Bank's operations.

(3.1.2) Provide the amount and proportion of your financial metrics from the reporting year that are vulnerable to the substantive effects of environmental risks.

Climate change

(3.1.2.1) Financial metric

Select from:

☑ Assets

(3.1.2.2) Amount of financial metric vulnerable to transition risks for this environmental issue (unit currency as selected in 1.2)

148267018403

(3.1.2.3) % of total financial metric vulnerable to transition risks for this environmental issue

Select from:

☑ 1-10%

(3.1.2.4) Amount of financial metric vulnerable to physical risks for this environmental issue (unit currency as selected in 1.2)

82756306294

(3.1.2.5) % of total financial metric vulnerable to physical risks for this environmental issue

Select from:

☑ 1-10%

(3.1.2.7) Explanation of financial figures

Different from last year, İşbank used the latest version of ENCORE tool & database and TNFD's LEAP approach in order to identify and assess environmental risks. We created a sectoral environmental risk assessment matrix containing: 1) Unique ISIC codes of sectors 2) Environmental dependencies & pressures and their materiality levels on a 5–grade scale (very-low, low, mid, high, very-high) 3) Outstanding loan amount for each unique ISIC code 4) A mapping of dependency & pressures with transition & physical risks of environmental issues. Dependency/Pressure – Environmental Risk mapping is done internally using ecosystem services & pressure definitions provided by the ENCORE tool. For a sector (or unique ISIC code) if materiality of at least one environmental dependency or pressure is high or very-high, it is assumed that this sector is substantially vulnerable to effects of environmental risks which are mapped to these dependencies and/or pressures. For climate risk, %100 of the commercial cash loans (%34 of the total asset size as of 2023YE) assessed by using this method. Loans vulnerable to high or very-high transition climate risks is calculated as 148 billion TRY (%6 of total assets) and loans vulnerable to high or very-high physical climate risks is calculated as 83 billion TRY (%3.4 of total assets). Results of the analysis show that: 1) GHG intensity is the main determinant of a sector's exposure on climate transition risks. Manufacture of basic iron and steel (1.43%), construction of buildings (1.01%), fossil fuels energy production (0.90%), agriculture forestry and fishing (0.84%), manufacture of non-metallic mineral products (%0.44), sea and coastal water transport (0.32%), mining and quarrying (0.36%) and air transport (0.16%) are exposed to substantial climate transition risks due to their GHG intensities. 2) Dependency on global & local climate regulations creates substantial transition and/or physical risks for industries such as agriculture forestry & fishing, mining & quarrying and solar & wind energy production. 3) Dependency on storm mitigation is a major determinant of a sector's exposure on climate physical risks. Hospital activities (0.76%), construction of roads and railways (0.48%), sea and coastal water transport (0.32%) and most of the sub sectors of agriculture, forestry and fishing (0.47%) are exposed to physical climate risks due to this dependency.

Water

(3.1.2.1) Financial metric

Select from:

☑ Assets

(3.1.2.2) Amount of financial metric vulnerable to transition risks for this environmental issue (unit currency as selected in 1.2)

302270515564

(3.1.2.3) % of total financial metric vulnerable to transition risks for this environmental issue

Select from:

☑ 11-20%

(3.1.2.4) Amount of financial metric vulnerable to physical risks for this environmental issue (unit currency as selected in 1.2)

243455653814

(3.1.2.5) % of total financial metric vulnerable to physical risks for this environmental issue

Select from:

☑ 1-10%

(3.1.2.7) Explanation of financial figures

Different from last year, İşbank used the latest version of ENCORE tool & database and TNFD's LEAP approach in order to identify and assess environmental risks. We created a sectoral environmental risk assessment matrix containing: 1) Unique ISIC codes of sectors 2) Environmental dependencies & pressures and their materiality levels on a 5–grade scale (very-low, low, mid, high, very-high) 3) Outstanding loan amount for each unique ISIC code 4) A mapping of dependency & pressures with transition & physical climate/water risks. D&P - C&W risk mapping is done internally using ecosystem services & pressure definitions provided by the ENCORE tool. For a sector (or unique ISIC code) if materiality of at least one environmental dependency or pressure is high or very-high, it is assumed that this sector is substantially vulnerable to effects of environmental risks which are mapped to these dependencies and/or pressures. For water risk, %100 of the commercial cash loans (%34 of the total asset size as of 2023YE) assessed by using this method. Loans vulnerable to high or very-high water transition risks is calculated as 302 billion TRY (%12.3 of total assets) and loans vulnerable to high or very-high physical water risks is calculated as 243 billion TRY (%9.9 of total assets). Results of the analysis show that: 1) Dependency on water resources and regular rainfall regime are the main determinants of a sector's exposure on water physical risks. Electric power generation, transmission and distribution (2.57%) Construction (1.87%), Manufacture of basic iron and steel (1.43%), Other manufacturing (1.31%), Agriculture forestry and fishing (0.84%), Mining and quarrying (0.36%) are exposed to substantial water physical risks due to their water dependencies. 2) Sectors that release large amounts of water pollutants as a result of their processes are one of the main determinants of water transition risks. Manufacturing (4.16%), Construction (1.84%), Agriculture forestry and fishing (0.84%), Mining and quarrying (0.36%) are exposed to substantial water transition risk due to their pollutant emissions. 3) Dependency on water purification is the other main determinants of a sector's exposure on water transition risks. Manufacturing of food and beverages (1.07%), Human health activities (0.87%), Accommodation (0.85%), Agriculture forestry and fishing (0.84%), Food and beverage service activities (0.31%) are exposed to water transition risk due to their need for clean water.

(3.6) Have you identified any environmental opportunities which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?

	Environmental opportunities identified
Climate change	*Select from:* ☑ Yes, we have identified opportunities, and some/all are being realized
Water	*Select from:* ☑ Yes, we have identified opportunities, and some/all are being realized

(3.6.1) Provide details of the environmental opportunities identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.

Climate change

(3.6.1.1) Opportunity identifier

Select from:

☑ Opp6

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Markets

☑ Increased diversification of financial assets [e.g., green bonds and infrastructure]

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☑ Banking portfolio

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☑ Turkey

(3.6.1.8) Organization specific description

This opportunity is associated to the growing demand for green bonds and parallel increase in the İşbank's green bond issuance. İşbank has established its Sustainability Bond Framework in 2020 and expanded its scope by revising it into the Sustainable Finance Framework in 2021. Framework has been prepared in accordance with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the ICMA and the Green Loan Principles published by the Loan Market Association. In 2022, Capital Markets Board (CMB) of Turkey published "Guidelines on Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate (Guidelines)". İşbank prepared a framework about domestic green/sustainable debt instruments according to this Guidelines. In 2023, İşbank has achieved the distinction of being the 1st bank in Türkiye to issue domestic green debt instruments in TRY, aligning with the principles outlined in the Guidelines established by the CMB. Funds obtained under these frameworks will be allocated to projects with a positive environmental impact in the areas of renewable energy, energy efficiency, recycling, organic agriculture, clean transportation, green buildings and circular economy, and to finance loans with a positive social impact, such as financing SMEs including those in underdeveloped regions and women entrepreneurs.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

☑ Increased access to capital at lower/more favorable rates

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

☑ The opportunity has already had a substantive effect on our organization in the reporting year

(3.6.1.12) Magnitude

Select from:

☑ Medium-high

(3.6.1.13) Effect of the opportunity on the financial position, financial performance and cash flows of the organization in the reporting period

İşbank has two outstanding green bond issuances to foreign investor(s) with amounts of USD 50 million and USD 13 million and 10-year and 5-year maturity, respectively which forms 2% of the total eurobond portfolio issued by İşbank in the international markets. Also within the scope of the "Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate Guidelines" published by the Capital Markets Board (CMB) in February 2022, İşbank obtained the necessary permission in August to issue green and/or sustainable bonds or commercial papers up to USD 3 billion abroad. The proceeds of the bonds have been used to support projects related to renewable energy, which enables 72,314 tCO2e of avoided estimated GHG emissions within the year of 2023. In 2024 we also had an outstanding domestic green bond issuance with the amount of TL 500 million with a 2-year maturity. The transaction is labelled as the first green debt instrument issuance in TRY denominated by the banking sector in the country. The issuance, facilitated through sales to qualified investors in Türkiye, driven by strong interest from both retail and institutional investors. The funds from the issuance will be allocated to finance and refinance loans for green projects. According to the impact report prepared for this issuance, the estimated annual prevented GHG emissions were 148,769 tCO2e.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☑ Yes

(3.6.1.16) Financial effect figure in the reporting year (currency)

138535827

(3.6.1.23) Explanation of financial effect figures

Within the scope of our two foreign green bond issuances, a total of TRY 138 million interest payments were made in 2023. On the other hand, no interest payment was made in 2023 for the TRY 500 million green bond issuance carried out domestically.

(3.6.1.24) Cost to realize opportunity

323703

(3.6.1.25) Explanation of cost calculation

In September 2022, İşbank engaged Sustainalytics to review the projects funded with proceeds from the issued green bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments in the İşbank Sustainability Bond Framework. In this context, a payment of TRY 136,533 was made for the service provided by Sustainalytics. A second party opinion was prepared by sustainability consulting agency stating that the framework document we have prepared for the TRY 500 million green debt instrument issuance we have carried out domestically in 2023 is compatible with the CMB's Guidelines. In addition, the same firm for the impact report of this issuance prepared verification report. The cost items of the 500 million TL export made domestically are the purchases of second party opinion and impact report verification services. An amount of TRY 187,170 was spent for these services. The cost of the opportunity gianed with the sum of these two amounts is TRY 323,703.

(3.6.1.26) Strategy to realize opportunity

İşbank's main objective to issue green/social/sustainable bonds is to create positive environmental and social impact through the projects to be financed or refinanced with the proceeds of such issuances. In general green bonds can support issuers in mitigating the impacts of climate change, funding activities with environmental benefits and even initiating a transition to a greener business model by offering access to low cost debt capital via a well understood and standardised instrument. Proceeds of the outstanding green bond issuances of İşbank have been used to finance/refinance the projects that fall under the green categories (mostly renewable energy projects) in İşbank's Sustainable Finance Framework. Target group for green/social/sustainable bond issuances are institutional investors (such as mutual funds, impacts funds etc.) as well as financial institutions (including MDBs/IFIs etc.) that want to invest in these type of products with positive environmental and social impact. Thanks to this opportunity İşbank will obtain potential funds and diversify the scope of investor base. Moreover as a bond issuer İşbank will generate more access to capital with low-costs. In this way, the Bank will increase the diversity of non-deposit funding sources while reducing the cost of funding.

Water

(3.6.1.1) Opportunity identifier

Select from:

☑ Opp1

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Resource efficiency

☑ Use of new technologies

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☑ Direct operations

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☑ Turkey

(3.6.1.6) River basin where the opportunity occurs

Select all that apply

☑ Other, please specify **:**Aegean Basin, Mediterranean Basin, Black Sea Basin, Marmara Basin, Central Anatolia Basin

(3.6.1.8) Organization specific description

To boost business continuity and efficiency, we're implementing a new technology for a resource monitoring system in our branches. This system will track electricity and water usage, generator operations, temperatures in customer areas and electrical rooms, and resource quality issues. It provides real-time monitoring, reporting, and early warnings to prevent service interruptions and penalties. It also aims to prevent damage and service interruptions related to potential water installation issues and flood risks mentioned in question 3.1.1.. This will help us move towards a more sustainable infrastructure across our locations in Türkiye.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

☑ Reduced direct costs

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

☑ Medium-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

☑ Very likely (90–100%)

(3.6.1.12) Magnitude

Select from:

☑ Low

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Although there is a fixed cost based on location for the installation of the remote monitoring system, the efficiency that will occur in resource use will reduce the costs associated with resource consumption starting from the system installation. It is expected that a 5% to 10% resource consumption saving will be achieved with the installation of the system in all locations. Although it has a small impact on the bank's income statement, it is known that the benefit it will provide against potential risks will be much higher.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☑ Yes

(3.6.1.19) Anticipated financial effect figure in the medium-term - minimum (currency)

12000000

(3.6.1.20) Anticipated financial effect figure in the medium-term - maximum (currency)

24000000

(3.6.1.23) Explanation of financial effect figures

With the establishment of the remote monitoring system, an average of 5% to 10% savings in bills are expected. This means a decrease of approximately 1500 TL to 2500 TL per location (considering there are 1200 locations in average terms). When all our locations are considered, this figure will be a minimum of 12,000,000 TL and a maximum of 24,000,000 TL in total annually.

(3.6.1.24) Cost to realize opportunity

30501811

(3.6.1.25) Explanation of cost calculation

The fixed cost of the location for the installation of the remote monitoring system is the only cost that must be incurred for this opportunity to be realized. In the current situation, it is calculated that a total expenditure of approximately 30,500,000 TL is required, with an installation cost of approximately 50,000 TL per location.

(3.6.1.26) Strategy to realize opportunity

With the establishment of the remote monitoring system, branches with similar structures, locations and climates will be compared and action for optimization will be planned to maximize the potential realization of this opportunity on resource consumption. In the developments we have made regarding direct operations, the remote monitoring system has been given priority and this system has already been installed and put into operation in 250 locations. It is planned to install the system in all our approximately 1200 locations by the end of 2026.

(3.6.2) Provide the amount and proportion of your financial metrics in the reporting year that are aligned with the substantive effects of environmental opportunities.

Climate change

(3.6.2.1) Financial metric

Select from:

☑ Assets

(3.6.2.2) Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

53053904848

(3.6.2.3) % of total financial metric aligned with opportunities for this environmental issue

Select from:

☑ 1-10%

(3.6.2.4) Explanation of financial figures

İşbank identifies and evaluates opportunities arising from climate change most widely through its product and service portfolio. In this context, we work to further develop and diversify our sustainable and environmentally friendly product, service and loan portfolio range every year. In parallel with drawing the decarbonization roadmap for the loan portfolio in 2023, we will focus on increasing the sustainable finance balance. We are committed to contributing to the green transformation of the economy by providing sustainable financing amounting to TL 300 billion by 2026. By the end of 2023, sustainable financing disbursements reached TL 138 billion, achieving 46% of the target. As an response to the question, we include the balance of environmental financing disbursed of 53 billion out of the 138 billion disbursed and the ratio of this balance to our cash loan portfolio.

Water

(3.6.2.1) Financial metric

Select from:

☑ Assets

(3.6.2.2) Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

88984703

(3.6.2.3) % of total financial metric aligned with opportunities for this environmental issue

Select from:

☑ Less than 1%

(3.6.2.4) Explanation of financial figures

Water security loan aims to meet the financing needs of businesses that want to contribute to the protection of the seas by investing in wastewater treatment, wastewater recovery facilities, ship ballast water treatment, or gray water treatment systems, or that want to improve their existing facilities by investing in maintenance, repair, and capacity increases. The wastewater treatment and ship ballast water treatment systems within the loan contribute to biodiversity by enabling the existence of clean water and food in an environment where living creatures can thrive and protecting the existence and survival of life forms. Moreover İşbank supports farmers regarding pressurized irrigation systems through its cooperation with BASUSAD. Within this framework, the Bank finances the installation of pressurized irrigation systems.

C4. Governance

(4.1) Does your organization have a board of directors or an equivalent governing body?

(4.1.1) Board of directors or equivalent governing body

Select from:

☑ Yes

(4.1.2) Frequency with which the board or equivalent meets

Select from:

☑ More frequently than quarterly

(4.1.3) Types of directors your board or equivalent is comprised of

Select all that apply

☑ Executive directors or equivalent

☑ Non-executive directors or equivalent

☑ Independent non-executive directors or equivalent

(4.1.4) Board diversity and inclusion policy

Select from:

☑ Yes, and it is publicly available

(4.1.5) Briefly describe what the policy covers

The purpose of the Board Diversity Policy is to set principles, procedures and goals aimed at ensuring diversity in the Board of Directors of İşbank.

(4.1.6) Attach the policy (optional)

board_diversity_policy.pdf

(4.1.1) Is there board-level oversight of environmental issues within your organization?

	Board-level oversight of this environmental issue
Climate change	*Select from:* ☑ Yes
Water	*Select from:* ☑ Yes
Biodiversity	*Select from:* ☑ Yes

(4.1.2) Identify the positions (do not include any names) of the individuals or committees on the board with accountability for environmental issues and provide details of the board's oversight of environmental issues.

Climate change

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

☑ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

☑ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

☑ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

☑ Scheduled agenda item in every board meeting (standing agenda item)

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

☑ Overseeing and guiding scenario analysis
☑ Overseeing the setting of corporate targets
☑ Monitoring progress towards corporate targets
☑ Approving corporate policies and/or commitments
☑ Overseeing and guiding public policy engagement
☑ Overseeing and guiding the development of a business strategy
☑ Overseeing and guiding acquisitions, mergers, and divestitures
☑ Overseeing and guiding the development of a climate transition plan
☑ Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities
☑ Overseeing and guiding public policy engagement
☑ Approving and/or overseeing employee incentives
☑ Overseeing and guiding major capital expenditures
☑ Monitoring the implementation of the business strategy
☑ Monitoring the implementation of a climate transition plan

(4.1.2.6) Scope of board-level oversight

Select all that apply

☑ Risks and opportunities to our own operations
☑ Risks and opportunities to our banking activities
☑ The impact of our own operations on the environment
☑ The impact of our banking activities on the environment

(4.1.2.7) Please explain

The Board of Directors has ultimate oversight of the Bank's work to identify, assess and integrate climate-related risks&opps. throughout the organization and has tasked a sub-committee, the Sustainability Committee(SC), to focus on sustainability, climate and water-related issues. SC is chaired by the Chairperson of the BoD and has 2 additional BoD members as well as 10 Deputy Chief Executives. The BoD considers climate-related issues when reviewing&guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting performance objectives, monitoring implementation&performance. SC provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. In 2023, SC met twice and took 4 decisions. Of the 4 decisions taken, 3 were directly related to the climate. 4th decision was to phase out coal financing by 2040 and the inclusion of a clause on the efficient use of water in the Bank's Environmental&Social Impacts Policy. BoD-level Risk Committee(RC) has oversight responsibility and is appointed as "Accountable" on the following activities regarding climate risk management(CRM)&governance: Reporting of climate risk(CR) indicators included in the risk appetite framework(RAF) Establishing&reviewing CR policies Creating, developing, periodically reviewing and updating the CR questionnaire Designing, monitoring and updating the CR heat map&CR scenario analyses Periodic review&calibration of models used in the measurement of CR Monitoring CR indicators&reporting to relevant committees Periodic review&updating(if necessary) of CR indicators. 2nd line risk management activities(including climate) are conducted by the Risk Management Division(RMD), which is reporting to the RC and the BoD. Financial&non-financial risks are reported to RC and to the BoD on a monthly basis. İşbank's CR Taxonomy, CR Policy, Methodology and Principles Regarding the Measurement&Management of CR and CR RACI Matrix have been established by RC and approved by the BoD. In 2023, CR policies have been updated to capture major developments in the continuously developing climate framework. BoD is the ultimate authority to approve CR indicators to be included in the İşbank's RAF. Bank has integrated CR into its RAF since 2021, by defining lending limits for high CR sectors. Bank's risk profile of climate related risks and any breaches in the risk appetite or RAF since 2021, by defining lending limits for high CR sectors. Bank's risk profile of climate related risks and any breaches in the risk appetite/tolerance are monitored by RMD/RC and escalated to the BoD for further actions. No breaches occurred in 2023. CR appetite&tolerance levels updated by the approval of the BoD at 2023YE, to reflect İşbank's long-term strategy to decarbonize its loan portfolio. In addition, İşbank discloses its CRM framework, objectives&measurement approaches in its ICAAP reports since 2020.

Water

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

☑ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

☑ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

☑ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

☑ Scheduled agenda item in every board meeting (standing agenda item)

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

☑ Overseeing and guiding scenario analysis
☑ Overseeing the setting of corporate targets
☑ Monitoring progress towards corporate targets
☑ Approving corporate policies and/or commitments
☑ Overseeing and guiding public policy engagement
☑ Overseeing and guiding acquisitions, mergers, and divestitures
☑ Overseeing and guiding the development of a climate transition plan
☑ Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities
☑ Overseeing and guiding public policy engagement
☑ Approving and/or overseeing employee incentives
☑ Overseeing and guiding major capital expenditures
☑ Monitoring the implementation of a climate transition plan
☑ Overseeing and guiding the development of a business strategy

(4.1.2.6) Scope of board-level oversight

Select all that apply

☑ Risks and opportunities to our own operations
☑ The impact of our own operations on the environment

(4.1.2.7) Please explain

The Board of Directors has ultimate oversight of the Bank's work to identify, assess and integrate climate-related risks&opps. throughout the organization and has tasked a sub-committee, the Sustainability Committee(SC), to focus on sustainability, climate and water-related issues. SC is chaired by the Chairperson of the BoD and has 2 additional BoD members as well as 10 Deputy Chief Executives. The BoD considers climate-related issues when reviewing&guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting performance objectives, monitoring implementation&performance. SC provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. In 2023, SC met twice and took 4 decisions. Of the 4 decisions taken, 3 were directly related to the climate. 4th decision was to phase out coal financing by 2040 and the inclusion of a clause on the efficient use of water in the Bank's Environmental&Social Impacts Policy. BoD-level Risk Committee(RC) has oversight responsibility and is appointed as "Accountable" on the following activities regarding climate risk management(CRM)&governance: Reporting of climate risk(CR) indicators included in the risk appetite framework(RAF) Establishing&reviewing CR policies Creating, developing, periodically reviewing and updating the CR questionnaire Designing, monitoring and updating the CR heat map&CR scenario analyses Periodic review&calibration of models used in the measurement of CR Monitoring CR indicators&reporting to relevant committees Periodic review&updating(if necessary) of CR indicators. 2nd line risk management activities(including climate) are conducted by the Risk Management Division(RMD), which is reporting to the RC and the BoD. Financial&non-financial risks are reported to RC and to the BoD on a monthly basis. İşbank's CR Taxonomy, CR Policy, Methodology and Principles Regarding the Measurement&Management of CR and CR RACI Matrix have been established by RC and approved by the BoD. In 2023, CR policies have been updated to capture major developments in the continuously developing climate framework. BoD is the ultimate authority to approve CR indicators to be included in the İşbank's RAF. Bank has integrated CR into its RAF since 2021, by defining lending limits for high CR sectors. Bank's risk profile of climate related risks and any breaches in the risk appetite or RAF since 2021, by defining lending limits for high CR sectors. Bank's risk profile of climate related risks and any breaches in the risk appetite/tolerance are monitored by RMD/RC and escalated to the BoD for further actions. No breaches occurred in 2023. CR appetite&tolerance levels updated by the approval of the BoD at 2023YE, to reflect İşbank's long-term strategy to decarbonize its loan portfolio. In addition, İşbank discloses its CRM framework, objectives&measurement approaches in its ICAAP reports since 2020.

Biodiversity

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

☑ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

☑ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

☑ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

☑ Scheduled agenda item in some board meetings – at least annually

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

☑ Approving corporate policies and/or commitments

☑ Overseeing the setting of corporate targets

☑ Monitoring progress towards corporate targets

☑ Overseeing and guiding public policy engagement

(4.1.2.6) Scope of board-level oversight

Select all that apply

☑ Risks and opportunities to our banking activities

☑ The impact of our banking activities on the environment

(4.1.2.7) Please explain

The Board of Directors has ultimate oversight of the Bank's work to identify, assess and integrate climate-related risks&opps. throughout the organization and has tasked a sub-committee, the Sustainability Committee(SC), to focus on sustainability, climate and water-related issues. SC is chaired by the Chairperson of the BoD and has 2 additional BoD members as well as 10 Deputy Chief Executives. The BoD considers climate-related issues when reviewing&guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting performance objectives, monitoring implementation&performance. SC provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. In 2023, SC met twice and took 4 decisions. Of the 4 decisions taken, 3 were directly related to the climate. 4th decision was to phase out coal financing by 2040 and the inclusion of a clause on the efficient use of water in the Bank's Environmental&Social Impacts Policy. BoD-level Risk Committee(RC) has oversight responsibility and is appointed as "Accountable" on the following activities regarding climate risk management(CRM)&governance: Reporting of climate risk(CR) indicators included in the risk appetite framework(RAF) Establishing&reviewing CR policies Creating, developing, periodically reviewing and updating the CR questionnaire Designing, monitoring and updating the CR heat map&CR scenario analyses Periodic review&calibration of models used in the measurement of CR Monitoring CR indicators&reporting to relevant committees Periodic review&updating(if necessary) of CR indicators. 2nd line risk management activities(including climate) are conducted by the Risk Management Division(RMD), which is reporting to the RC and the BoD. Financial&non-financial risks are reported to RC and to the BoD on a monthly basis. İşbank's CR Taxonomy, CR Policy, Methodology and Principles Regarding the Measurement&Management of CR and CR RACI Matrix have been established by RC and approved by the BoD. In 2023, CR policies have been updated to capture major developments in the continuously developing climate framework. BoD is the ultimate authority to approve CR indicators to be included in the İşbank's RAF. Bank has integrated CR into its RAF since 2021, by defining lending limits for high CR sectors. Bank's risk profile of climate related risks and any breaches in the risk appetite or RAF since 2021, by defining lending limits for high CR sectors. Bank's risk profile of climate related risks and any breaches in the risk appetite/tolerance are monitored by RMD/RC and escalated to the BoD for further actions. No breaches occurred in 2023. CR appetite&tolerance levels updated by the approval of the BoD at 2023YE, to reflect İşbank's long-term strategy to decarbonize its loan portfolio. In addition, İşbank discloses its CRM framework, objectives&measurement approaches in its ICAAP reports since 2020.

(4.2) Does your organization's board have competency on environmental issues?

Climate change

(4.2.1) Board-level competency on this environmental issue

Select from:

☑ Yes

(4.2.2) Mechanisms to maintain an environmentally competent board

Select all that apply

☑ Consulting regularly with an internal, permanent, subject-expert working group

☑ Engaging regularly with external stakeholders and experts on environmental issues

☑ Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)

☑ Having at least one board member with expertise on this environmental issue

(4.2.3) Environmental expertise of the board member

Academic

☑ Postgraduate education (e.g., MSc/MA/PhD in environment and sustainability, climate science, environmental science, water resources management, forestry, etc.), please specify **:**One of the Board members is enrolled in a PhD program in Banking and his research focuses on climate change risks in terms of capital requirements in the banking sector.

Experience

☑ Active member of an environmental committee or organization

Water

(4.2.1) Board-level competency on this environmental issue

Select from:

☑ Yes

(4.2.2) Mechanisms to maintain an environmentally competent board

Select all that apply

☑ Consulting regularly with an internal, permanent, subject-expert working group

☑ Engaging regularly with external stakeholders and experts on environmental issues

☑ Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)

☑ Having at least one board member with expertise on this environmental issue

(4.2.3) Environmental expertise of the board member

Academic

☑ Postgraduate education (e.g., MSc/MA/PhD in environment and sustainability, climate science, environmental science, water resources management, forestry, etc.), please specify **:**One of the Board members is enrolled in a PhD program in Banking and his research focuses on climate change risks in terms of capital requirements in the banking sector.

Experience

☑ Active member of an environmental committee or organization

(4.3) Is there management-level responsibility for environmental issues within your organization?

	Management-level responsibility for this environmental issue
Climate change	*Select from:* ☑ Yes
Water	*Select from:* ☑ Yes
Biodiversity	*Select from:* ☑ Yes

(4.3.1) Provide the highest senior management-level positions or committees with responsibility for environmental issues (do not include the names of individuals).

Climate change

(4.3.1.1) Position of individual or committee with responsibility

Executive level

☑ Chief Sustainability Officer (CSO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

☑ Assessing environmental dependencies, impacts, risks, and opportunities

☑ Assessing future trends in environmental dependencies, impacts, risks, and opportunities

☑ Managing environmental dependencies, impacts, risks, and opportunities

Engagement

☑ Managing public policy engagement related to environmental issues

Policies, commitments, and targets

☑ Measuring progress towards environmental corporate targets

☑ Measuring progress towards environmental science-based targets

☑ Setting corporate environmental policies and/or commitments

☑ Setting corporate environmental targets

Strategy and financial planning

☑ Developing a climate transition plan

☑ Implementing a climate transition plan

☑ Conducting environmental scenario analysis

☑ Implementing the business strategy related to environmental issues

☑ Developing a business strategy which considers environmental issues

☑ Managing acquisitions, mergers, and divestitures related to environmental issues

☑ Managing major capital and/or operational expenditures relating to environmental issues

Other

☑ Providing employee incentives related to environmental performance

(4.3.1.3) Coverage of responsibilities

Select all that apply

☑ Dependencies, impacts, risks, and opportunities related to our banking activities

☑ Dependencies, impacts, risks and opportunities related to our own operations and/or upstream value chain

(4.3.1.4) Reporting line

Select from:

☑ Reports to the Chief Executive Officer (CEO)

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

☑ Quarterly

(4.3.1.6) Please explain

The Deputy Chief Executive in charge of the Investor Relations and Sustainability function assumes the role of Chief Sustainability Officer (CSO) (Sustainability Leader). CSO is responsible for steering İşbank's sustainability initiatives, ESG strategy including climate transition planning as well as and representing the Bank in sustainability communications, including stakeholder engagement and guiding the Bank's sustainability initiatives. Also, he/she organizes and mobilizes all related departments in throughout the Bank for setting ESG and climate-related goals targets and KPIs. The CSO follows the Bank's objectives and performance in terms of sustainability by coordinating sustainability activities among all relevant departments such as risk, strategy, allocation, sales and marketing.

Water

(4.3.1.1) Position of individual or committee with responsibility

Executive level

☑ Chief Sustainability Officer (CSO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

☑ Assessing environmental dependencies, impacts, risks, and opportunities

☑ Managing environmental dependencies, impacts, risks, and opportunities

Engagement

☑ Managing public policy engagement related to environmental issues

Policies, commitments, and targets

☑ Monitoring compliance with corporate environmental policies and/or commitments

☑ Measuring progress towards environmental corporate targets

☑ Setting corporate environmental targets

Strategy and financial planning

☑ Conducting environmental scenario analysis

☑ Developing a business strategy which considers environmental issues

☑ Implementing the business strategy related to environmental issues

☑ Managing acquisitions, mergers, and divestitures related to environmental issues

☑ Managing major capital and/or operational expenditures relating to environmental issues

Other

☑ Providing employee incentives related to environmental performance

(4.3.1.3) Coverage of responsibilities

Select all that apply

☑ Dependencies, impacts, risks, and opportunities related to our banking activities

☑ Dependencies, impacts, risks and opportunities related to our own operations and/or upstream value chain

(4.3.1.4) Reporting line

Select from:

☑ Reports to the Chief Executive Officer (CEO)

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

☑ Quarterly

(4.3.1.6) Please explain

Deputy Chief Executive in charge of Investor Relations & 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 fields. The Chief Sustainability Officer is responsible of determining, analyzing and managing the water related risks and opportunities in concern of banking practices and water-related risks and opportunities of our own operations. In addition, the CSO periodically monitors the resource consumption relative to targets.

Biodiversity

(4.3.1.1) Position of individual or committee with responsibility

Executive level

☑ Chief Sustainability Officer (CSO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

☑ Assessing environmental dependencies, impacts, risks, and opportunities

☑ Managing environmental dependencies, impacts, risks, and opportunities

Policies, commitments, and targets

☑ Monitoring compliance with corporate environmental policies and/or commitments

Strategy and financial planning

☑ Developing a business strategy which considers environmental issues

(4.3.1.3) Coverage of responsibilities

Select all that apply

☑ Dependencies, impacts, risks, and opportunities related to our banking activities

☑ Dependencies, impacts, risks, and opportunities related to our investing activities

(4.3.1.4) Reporting line

Select from:

☑ Reports to the Chief Executive Officer (CEO)

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

☑ As important matters arise

(4.3.1.6) Please explain

The Deputy Chief Executive in charge of the Investor Relations and Sustainability function assumes the role of Chief Sustainability Officer (CSO) (Sustainability Leader). CSO is responsible for steering İşbank's sustainability initiatives, ESG strategy including climate transition planning as well as and representing the Bank in sustainability communications, including stakeholder engagement and guiding the Bank's sustainability initiatives. Also, he/she organizes and mobilizes all related departments in throughout the Bank for setting ESG and climate-related goals targets and KPIs. The CSO follows the Bank's objectives and performance in terms of sustainability by coordinating sustainability activities among all relevant departments such as risk, strategy, allocation, sales and marketing.

(4.5) Do you provide monetary incentives for the management of environmental issues, including the attainment of targets?

Climate change

(4.5.1) Provision of monetary incentives related to this environmental issue

Select from:

☑ Yes

(4.5.2) % of total C-suite and board-level monetary incentives linked to the management of this environmental issue

54

(4.5.3) Please explain

At the beginning of 2023, İşbank set out its commitment to provide 300 billion TL of sustainable financing over a 3 year period. This target is a core objective for all relevant C-Suite executives. Furthermore, last year we have 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, we implement an incentive-based remuneration system for all employees including senior managers that incorporates specific KPIs related to sustainability including environmental issues in line with the Bank's strategic priorities. Our C-Suite executives have sustainability-related goals that vary according to their roles & responsibilities. In this context, our Sustainability Leader also has a task, assured via performance card, which affects annual remuneration, to set sectoral carbon reduction targets in line with our NZBA target and to declare progress against these targets.

Water

(4.5.1) Provision of monetary incentives related to this environmental issue

Select from:

☑ Yes

(4.5.2) % of total C-suite and board-level monetary incentives linked to the management of this environmental issue

54

(4.5.3) Please explain

All C-Suite Executives have cost optimization targets including the water and energy consumption costs of İşbank. In addition to cost optimization, related C-suit executives are incentivized to increase sustainable finance portfolio, including increasing the volume of Water Security Loan. These targets are included in executives' performance cards which affect their annual remuneration. Also, since our main facilities are internationally certified green buildings; compliance with these certification requirements are always on the agenda of our C-Suite Executives which eventually make them responsible on water management&efficiency operations in the Bank. Moreover, the CSO/Sustainability Leader of the Bank has an additional target of taking part in BIST Sustainability Index. Taking part in the mentioned Index requires fulfillment of a set of ESG criteria including the operations of water efficiency. This target is also assured via performance card, which affects the annual remuneration.

(4.5.1) Provide further details on the monetary incentives provided for the management of environmental issues (do not include the names of individuals).

Climate change

(4.5.1.1) Position entitled to monetary incentive

Board or executive level

☑ Chief Sustainability Officer (CSO)

(4.5.1.2) Incentives

Select all that apply

☑ Bonus - % of salary

(4.5.1.3) Performance metrics

Targets

☑ Progress towards environmental targets

☑ Achievement of environmental targets

☑ Organization performance against an environmental sustainability index

☑ Reduction in absolute emissions in line with net-zero target

Strategy and financial planning

☑ Achievement of climate transition plan

Emission reduction

☑ Reduction in emissions intensity

☑ Reduction in absolute emissions

Resource use and efficiency

☑ Reduction in water consumption volumes – direct operations

☑ Reduction in total energy consumption

(4.5.1.4) Incentive plan the incentives are linked to

Select from:

☑ Both Short-Term and Long-Term Incentive Plan, or equivalent

(4.5.1.5) Further details of incentives

At the beginning of 2023, İşbank set out its commitment to provide 300 billion TL of sustainable financing over a 3 year period. This target is a core objective for all relevant C-Suite executives. Furthermore, last year we have established a personalized target setting and bonus system consisting of individual and team-based goals, for all employees in order to evaluate the employees' performance. Individual and team-based targets are included in the performance cards of employees, which affects their annual remuneration. In this regard, İşbank implements an incentive-based remuneration system for all employees including senior managers that incorporates specific KPIs related to sustainability including environmental issues in line with the Bank's strategic priorities. Our C-Suite executives have sustainability-related goals that vary according to their roles & responsibilities. In this context, our Sustainability Leader also has a task, assured via performance card, which affects annual remuneration, to set sectoral carbon reduction targets in line with our NZBA target, declare progress against these targets and increase the share of sustainability-themed loans.

(4.5.1.6) How the position's incentives contribute to the achievement of your environmental commitments and/or climate transition plan

The incentive system linked to achieving the NZBA target directly relates to the Bank's commitment to net zero emissions by 2050. At the same time, the incentive system includes the reduction of emission intensity and absolute emissions, which are among the performance indicators followed by our Bank in the transition to a carbon-free economy, also serves the same purpose.

Water

(4.5.1.1) Position entitled to monetary incentive

Board or executive level

☑ Chief Sustainability Officer (CSO)

(4.5.1.2) Incentives

Select all that apply

☑ Bonus - % of salary

(4.5.1.3) Performance metrics

Resource use and efficiency

☑ Reduction of water withdrawals – direct operations

☑ Reduction in water consumption volumes – direct operations

☑ Improvements in water efficiency – direct operations

☑ Improvements in water accounting, reporting, and third-party verification

☑ Energy efficiency improvement

Pollution

☑ Improvements in wastewater quality – direct operations

☑ Reduction of water pollution incidents

(4.5.1.4) Incentive plan the incentives are linked to

Select from:

☑ Both Short-Term and Long-Term Incentive Plan, or equivalent

(4.5.1.5) Further details of incentives

All C-Suite Executives have cost optimization targets including the water and energy consumption costs of İşbank. In addition to cost optimization, related C-suit managers are incentivized to increase sustainable finance portfolio, including increasing the volume of Water Security Loan. These targets are included in executives' performance cards which affect their annual remuneration. Also, since our main facilities are internationally certified green buildings (the Head Office certified with a BREEAM In-use Excellent, TUTOM Building certified with LEED Gold and Atlas Data Center certified with LEED v4 Gold for Data Centers); compliance with these certification requirements are always on the agenda of our C-Suite Executives which eventually make them responsible on water management and water efficiency operations in the Bank. Moreover, C-Suite Executive who is in charge of Investor Relations and Sustainability Division, namely the CSO/Sustainability Leader of the Bank has an additional target of taking part in BIST Sustainability Index. Taking part in the mentioned Index requires fulfillment of a set of ESG criteria including the operations of water efficiency. This target is also assured via performance card, which affects the annual remuneration.

(4.5.1.6) How the position’s incentives contribute to the achievement of your environmental commitments and/or climate transition plan

Such incentive system focuses on Performance-Based Remuneration that eventually contributes to achieve the Bank's environmental commitments. Specifically, İşbank's commitment in sustainable finance field is fed by a number of targets. CSO’s annual remuneration is tied to performance cards that include targets for increasing the sustainable finance portfolio, such as the volume of Water Security Loans. These incentives encourage the CSO to prioritize and achieve these environmental goals. The CSO is responsible for ensuring that the bank’s main facilities maintain their green building certifications (BREEAM In-use Excellent, LEED Gold, and LEED v4 Gold). Compliance with these certifications involves ongoing water management and efficiency operations, aligning with the bank’s sustainability objectives. These monetary incentives ensure that the CSO is actively engaged in and accountable for the bank’s environmental commitments, driving efforts towards sustainability and efficient resource management.

(4.6) Does your organization have an environmental policy that addresses environmental issues?

	Does your organization have any environmental policies?
	Select from: ☑ Yes

(4.6.1) Provide details of your environmental policies.

Row 1

(4.6.1.1) Environmental issues covered

Select all that apply

☑ Climate change

☑ Water

☑ Biodiversity

(4.6.1.2) Level of coverage

Select from:

☑ Organization-wide

(4.6.1.3) Value chain stages covered

Select all that apply

☑ Direct operations

☑ Downstream value chain

☑ Portfolio

(4.6.1.4) Explain the coverage

Environmental and Social Impact Policy of İşbank aims to set forth the principles to be considered by İşbank concerning its activities that have an environmental and social impact.

(4.6.1.5) Environmental policy content

Environmental commitments

☑ Commitment to comply with regulations and mandatory standards

☑ Commitment to stakeholder engagement and capacity building on environmental issues

Climate-specific commitments

☑ Commitment to net-zero emissions

☑ Commitment to not invest in fossil-fuel expansion

Water-specific commitments

☑ Commitment to reduce or phase out hazardous substances

☑ Commitment to control/reduce/eliminate water pollution

☑ Commitment to reduce water consumption volumes

☑ Commitment to reduce water withdrawal volumes

☑ Commitment to the conservation of freshwater ecosystems

(4.6.1.6) Indicate whether your environmental policy is in line with global environmental treaties or policy goals

Select all that apply

☑ Yes, in line with the Paris Agreement

(4.6.1.7) Public availability

Select from:

☑ Publicly available

(4.6.1.8) Attach the policy

environment-and-social-impact-policy.pdf

(4.7) Does the policy framework for the portfolio activities of your organization include environmental requirements that clients/investees need to meet, and/or exclusion policies?

	Policy framework for portfolio activities include environmental requirements for clients/investees, and/or exclusion policies
Banking (Bank)	*Select from:* ☑ Yes, our framework includes both policies with environmental client/investee requirements and environmental exclusion policies

(4.7.1) Provide details of the policies which include environmental requirements that clients/investees need to meet.

Banking (Bank)

(4.7.1.1) Environmental issues covered

Select all that apply

☑ Climate change

☑ Water

(4.7.1.2) Type of policy

Select all that apply

☑ Credit/lending policy

☑ Engagement policy

(4.7.1.3) Public availability

Select from:

☑ Publicly available

(4.7.1.4) Attach the policy

Isbank_TP&ESIP.pdf

(4.7.1.5) Value chain stages of client/investee covered by policy

Select from:

☑ Direct operations and upstream/downstream value chain

(4.7.1.6) Industry sectors covered by the policy

Select all that apply

☑ Retail
☑ Apparel
☑ Services
☑ Materials
☑ Hospitality
☑ Transportation services
☑ Food, beverage & agriculture
☑ Biotech, health care & pharma
☑ Fossil Fuels
☑ Manufacturing
☑ Infrastructure
☑ Power generation
☑ International bodies

(4.7.1.9) % of portfolio covered by the policy in relation to total portfolio value

100

(4.7.1.11) Explain how criteria coverage and/or exceptions have been determined

Environmental and Social Impacts Policy principles and its annex, Exclusion List, have been determined by taking into account the factors such as bank's sustainability strategy, commitments, national and international good practices, global developments, stakeholder expectations, index requirements. İşbank, does not provide financing to the activities of companies that operate in the fields indicated İşbank Exclusion List.

(4.7.1.12) Requirements for clients/investees

Environmental commitments

☑ Commitment to comply with regulations and mandatory standards

☑ Commitment to stakeholder engagement and capacity building on environmental issues

Climate-specific commitments

☑ Commitment to 100% renewable energy

☑ Commitment to disclose Scope 1 emissions

☑ Commitment to disclose Scope 2 emissions

☑ Commitment to develop a climate transition plan

☑ Commitment to not invest in fossil-fuel expansion

☑ Commitment to not funding climate-denial or lobbying against climate regulations

Social commitments

☑ Commitment to respect internationally recognized human rights

(4.7.1.13) Measurement of proportion of clients/investees compliant with the policy

Select from:

☑ Yes

(4.7.1.14) % of clients/investees compliant with the policy

100

(4.7.1.15) % of portfolio value that is compliant with the policy

96

(4.7.1.16) Target year for 100% compliance

Select from:

☑ In more than 5 years

(4.7.2) Provide details of your exclusion policies related to industries, activities and/or locations exposed or contributing to environmental risks.

Banking (Bank)

(4.7.2.1) Type of exclusion policy

Select from:

☑ All coal

(4.7.2.2) Fossil fuel value chain

Select all that apply

☑ Upstream

☑ Midstream

(4.7.2.3) Year of exclusion implementation

2020

(4.7.2.4) Phaseout pathway

Select all that apply

☑ New business/investment for new projects

☑ New business/investment for existing projects

(4.7.2.5) Year of complete phaseout

2020

(4.7.2.6) Country/area the exclusion policy applies to

Select all that apply

☑ Turkey

(4.7.2.7) Description

İşbank rejects any loan applications for activities on the İşbank Exclusion List, which the Bank names in the annex to its Environmental and Social Impacts Policy, without even taking them into consideration. İşbank Environmental and Social Impact Policy, which includes Exclusion List is an integral part of our Sustainability approach, which was accepted by our Board of Directors and entered into force on 31.12.2014. In 2020 İşbank took an industry-leading decision and announced that it would not finance "loans for financing greenfield (new) investments of coal- and natural gas-fired thermal power plants to be established for electricity generation".

Banking (Bank)

(4.7.2.1) Type of exclusion policy

Select from:

☑ Coal mining

(4.7.2.2) Fossil fuel value chain

Select all that apply

☑ Upstream

(4.7.2.3) Year of exclusion implementation

2021

(4.7.2.4) Phaseout pathway

Select all that apply

☑ New business/investment for new projects

☑ New business/investment for existing projects

(4.7.2.5) Year of complete phaseout

2021

(4.7.2.6) Country/area the exclusion policy applies to

Select all that apply

☑ Turkey

(4.7.2.7) Description

İşbank rejects any loan applications for activities on the İşbank Exclusion List, which the Bank names in the annex to its Environmental and Social Impacts Policy, without even taking them into consideration. İşbank Environmental and Social Impact Policy, which includes Exclusion List is an integral part of our Sustainability approach, which was accepted by our Board of Directors and entered into force on 31.12.2014. In 2021 İşbank took a critical decision and announced that it would not finance new coal mining investments.

(4.8) Does your organization include covenants in financing agreements to reflect and enforce your environmental policies?

	Covenants included in financing agreements to reflect and enforce policies
	Select from: ☑ Yes

(4.8.1) Provide details of the covenants included in your organization's financing agreements to reflect and enforce your environmental policies.

Row 1

(4.8.1.1) Environmental issue

Select all that apply

☑ Climate change

☑ Water

☑ Biodiversity

(4.8.1.2) Types of covenants used

Select all that apply

☑ A purpose or use of proceeds clause that refers to a taxonomy aligned activity

☑ Margin or pricing depends on sustainability criteria

☑ Covenants related to compliance with your environmental policies

(4.8.1.3) Asset class/product types covered by covenants

Select all that apply

☑ Corporate loans

☑ Project finance

(4.8.1.4) Criteria for how covenants are applied

Select from:

☑ Depending on loan size

(4.8.1.5) % of clients covered by covenants

1

(4.8.1.6) % of portfolio covered in relation to total portfolio value

1

(4.8.1.7) Provide details on which environmental policies your covenants enforce and how

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. 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, e.g. mining, manufacturing, infrastructure, chemistry, energy and renewable energy. On the other side, with the questionnaires on Sustainability Assessment System (SÜRAS), for SME clients environmental and social due diligence has been conducted.

(4.9) Does your organization offer its employees a pension scheme that incorporates environmental criteria in its holdings?

Climate change

(4.9.1) Pension scheme incorporates environmental criteria in its holdings

Select from:

☑ Yes, as the default investment strategy for all plans

(4.9.2) Describe how funds within the pension scheme are selected and how your organization ensures that environmental criteria are incorporated

Employees of the Bank are members of "Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. The pension scheme of the Fund actively manages the funds within the retirement portfolio, focusing on a mix of investments. Less than 10% of the funds are allocated to shares of companies listed on the BIST Sustainability Index, ensuring some alignment with sustainability practices. Alongside these, the portfolio includes other investments, such as green bonds and a range of traditional financial assets, to achieve balanced long-term financial growth while incorporating environmental considerations.

Water

(4.9.1) Pension scheme incorporates environmental criteria in its holdings

Select from:

☑ Yes, as the default investment strategy for all plans

(4.9.2) Describe how funds within the pension scheme are selected and how your organization ensures that environmental criteria are incorporated

Employees of the Bank are members of "Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. The pension scheme of the Fund actively manages the funds within the retirement portfolio, focusing on a mix of investments. Less than 10% of the funds are allocated to shares of companies listed on the BIST Sustainability Index, ensuring some alignment with sustainability practices. Alongside these, the portfolio includes other investments, such as green bonds and a range of traditional financial assets, to achieve balanced long-term financial growth while incorporating environmental considerations.

(4.10) Are you a signatory or member of any environmental collaborative frameworks or initiatives?

(4.10.1) Are you a signatory or member of any environmental collaborative frameworks or initiatives?

Select from:

☑ Yes

(4.10.2) Collaborative framework or initiative

Select all that apply

☑ Net Zero Banking Alliance

☑ Science-Based Targets Initiative for Financial Institutions (SBTi-FI)

☑ UN Global Compact

☑ UNEP FI

☑ UNEP FI Principles for Responsible Banking

(4.10.3) Describe your organization’s role within each framework or initiative

In April 2022, we became a member of the Net Zero Banking Association (NZBA), which was established under the umbrella of the United Nations. This was a significant step for us in terms of managing the impacts of our loan portfolio and setting mitigation targets. The Association was established with the objective of ensuring that member banks align their portfolios with science-based net-zero emission targets in line with the Paris Climate Agreement, by 2050. This membership entails a number of obligations. To achieve net-zero targets by 2050, we are committed to supporting our customers' transition to a net-zero economy. In 2023, we first announced our 2030 targets for emission reduction in the power generation, cement and iron and steel sectors, which are among the carbon-intensive sectors. Accordingly, by 2030, the aim is to reduce the emission intensity by 61% in the power generation sector, 21% in cement and 10% in iron and steel compared to the 2021 base year. In line with our commitment to transparency and annual reporting, in 2024, we will publish targets for other carbon-intensive sectors, announce the realization of the first targets we announced, and create our transition plans, including the portfolio actions to encourage our customers’ transition. As a signatory of the UNEP FI Principles for Responsible Banking since 2020, the Bank regularly conducts portfolio impact analysis and points out the positive and negative impact areas through its financing activities. İşbank will continue to disclose the developments on an annual basis. İşbank has made a commitment to the SBTi to validate the emission reduction targets on science-based basis. Moreover, as a signatory of UN Global Compact since 2012, İşbank is also a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Türkiye. İşbank is one of the first signatories of Declaration of Sustainable Finance which was published by UN Global Compact Network Türkiye and undertakes the evaluation of the environmental and social risks in the loan processes. According to 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.

(4.11) In the reporting year, did your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may (positively or negatively) impact the environment?

(4.11.1) External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the environment

Select all that apply

☑ Yes, we engaged directly with policy makers

(4.11.2) Indicate whether your organization has a public commitment or position statement to conduct your engagement activities in line with global environmental treaties or policy goals

Select from:

☑ Yes, we have a public commitment or position statement in line with global environmental treaties or policy goals

(4.11.3) Global environmental treaties or policy goals in line with public commitment or position statement

Select all that apply

☑ Paris Agreement

(4.11.4) Attach commitment or position statement

Isbank_TP&ESIP.pdf

(4.11.5) Indicate whether your organization is registered on a transparency register

Select from:

☑ No

(4.11.8) Describe the process your organization has in place to ensure that your external engagement activities are consistent with your environmental commitments and/or transition plan

For İşbank, establishing regular, timely and two-way communication with stakeholders is a priority in sustainability activities. In this regard, our Bank is actively involved in a range of activities, from knowledge sharing to literature reviews. The Bank is a member of the Banks Association of Türkiye(BAT) Working Group on the Role of the Financial Sector in Sustainable Growth and provides comprehensive support to the group's activities. Additionally, the Bank is actively engaged in the sub-working group of the BAT created especially for drafting "Guideline on the Creation of Heat Map Methodologies" document. The objective of this work is to create a heat map methodology that can be applied by all banks to ensure the effective management of climate-related financial risks in the banking sector. Moreover, as a signatory of UN Global Compact, we're a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Türkiye. According to the commitment announced in the Global Compact Declaration of Sustainable Finance, we evaluate the potential E&S risks of all new investment projects worth more than USD 10 million. As a signatory of UNEP FI PRB, we completed impact analysis of our portfolio, analysed the positive- negative areas we've an impact through our financing activities, determined our targets in these impact areas and published our progress against targets. In line with its sustainability vision, İşbank, which is also a member of DEİK, has reinforced its commitment to supporting the transition to a net-zero economy. DEİK, Türkiye's international commercial diplomacy organization, has pursued to sustainable business practices aligned with the European Green Deal referencing to Paris Agreement. Through business councils and working groups focused on areas like foreign trade, banking, law, and green transformation, DEİK brings together a diverse group of stakeholders, including representatives, policymakers, business leaders, entrepreneurs, academics, and NGOs from Türkiye and other countries to identify needs, offer policy recommendations, and develop strategies for sustainability in business. The Bank participates in these working groups, such as customs and foreign trade, to contribute for developing strategies in line with its environmental commitment.

(4.11.1) On what policies, laws, or regulations that may (positively or negatively) impact the environment has your organization been engaging directly with policy makers in the reporting year?

Row 1

(4.11.1.1) Specify the policy, law, or regulation on which your organization is engaging with policy makers

We are an active member of sustainability working group and the sub-working groups organized under Banks Association of Turkey. We mainly supported the efforts and worked with the other members of sub-WG in the preparation of the "Draft Guide on Establishing the GAR of the Turkish Banking System" and "heat map methodologies".

(4.11.1.2) Environmental issues the policy, law, or regulation relates to

Select all that apply

☑ Climate change

☑ Water

(4.11.1.3) Focus area of policy, law, or regulation that may impact the environment

Financial mechanisms (e.g., taxes, subsidies, etc.)

☑ Sustainable finance

(4.11.1.4) Geographic coverage of policy, law, or regulation

Select from:

☑ National

(4.11.1.5) Country/area/region the policy, law, or regulation applies to

Select all that apply

☑ Turkey

(4.11.1.6) Your organization's position on the policy, law, or regulation

Select from:

☑ Support with no exceptions

(4.11.1.8) Type of direct engagement with policy makers on this policy, law, or regulation

Select all that apply

☑ Participation in working groups organized by policy makers

☑ Submitting written proposals/inquiries

(4.11.1.9) Funding figure your organization provided to policy makers in the reporting year relevant to this policy, law, or regulation (currency)

0

(4.11.1.10) Explain the relevance of this policy, law, or regulation to the achievement of your environmental commitments and/or transition plan, how this has informed your engagement, and how you measure the success of your engagement

İşbank is aware of the importance of its role in transitioning to a net zero economy. The Bank has taken portfolio decisions that align with Paris Agreement in carbon-intensive sectors. In this context, after 2015, all new project financing provided by İşbank for electricity generation investment was allocated to renewable energy projects. İşbank carries on efforts to reduce the share of non-renewables in its energy portfolio too. In 2020, “loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation”; in 2021, “new coal mining investments” have been added to the Exclusion List (annex of İşbank E&S Impact Policy) and "activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage" in 2022. Within the scope of the gradual exit from coal, the Bank (in 2023) announced that by 2040, coal and coal-related "coal mining", "activities related to the logistics of coal and subcontractor activities" and "infrastructure services allocated / allocated to support coal-related activities" will be phased out. The efforts that will contribute to all these steps taken by the Bank to transform its portfolio are also supported by the outputs of the sub-working groups in which the Bank participates within the Banks Association of Türkiye. İşbank actively participated in the content development studies of the Association, provided opinions and contributed to the draft guidance documents. Water efficiency, which is an important component of resource efficiency, is also included in the green asset ratio studies conducted by the Banks Association of Türkiye. In this context, water efficiency was emphasized and opinions were shared, especially in the agriculture and tourism sectors.

(4.11.1.11) Indicate if you have evaluated whether your organization’s engagement on this policy, law, or regulation is aligned with global environmental treaties or policy goals

Select from:

☑ Yes, we have evaluated, and it is aligned

(4.11.1.12) Global environmental treaties or policy goals aligned with your organization's engagement on this policy, law or regulation

Select all that apply

☑ Paris Agreement

☑ Sustainable Development Goal 6 on Clean Water and Sanitation

(4.12.1) Provide details on the information published about your organization's response to environmental issues for this reporting year in places other than your CDP response. Please attach the publication.

Row 1

(4.12.1.1) Publication

Select from:

☑ In mainstream reports, in line with environmental disclosure standards or frameworks

(4.12.1.2) Standard or framework the report is in line with

Select all that apply

☑ GRI

☑ Other, please specify **:**Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC)

(4.12.1.3) Environmental issues covered in publication

Select all that apply

☑ Climate change

☑ Water

☑ Biodiversity

(4.12.1.4) Status of the publication

Select from:

☑ Complete

(4.12.1.5) Content elements

Select all that apply

- ☑ Strategy
- ☑ Governance
- ☑ Emission targets
- ☑ Emissions figures
- ☑ Risks & Opportunities
- ☑ Value chain engagement
- ☑ Water accounting figures

(4.12.1.6) Page/section reference

81, 82.

(4.12.1.7) Attach the relevant publication

Integrated Annual Report 2023.pdf

(4.12.1.8) Comment

The İşbank Integrated Annual Report is compatible with the Integrated Reporting Framework (Framework) of the International Integrated Reporting Council (IIRC). The 2023 Integrated Annual Report has been prepared in accordance with the GRI Standards-Comprehensive practice published by the Global Reporting Initiative (GRI). In organizing the content of report, the Provisional Standard for Commercial Banks guide released by the Sustainability Accounting Standards Board - (SASB), United Nations Environment Program Finance Initiative's (UNEP-FI) Principles for Responsible Banking were utilized. The report also includes İşbank's contribution to the United Nations Sustainable Development Goals and Turkish Capital Markets Board's (CMB) Sustainability Principles Compliance Report. Furthermore, having signed the UNEP FI Principles for Responsible Banking in 2020, the İşbank has published its progress reports on an annual basis from 2022 on. The Principles of Responsible Banking introduced by the UNEP FI are intended to ensure alignment of the signatory banks with the vision set forth by the society in the United Nations Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

C5. Business strategy

(5.1) Does your organization use scenario analysis to identify environmental outcomes?

Climate change

(5.1.1) Use of scenario analysis

Select from:

☑ Yes

(5.1.2) Frequency of analysis

Select from:

☑ Annually

Water

(5.1.1) Use of scenario analysis

Select from:

☑ Yes

(5.1.2) Frequency of analysis

Select from:

☑ Annually

(5.1.1) Provide details of the scenarios used in your organization’s scenario analysis.

Climate change

(5.1.1.1) Scenario used

Climate transition scenarios

☑ NGFS scenarios framework, please specify **:**NGFS – Net-zero 2050 scenario incorporating UNEP-FI/Oliver Wyman’s “Transition Check” methodology

(5.1.1.3) Approach to scenario

Select from:

☑ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☑ Portfolio

(5.1.1.5) Risk types considered in scenario

Select all that apply

☑ Policy

(5.1.1.6) Temperature alignment of scenario

Select from:

☑ 1.5°C or lower

(5.1.1.7) Reference year

2023

(5.1.1.8) Timeframes covered

Select all that apply

☑ 2025

☑ 2030

(5.1.1.9) Driving forces in scenario

Finance and insurance

☑ Other finance and insurance driving forces, please specify **:**Carbon Price

Regulators, legal and policy regimes

☑ Global regulation

☑ Other regulators, legal and policy regimes driving forces, please specify **:**Implementation of a domestic carbon tax mechanism

Direct interaction with climate

☑ On asset values, on the corporate

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

Scenario analysis consists of both qualitative and quantitative parts. For the qualitative part, İşbank combines climate risk related literature, external studies and expert input to assess climate risk level on a sectoral heatmap. Assessment is translated into a 5-grade risk scale to evaluate vulnerability of each sector in the portfolio to climate risks. Energy, cement, land transport and metal sectors are prioritized for quantitative assessment for transition risk, due to their high carbon intensities. For the quantitative part, İşbank incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology. In the reporting year Bank carried out this study to assess the financial effect of 2 customized scenarios (assumptions below) on 4 selected sectors; 1) Net-zero aligned orderly scenario: 1.5ºC or lower policy ambition, immediate and smooth policy reaction, a carbon tax scheme starting by 2026 and reaching levels of 100 USD/tCO2 by 2028 and 200 USD/tCO2 by 2030. 3 of the major clients in coal energy sector go default as their production facilities become stranded due to high operating costs. 2) NDCs aligned hot-house world scenario: 2.5ºC – 2.9ºC policy ambition, policy reaction in-line with NDCs, carbon tax is implemented but does not increase beyond 30 USD/tCO2. The potential impact of a carbon tax is assessed by stressing financial statements of firms operating in the target sector. In the Bank specific evaluation, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply-demand dynamics of the relevant sectors, as well as expected changes in macroeconomic outlook of the chosen pathway. Based on the firm based stressed financials, ECL calculation process is rerun to analyze impact for each firm. For the sake of simplicity, LGDs of the clients assumed to be stable (w. avg 50.2%). The scenario analysis does not go beyond 2030 for transition risks, due to macroeconomic uncertainties and we believe that a 5-10 years' time horizon is a better reflection of the average maturity of İşbank's loan portfolio (see question 3.1.1. for the results of the scenario analysis).

(5.1.1.11) Rationale for choice of scenario

Net-zero aligned orderly scenario: Net-Zero 2050 Scenario is an ambitious scenario with a temperature alignment of 1.5C, In April 2022, İşbank made a commitment to Net-Zero Banking Alliance (NBZA) by taking a very important step to manage the impacts arising from its loan portfolio and set reduction targets. In order to reach net-zero targets by 2050, the Bank committed to supporting its customers' transition processes to a net-zero economy by focusing its 2030 targets on carbon-intensive sectors and reporting and publishing its progress in emission targets on an annual basis. This scenario is chosen since it is in-line with Bank's decarbonization strategy. NDCs aligned hot-house world scenario: This scenario is also studied to account for a nearly business as usual path, in which physical risks stand out. Sectoral assumptions & data: In order to be consistent with the Bank's overall strategy, macroeconomic assumptions such as inflation rate, FX rates, GDP growth and corresponding interest rates are taken from the studies of Bank's Economic Research Department. The demand and supply elasticity values are based on literature search and expert opinions. For each type of energy source emission parameters are attained from IPCC and Republic of Türkiye Ministry of Energy and Natural Resources. Furthermore, client based data such as firms' financial data are gathered from customers' financial reports and Turkey's energy generation by source for each type and firm-level annual production mix are derived from EPIAS database. Apart from these, sector specific values used in scenario analysis, which are unit product price and total sectoral production for cement, electricity, freight transportation and iron-steel sectors received from Turk Cement Sector Report, General Directorate of Highways and EPIAS.

Water

(5.1.1.1) Scenario used

Water scenarios

☑ WRI Aqueduct

(5.1.1.3) Approach to scenario

Select from:

☑ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☑ Portfolio

(5.1.1.5) Risk types considered in scenario

Select all that apply

☑ Chronic physical

(5.1.1.7) Reference year

2023

(5.1.1.8) Timeframes covered

Select all that apply

☑ 2025

☑ 2030

☑ 2040

☑ 2050

(5.1.1.9) Driving forces in scenario

Local ecosystem asset interactions, dependencies and impacts

☑ Changes in ecosystem services provision

☑ Climate change (one of five drivers of nature change)

Regulators, legal and policy regimes

☑ Level of action (from local to global)

Direct interaction with climate

☑ On asset values, on the corporate

Macro and microeconomy

☑ Domestic growth

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

İşbank uses the WRI Aqueduct tool's future projections for physical risks scenario analysis. The tool contains a wide range of water-related data, providing a comprehensive view of water risks at a global scale. In the reporting year, İşbank applied WRI Aqueduct tool's 2050 business-as-usual future projections to analyze vulnerability of the Bank's agriculturel portfolio to water stress risk in the long term. The "business as usual" scenario (SSP3 RCP7.0) represents a middle-of-the-road future where temperatures increase by 2.8C to 4.6C by 2100. We asumed a 3C increase in global temperatures by 2050, in line with the business-as-usual scenario, which projects continued high carbon emission and limited global climate action. The SSP3 socioeconomic scenario assumes low levels of international cooperation and slow adaptation to climate change, including low invenstment in environment and technology, high population growth, slow economic growth. While the WRI projections provide global trends, the exact localized impacts of climate change, such as changes in weather patterns or exteme events, remain uncertain. Local geographic and hydrological factors could cause deviations from the projected trends. The capacity of affected regions and sectors to adapt through technological advancements or policy changes remain uncertain as well. Although WRI Aqueduct Tool provides comprehensive modeling for major basins, granular local data for minor basins and regions may be limited.

(5.1.1.11) Rationale for choice of scenario

In 2020, İşbank partnered with Oliver Wyman to enhance the integration of climate risk within its risk managent framework. This initiative included upgrading its risk taxonomy, designating climate risk as a strategic priority, and expanding its definition to encompass all forms of climate risks – both transition and physical- in accordance with TCFD recommendations and international regulatory standards. The Bank evaluates climate risk through a sectoral heatmap, which incorporates relevant literature, external research, and expert opinions to determine vulnerability levels across various sectors. This evaluation is expressed on a five-point risk scale. For the qualitative analysis, risks categorized as a high and medium-high climate change risk on the heatmap were assessed based on their exposure to physical risks and their strategic importance. The agricultural sector was prioritized for physical scenario analysis. A similar result was implied by the LEAP analysis as well. For the quantitative part, vulnerability of the Bank's agricultural loan portfolio is analysed by using WRI aqueduct tool based on the provinces where the customers operate. The extend of the portfolio exposed to extremely-high water stress risk was determined, as well as the percentage of the credit risk it represents. Then, same analysis is repeated by using WRI Aqueduct tool's optimistic, business-as-usual and pessimistic future projections both for 2030 and 2050. Water stress is a risk that its effects is expected to be more observable in longer terms, so year 2050 is considered as a suitable choice for the scenario. For the time being, there is no indicator in the recent developments on climate issue that could deviate the Bank's projections to more pessimist or optimist path. 2050 - Business as usual scenario seemed the best choice under these cirumstances. Results indicate that in a scenario where the Bank's portfolio takes no measures against water stress risk and global temperatures increase by 3ºC, exposure of the Bank's portfolio to water stress risk will be increased by 16%. WRI Aqueduct tool was chosen for this analysis because it provides comprehensive resource for analyzing water related risks and enables to create future scenarios at the basin level.

Climate change

(5.1.1.1) Scenario used

Climate transition scenarios

☑ NGFS scenarios framework, please specify **:**NGFS – Hot-house scenario incorporating UNEP-FI/Oliver Wyman's "Transition Check" methodology

(5.1.1.3) Approach to scenario

Select from:

☑ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☑ Portfolio

(5.1.1.5) Risk types considered in scenario

Select all that apply

☑ Policy

(5.1.1.6) Temperature alignment of scenario

Select from:

☑ 2.5ºC - 2.9ºC

(5.1.1.7) Reference year

2023

(5.1.1.8) Timeframes covered

Select all that apply

☑ 2025

☑ 2030

(5.1.1.9) Driving forces in scenario

Finance and insurance

☑ Other finance and insurance driving forces, please specify **:**Carbon Price

Regulators, legal and policy regimes

☑ Global regulation

☑ Other regulators, legal and policy regimes driving forces, please specify **:**Implementation of a domestic carbon tax mechanism

Direct interaction with climate

☑ On asset values, on the corporate

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

Scenario analysis consists of both qualitative and quantitative parts. For the qualitative part, İşbank combines climate risk related literature, external studies and expert input to assess climate risk level on a sectoral heatmap. Assessment is translated into a 5-grade risk scale to evaluate vulnerability of each sector in the portfolio to climate risks. Energy, cement, land transport and metal sectors are prioritized for quantitative assessment for transition risk, due to their high carbon intensities. For the quantitative part, İşbank incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology. In the reporting year Bank carried out this study to assess the financial effect of 2 customized scenarios (assumptions below) of 4 selected sectors; 1) Net-zero aligned orderly scenario: 1.5ºC or lower policy ambition, immediate and smooth policy reaction, a carbon tax scheme starting by 2026 and reaching levels of 100 USD/tCO2 by 2028 and 200 USD/tCO2 by 2030. 3 of the major clients in coal energy sector go default as their production facilities become stranded due to high operating costs.) 2) NDCs aligned hot-house world scenario: 2.5ºC – 2.9ºC policy ambition, policy reaction in-line with NDCs, carbon tax is implemented but does not increase beyond 30 USD/tCO2. The potential impact of a carbon tax is assessed by stressing financial statements of firms operating in the target sector. In the Bank specific evaluation, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply-demand dynamics of the relevant sectors, as well as expected changes in macroeconomic outlook of the chosen pathway. Based on the firm based stressed financials, ECL calculation process is rerun to analyze impact for each firm. For the sake of simplicity, LGDs of the clients assumed to be stable (w. avg 50.2%). The scenario analysis does not go beyond 2030 for transition risks, due to macroeconomic uncertainties and we believe that a 5-10 years' time horizon is a better reflection of the average maturity of İşbank's loan portfolio (see question 3.1.1. for the results of the scenario analysis).

(5.1.1.11) Rationale for choice of scenario

1) Net-zero aligned orderly scenario: Net-Zero 2050 Scenario is an ambitious scenario with a temperature alignment of 1.5C. In April 2022, İşbank made a commitment to Net-Zero Banking Alliance (NBZA) by taking a very important step to manage the impacts arising from its loan portfolio and set reduction targets. In order to reach net-zero targets by 2050, the Bank committed to supporting its customers' transition processes to a net-zero economy by focusing its 2030 targets on carbon-intensive sectors and reporting and publishing its progress in emission targets on an annual basis. This scenario is chosen since it is in-line with Bank's portfolio decarbonization strategy. 2) NDCs aligned hot-house world scenario: This scenario is also studied to account for a nearly business as usual path, in which physical risks stand out. Sectoral assumptions & data: In order to be consistent with the Bank's overall strategy, macroeconomic assumptions such as inflation rate, FX rates, GDP growth and corresponding interest rates are taken from the studies of Bank's Economic Research Department. Sectoral demand and supply elasticity values are based on literature search and expert opinions. For each type of energy source emission parameters are attained from IPCC and Republic of Türkiye Ministry of Energy and Natural Resources. Furthermore, client based data such as firms' financial data are gathered from customers' financial reports and Turkey's energy generation by source for each type and firm-level annual production mix are derived from EPIAS database. Apart from these, sector specific values used in scenario analysis, which are unit product price and total sectoral production for cement, electricity, land transport and metal sectors received from TUIK, Turk Cement Sector Report, General Directorate of Highways and EPIAS.

(5.1.2) Provide details of the outcomes of your organization's scenario analysis.

Climate change

(5.1.2.1) Business processes influenced by your analysis of the reported scenarios

Select all that apply

☑ Risk and opportunities identification, assessment and management

☑ Strategy and financial planning

☑ Resilience of business model and strategy

☑ Capacity building

☑ Target setting and transition planning

(5.1.2.2) Coverage of analysis

Select from:

☑ Portfolio

(5.1.2.3) Summarize the outcomes of the scenario analysis and any implications for other environmental issues

The main purpose of the scenario analysis (SA) is to answer the ultimate question of "How could climate risks & opportunities plausibly affect our company in terms of financial performance, resilience, strategy, portfolio composition, etc.?" Some of the focal questions that we seek to address with SA are as follows: 1. Which climate risk types and opportunities are the most relevant for İşbank? 2. Which sectors in İşbank's loan portfolio are most prone to climate risks & opportunities and which ones should be prioritized? 3. Considering the ambitious target of net-zero by 2050, how could a net-zero transition scenario, including an implementation of a local carbon tax, plausibly affect İşbank? What happens if the scenario moves toward a hot-house world? 4. What is the expected financial impact of a possible carbon tax on İşbank's financials? 5. Considering the high transition risk of clients in carbon intensive sectors, such as non-renewable energy generation companies, what should İşbank's strategy and risk appetite be in order to mitigate potential losses in case these facilities becomes stranded or go default? Scenario analysis (SA) helps İşbank to find answers for the focal questions raised and steer its strategy to align future global projected emission trajectories and mitigate risks associated with these pathways and realize any opportunities that lies within. Considering the Bank's operations, qualitative part of SA helps us to understand which risks to focus on with an identification process and assess sectors in terms of identified risks in order to find out the sectors that will get the highest possible hit from climate risks. Considering a pathway of 1.5ºC temperature alignment as a target, what we concluded is that, transition risk (mainly emerging regulation-a carbon tax) which can easily translate into credit risk through loan book, should be the main focus of the Bank. Considering their carbon intensity and exposure to transition risks, energy, cement, land transport and metal sectors generates highest climate impact in İşbank's loan portfolio and should be prioritized in terms of SA, since they will also possibly be the focus of the emerging policy implementations to reach net-zero in 2050. For the quantitative part of the SA, we used two opposite scenarios of NGFS framework; 1) Net-zero 2050 and 2) Hot-house world. We combined several assumptions and data with our ECL calculation methodology, in order to calculate the aggregate effect on Bank's financials. We observed that, as the carbon tax level increases the change in ECL increases. Applying different levels of carbon tax indicate that in the long run (after 5 years of implementation) increasing carbon prices leads to the default of financially stressed coal energy production facilities

resulting in a major loss. In the worst case scenario in which carbon tax level reaches 200 USD/tCO2 by the end of 2030, expected increase in the ECL is calculated as 6.5 billion TRY. Since the output of the SA implies a substantial risk for the Bank, aligning its loan allocation strategy to reduce the share of the non-renewable energy sector in the loan portfolio is needed. For that matter, İşbank expanded its exclusion list by adding "Loans for financing greenfield investments of coal and natural gas-fired thermal power plants" and "new coal mining investments". Moreover, at 2023YE İşbank reduced the "Share of Sectors With High Climate Risk Within Total Commercial Portfolio" KRI's threshold by 200bps to align its ambitious decarbonization goals with its risk strategy. SA also used as an input prioritize sectors in the scope of NZBA target setting. First phase of NZBA targets covered the same 4 sectors that are included in SA. Results of the SA indicate that a carbon tax increases profit margins for most of the renewable energy companies in the portfolio, since the price of electricity is expected to shift upwards after a tax. This is identified as an opportunity of transition, since all other factors remain constant, increased customer revenues should be reflected into İşbank's financials as lower ECL and NPL ratios for renewable energy plants. To realize this opportunity; İşbank increased share of renewable energy in the total energy generation projects to 77.3% (target was 77%) at 2023YE, and also committed to the strategy that 100% of the loans for new energy plant investments are extended to renewable energy projects. İşbank also has made a commitment of 300 billion TRY sustainable finance until 2026. Scenario analysis also highlighted the importance of granular climate data on risk and opportunity assessment. In order to increase its capacity on climate analysis, İşbank constructed an in-house climate risk database that contains bank, customer, sectoral and financial data. This database greatly enhanced İşbank's climate risk quantification capabilities and serve as a main data source for portfolio alignment measurements.

Water

(5.1.2.1) Business processes influenced by your analysis of the reported scenarios

Select all that apply

☑ Risk and opportunities identification, assessment and management

☑ Strategy and financial planning

☑ Resilience of business model and strategy

☑ Capacity building

☑ Target setting and transition planning

(5.1.2.2) Coverage of analysis

Select from:

☑ Portfolio

(5.1.2.3) Summarize the outcomes of the scenario analysis and any implications for other environmental issues

The main purpose of the scenario analysis (SA) is to answer the ultimate question of "How could environmental risks & opportunities plausibly affect our company in terms of financial performance, resilience, strategy, portfolio composition, etc.?" We focused on some key questions related to water to better understand the potential risks and oppurtunities. These questions include: 1. What are the most important water-related risks and opportunies for İşbank? 2. Which sectors in the Bank's credit portfolio are more susceptible to water-related risks and oppurtunities, and which should be priotitized for further analysis and action? 3. In what timeframe are water-related risks likely to have a substantial impact on the Bank's operations and financials? 4. What is the expected financial impact of potential risk on İşbank over the specified time frame? Water-related risks are closely tied to climate change risks. For instance, increase in global temperatures lead to more frequent and intense droughts, reducing the availability of freshwater resources. Higher temperatures can lead to grater evaporation rates from lakes and rivers, further straining water supplies. Changing rainfall patterns can create significant variability in water availability causing water stress in different regions. Increased water stress not only affects agricultural yieds and energy produciton but can also lead to biodiversity loss, land degredation and climate resilience issues. Climate concerns have also been taken into account in the assessment of water-related risks, as they are all interconnected. Considering sectors marked as high and medium-high in the heatmap and incorporating the findings of the LEAP analysis, agricultural sector was prioritized for physical scenario analysis in 2023. Due to Türkiye's status as a water-stressed country and the agricultural sector's high level of dependence on water resources, it has been deemed appropriate to assess water stress risk as pasrt of the scenario analysis. İşbank conducted a scenario analysis using the WRI Aqueduct Tool and considered a 3oC temperature increase by 2050 under the SSP3 socioeconomic scenario and the analysis primarily focused on water stress risk. The scenario revealed that by 2050, regions with extreme water stress are likely to face significant challenges and some regions that are not classified as experiencing extremely high water stress currently are projected to transition to extremely high levels. By that time, as the Bank's current agricultural portfolio is taken as basis, the credit risk vulnerable to extremely high water stress is expected to increase by 16%. The scenario indicates substantial increases in default rates. It is anticipated that water stress would cause at least 128 million TRY revenue loss because of the increase in ECL provisions. Results of this scenario analysis showed that, in the long run agriculture sector is highly exposed to the physical risks stemming from climate change and water stress. For the recent years the Bank strategically aims to penetrate agriculture market and support its agricultural customers to adapt green and digital transformation. This adaptation effort requires to understand the risks and opportunities better and set targets to relevant business units to make the Bank's strategy more resilient to potential risks. İşbank is taking proactive steps to mitigate risks and facilitate the transformation of its agricultural portfolio by first engaging with farmers to help them understand the risks they face and become informed about potential solutions. In this context, farmer meetings and collaborative workshops, featuring industry experts participation, are being organized. By this way Bank tries to identify, assess and consider ways to manage risks & opportunities of water stress. Additionally, the Bank is leading the transformation of the agriculture sector through initiatives such as Dijital Agriculture Project and İmeceMobil. Moreover, the Bank launched Workup Agri program, an agriculture-focused initiative program that aims to support the growth of technology startups that develop agricultural technologies and have sustainable and scalable business models. With the help of technology and innovation, Bank aims to build a capacity among agriculture sector customers to cope with water stress.

(5.2) Does your organization’s strategy include a climate transition plan?

(5.2.1) Transition plan

Select from:

☑ Yes, we have a climate transition plan which aligns with a 1.5°C world

(5.2.3) Publicly available climate transition plan

Select from:

☑ Yes

(5.2.7) Mechanism by which feedback is collected from shareholders on your climate transition plan

Select from:

☑ We do not have a feedback mechanism in place, but we plan to introduce one within the next two years

(5.2.10) Description of key assumptions and dependencies on which the transition plan relies

The key elements in our transition plan are baselining portfolio carbon emissions, selection of key levers, impact modelling, target setting and development of an action plan. Our baselining analysis begins with a bottom-up sectoral decarbonization approach (SDA), focusing on the emissions generated by our customers in the identified GHG-intensive sectors. After thoroughly examining four sectors (road transport, electricity generation, iron&steel, cement) as a first step, we developed our transition plan based on various scenarios. The sectoral transition plans were primarily aligned with the International Energy Agency's (IEA) scenarios for the electricity generation sector, and additional scenario forecasts were determined using both national and international sources, including the Türkiye National Energy Plan. These scenarios were analyzed to understand the impact on the bank's financed emissions and loan portfolio, with specific levers identified for each sector. The levers were tested against scenarios of varying degrees of aggressiveness. To align with pathways, four distinct categories of portfolio levers were identified: 1) Support transition of customers (build ESG advisory arm, finance emission reduction technologies), 2) Shift portfolio to green (finance new green investments, introduce favorable carbon pricing), 3) Avoid brown assets (reject certain new lending, exit from high-emitting low-profit customers), and 4) Offset where reduction is not possible (establish own carbon bank, develop propositions for new banks). To give a reference, for the electricity generation sector, the main levers identified were financing new green investments while categorically rejecting certain new lending.

(5.2.11) Description of progress against transition plan disclosed in current or previous reporting period

Given that our targets are relatively new, it is more relevant at this stage to outline how progress will be monitored in the future rather than tracking progress at this moment. We are committed to conducting an annual baselining study for each sector to ensure accurate and up-to-date assessments. Should there be any significant changes in the assumptions or levers within our transition pathways, these will be promptly updated. All changes and progress will be thoroughly documented and reported in detail.

(5.2.12) Attach any relevant documents which detail your climate transition plan (optional)

Isbank_TP&ESIP.pdf

(5.2.13) Other environmental issues that your climate transition plan considers

Select all that apply

☑ No other environmental issue considered

(5.3) Have environmental risks and opportunities affected your strategy and/or financial planning?

(5.3.1) Environmental risks and/or opportunities have affected your strategy and/or financial planning

Select from:

☑ Yes, both strategy and financial planning

(5.3.2) Business areas where environmental risks and/or opportunities have affected your strategy

Select all that apply

☑ Products and services

☑ Operations

(5.3.1) Describe where and how environmental risks and opportunities have affected your strategy.

Products and services

(5.3.1.1) Effect type

Select all that apply

☑ Risks

☑ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

☑ Climate change

☑ Water

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

We are proactively scanning the risk horizon considering climate-related risks & opportunities that have a substantive effect on our business strategy from products & services perspective. We recognized that climate change represents an opportunity to develop more low-emission products. On the other hand a risk associated with reduced revenues resulting from a lower demand for its non-renewable or brown products & services in the long-term. In order to mitigate these risks and to maximize the opportunities we develop green products and services in all segments of activity. 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 İşbank's agenda and the bank has put considerable amount of effort in these areas across years. These opportunities include extending green financing provided by International Development Banks to our clients, financing of renewable energy investments, ESG investment products for retail customers, energy efficiency and green loans. After 2015, 100% of the new project financing provided by İşbank for electricity generation investments were allocated to renewable energy projects. This is targeted for 2024 as well. As of the end of 2023, total installed power of renewable energy projects financed by İşbank was 2,659 MW while the amount of clean energy generated by the projects financed by the Bank was 48.1 million MWh in the last reporting year. In terms of sustainability-themed funding, we provided the country with sustainability-themed funding amounting to USD 2.4 billion in 2023. We also issued green bonds amounting to TL 500 million with a maturity of two years in 2023. The funds obtained from the issuance will be used for financing the loans granted to green projects. With this product, İşbank became the first bank in Türkiye to issue a green debt instrument in TL in accordance with the principles set out in the "Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate Guidelines" published by the Capital Markets Board (CMB).

Operations

(5.3.1.1) Effect type

Select all that apply

☑ Risks

☑ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

☑ Climate change

☑ Water

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

İşbank evaluates and manages risks & opportunities related to its operations, and informs its business strategy and financial planning. To mitigate the risks we have invested in various areas. Environment friendly buildings play a key role in reducing the environmental impact of İşbank's activities. İşbank's operational buildings were designed to minimize their environmental impact. İşbank head office building in Levent, İstanbul has a BREEAM In-use Excellent certificate. Tuzla Technology and Operations Center (TUTOM) received the LEED Gold certificate. The Bank's Tuzla Data Center (Atlas) building has been certified with LEED v4 Gold for Data Centers. We have also voluntarily adopted ISO 14001 Environmental Management System Standard. It has been in place since 2018 in order to reduce our environmental impact and build an environmental management system that is fully compliant with international standards. Implementation of ISO 14001 turned into an opportunity by reducing operational costs. In 2023, certified locations accounted for 100% of the Bank's total number of locations. Efforts are underway to obtain zero waste certification in line with the national regulation called as Zero Waste Legislation for the covered locations. We have already set scope 1 and 2 emission reduction targets back in 2020. We had a target of 38% reduction in 2025, 65% emission reduction in 2030 and becoming a carbon neutral bank in 2035. As of the end of 2023, the Bank reduced its emissions by 79% compared to base year - 2018, while shifting its carbon neutrality target from 2035 to 2026. In line with the reduction targets, we procured 100% renewable energy for the electricity consumed by our own operations, while implementing energy efficiency measures. For instance, in 2023, the Bank's renovations included modernizing the lighting and heating-cooling systems in the branches. The replacement of air conditioners carried out as part of renovation works and in the event of malfunctions, leads to energy savings of 30% compared to devices that work with an on/off system. Furthermore, with the LED conversions of the lighting fixtures electricity consumption of the lights fell by 50% and a total of 992 MWh of electricity was saved. In addition, we continue to transform our operations into paperless. We ran a couple of initiatives in order to decrease the consumption of paper. With the option to digitally approve credit card and debit card agreements, the ability to use Registered Electronic Mail (KEP) throughout the Bank, and the implementation of digital signature, the Bank for formal correspondences achieved a total paper savings of 238 million sheets. This represents a 25 percent increase over the paper savings achieved in 2022.

(5.3.2) Describe where and how environmental risks and opportunities have affected your financial planning.

Row 1

(5.3.2.1) Financial planning elements that have been affected

Select all that apply

☑ Revenues

(5.3.2.2) Effect type

Select all that apply

☑ Risks

☑ Opportunities

(5.3.2.3) Environmental issues relevant to the risks and/or opportunities that have affected these financial planning elements

Select all that apply

☑ Climate change

☑ Water

(5.3.2.4) Describe how environmental risks and/or opportunities have affected these financial planning elements

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. The Bank sees the largest opportunities related to products and services. İşbank contributes to the green transformation of its customers with diverse portfolio of products. While the Bank provides financial support for roof, facade and land type unlicensed solar power plant investments for self-consumption with the "Solar Loan", with the "Green Office Premises Loan" it provides advantageous conditions for the purchase of office premises from buildings with high energy efficiency. In addition to the "Green Vehicle Loan", which provides financing for electric and hybrid vehicles under certain terms, İşbank also offers "Water Security Loan" offers financing on favourable terms for the businesses that want to invest in a waste water treatment and waste water recycling facility or improve their existing facilities. In contrast, when we cannot cope with today's changing climate reality our revenue streams may suffer badly. 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". 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 may not be that favorable. That is why İşbank 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.

(5.10) Does your organization use an internal price on environmental externalities?

(5.10.1) Use of internal pricing of environmental externalities

Select from:

☑ No, but we plan to in the next two years

(5.10.3) Primary reason for not pricing environmental externalities

Select from:

☑ Lack of internal resources, capabilities, or expertise (e.g., due to organization size)

(5.10.4) Explain why your organization does not price environmental externalities

As İşbank, we do not yet implement internal carbon pricing. However, due to its importance and inevitability, the issue is on our agenda for the coming years.

(5.11) Do you engage with your value chain on environmental issues?

Clients

(5.11.1) Engaging with this stakeholder on environmental issues

Select from:

☑ Yes

Suppliers

(5.11.1) Engaging with this stakeholder on environmental issues

Select from:

☑ Yes

(5.11.2) Environmental issues covered

Select all that apply

☑ Climate change

☑ Water

Investors and shareholders

(5.11.1) Engaging with this stakeholder on environmental issues

Select from:

☑ No, but we plan to within the next two years

(5.11.3) Primary reason for not engaging with this stakeholder on environmental issues

Select from:

☑ Not an immediate strategic priority

(5.11.4) Explain why you do not engage with this stakeholder on environmental issues

As an important component of the finance sector, we engage with our stakeholders, which are primarily in our sphere of influence, namely our customers and suppliers, on environmental issues. In the coming years, it is on our agenda to establish different collaborations with our other stakeholders on environmental issues.

Other value chain stakeholders

(5.11.1) Engaging with this stakeholder on environmental issues

Select from:

☑ No, but we plan to within the next two years

(5.11.3) Primary reason for not engaging with this stakeholder on environmental issues

Select from:

☑ Not an immediate strategic priority

(5.11.4) Explain why you do not engage with this stakeholder on environmental issues

As an important component of the finance sector, we engage with our stakeholders, which are primarily in our sphere of influence, namely our customers and suppliers, on environmental issues. In the coming years, it is on our agenda to establish different collaborations with our other stakeholders on environmental issues.

(5.11.3) Provide details of your environmental engagement strategy with your clients.

Row 1

(5.11.3.1) Type of clients

Select from:

☑ Clients of Banks

(5.11.3.2) Environmental issues covered by the engagement strategy

Select all that apply

☑ Climate change

(5.11.3.3) Type and details of engagement

Information collection

☑ Collect GHG emissions data at least annually from clients

☑ Collect targets information at least annually from clients

☑ Other information collection activity, please specify

(5.11.3.4) % of client-associated scope 3 emissions as reported in question 12.1.1

Select from:

☑ 51-75%

(5.11.3.5) % of portfolio covered in relation to total portfolio value

Select from:

☑ 1-25%

(5.11.3.6) Explain the rationale for the coverage of your engagement

In April 2022 we became a member of NZBA which brings banks together who are committed to aligning their portfolios with net-zero emissions by 2050 in line with Paris Climate Agreement. Consistent with our commitment, we announced our intermediate targets for 2030 regarding emission reductions in the carbon intensive sectors which are power generation, cement and iron & steel. Then in accordance with the NZBA guidelines we'll disclose our realization status of the intermediate targets announced in 2023 and we'll set emission intensity reduction targets for other carbon-intensive sectors. As part of this process, we've made detailed emission calculations for our portfolio for 2023, especially in the 8 most carbon-intensive sectors, which constitute approximately 10% of our total portfolio. Scope 1 and Scope 2 emissions of the relevant sectors, which will constitute a source for the Bank's emission calculation, and, if any, energy efficiency projects or emission reduction targets were requested from customers through detailed questionnaires. Within the framework of this demand, customers, especially in carbon-intensive sectors, became aware of the Bank's expectations. We also had started working on sector specific action plans in line with Paris Climate Agreement in 2023. We had announced that we would not finance investments in new thermal power plants using coal and natural gas for electricity generation in 2020 and would not finance new coal mining investments in 2021. In 2023, we also announced that we would end financing coal-related activities by 2040, in line with our commitments to the Net-Zero Banking Alliance. Within the scope of the gradual phase out from coal; coal and coal-related "coal mining", "activities related to the logistics of coal and subcontractor activities" and "infrastructure services allocated / allocated to support coal-related activities" will be phased out. While for the coal sector phase-out plans are on the agenda, for other high emitting sectors, we will be working on plans to encourage our customers to transition to low-carbon economy by focusing our 2050 and interim targets on carbon-intensive sectors. Sustainable finance has also been mobilized to support customers' decarbonization plans. We are committed to contributing to the green transformation of the economy by providing sustainable financing amounting to TL 300 billion by 2026.

(5.11.3.7) Describe how you communicate your engagement strategy to your clients and/or to the public

The practices and devices and methods used in public disclosure within the framework of national regulations are determined under the İşbank's Disclosure Policy. In line with the principles of Disclosure Policy, İşbank's engagement strategy is shared with all stakeholders through the Bank's corporate website.

(5.11.3.8) Attach your engagement strategy

Isbank_TP&ESIP.pdf

(5.11.3.9) Staff in your organization carrying out the engagement

Select all that apply

☑ Specialized in-house engagement teams

(5.11.3.10) Roles of individuals at the portfolio organizations you seek to engage with

Select all that apply

☑ Corporate secretary

☑ Investor relations managers

(5.11.3.11) Effect of engagement, including measures of success

We mentioned sustainable finance as a tool we use to support clients' decarbonization plans and processes in the "rationale for the coverage of carbon engagement" column of the question. In this context, our bank has a sustainable finance commitment of TL 300 billion until 2026. As a measure of success, we can give the realization figure of our sustainable financing commitment by the end of 2023. In this regard, by the end of 2023, sustainable financing disbursement amounted TL 138 billion and target realization reached 46%.

(5.11.3.12) Escalation process for engagement when dialogue is failing

Select from:

☑ Yes, we have an escalation process

(5.11.3.13) Describe your escalation process

We consider the satisfaction of our customers and the continuity of our relationship with them to be of paramount importance, and we listen to their requests, complaints and suggestions with sensitivity, developing innovative and customized solutions with the active participation of them. In order to make our communication with our customers more structured we have a Customer Satisfaction Policy. The Policy sets out the framework for the management and resolution of customer suggestions, complaints and feedback, which is publicly available on our corporate website.

Row 2

(5.11.3.1) Type of clients

Select from:

☑ Clients of Banks

(5.11.3.2) Environmental issues covered by the engagement strategy

Select all that apply

☑ Water

(5.11.3.3) Type and details of engagement

Innovation and collaboration

☑ Collaborate with clients on innovations to reduce environmental impacts in products and services

☑ Collaborate with clients on innovative business models and corporate renewable energy sourcing mechanisms

(5.11.3.5) % of portfolio covered in relation to total portfolio value

Select from:

☑ 1-25%

(5.11.3.6) Explain the rationale for the coverage of your engagement

One of the sectors we prioritize in terms of engagement is agriculture, as agriculture is vital for securing water efficiency. İşbank adopts an approach that combines digitalization and sustainability in agriculture and thus bringing agriculture, technology and finance together. We aim to create water efficiency and resource productivity with our activities in this field, thereby contributing food safety.

(5.11.3.7) Describe how you communicate your engagement strategy to your clients and/or to the public

We communicate with farmers digitally through the application and communicate with them wherever they need support, information and guidance. Thanks to this system, which is available to everyone who is a member, we benefit from all the opportunities of the digital world.

(5.11.3.9) Staff in your organization carrying out the engagement

Select all that apply

☑ Specialized in-house engagement teams

(5.11.3.10) Roles of individuals at the portfolio organizations you seek to engage with

Select all that apply

☑ Other, please specify **:**With the farmers who are customers

(5.11.3.11) Effect of engagement, including measures of success

the "İmeceMobil" application enables farmers to use digital services (Expert Assisted Satellite Service, Fertilizer Planning Service, Irrigation Calendar Service) that enable them to monitor the plant health of their products from planting to harvest, to manage irrigation and fertilization planning, and to apply for agricultural cards, agricultural loans, and insurance products of financial institutions without going to a branch. İmeceMobil also informs our farmers about organic and organomineral fertilizers within the scope of good agricultural practices, IOT-supported precision agriculture practices, smart agricultural systems, plant nutrition and protection practices carried out with agricultural unmanned aerial vehicles both through the application and field studies and enables our farmers to access technological products that contribute to sustainable agricultural production. The ImeceMobil application reached 222 thousand users by the end of 2023.

(5.11.3.12) Escalation process for engagement when dialogue is failing

Select from:

☑ Yes, we have an escalation process

(5.11.3.13) Describe your escalation process

We consider the satisfaction of our customers and the continuity of our relationship with them to be of paramount importance, and we listen to their requests, complaints and suggestions with sensitivity, developing innovative and customized solutions with the active participation of them. In order to make our communication with our customers more structured we have a Customer Satisfaction Policy. The Policy sets out the framework for the management and resolution of customer suggestions, complaints and feedback, which is publicly available on our corporate website.

(5.11.7) Provide further details of your organization's supplier engagement on environmental issues.

Climate change

(5.11.7.2) Action driven by supplier engagement

Select from:

☑ Adaptation to climate change

(5.11.7.3) Type and details of engagement

Information collection

☑ Collect climate transition plan information at least annually from suppliers

☑ Collect GHG emissions data at least annually from suppliers

☑ Collect targets information at least annually from suppliers

(5.11.7.4) Upstream value chain coverage

Select all that apply

☑ Tier 1 suppliers

(5.11.7.5) % of tier 1 suppliers by procurement spend covered by engagement

Select from:

☑ 76-99%

(5.11.7.6) % of tier 1 supplier-related scope 3 emissions covered by engagement

Select from:

☑ 76-99%

(5.11.7.9) Describe the engagement and explain the effect of your engagement on the selected environmental action

The Bank follows a procurement strategy that envisages contributing to the sustainability of the ecosystem, including its suppliers, through its social and environmental policies based on growing together with stakeholders. In line with İşbank's procurement strategy all suppliers are expected to show due diligence in acting in compliance with the principles of Supplier Code of Conduct and Sustainability Policies. A Sustainability Due Diligence Survey targeting our suppliers is held once a year. Suppliers from which we buy a large amount of products/services in the relevant time period via our purchasing application are subject to an online survey which includes 38 questions in the main topics of environment, labor and human rights, ethics, and sustainable purchasing. The survey, which was designed to evaluate the performance of our suppliers, to determine the suppliers' awareness under specific categories in order to actively manage the environmental and social impact of the supply chain. This survey was intended to see the status of suppliers and aims to raise suppliers' awareness on sustainability including climate change issues. With these considerations we have engaged with companies that represent 80% of total procurement volume to retrieve their actual emission data. Aiming a coverage including material procurement areas of İşbank, three sub-categories have been considered which are a) Software & service purchases, b) Construction and Real Estate Rental c) General Product and Service Purchases. Among these 3 sub-categories we've been able to collect sustainability related information. We will continue to adopt series of measures that will enable to retrieve primary and more granular data from suppliers. This will, on the one hand help us increase the extent and quality of our Scope 3 data in the upcoming years. On the other hand such an engagement will help us to have a deeper understanding of supplier behaviour in terms of climate thereby finding ways to support behavioural change among our suppliers that means more impactful and efficient engagement. Moreover, thanks to the surveys we conducted to our suppliers, a total of 4 companies operating in related sectors, which make up 37% of our purchases, continued to calculate scope 1 and 2 emissions in 2023 too. This ratio is a serious indicator for the measurement of the effectiveness of this engagement activity.

(5.11.7.11) Engagement is helping your tier 1 suppliers engage with their own suppliers on the selected action

Select from:

☑ Unknown

Water

(5.11.7.2) Action driven by supplier engagement

Select from:

☑ Waste and resource reduction and improved end-of-life management

(5.11.7.3) Type and details of engagement

Information collection

☑ Collect environmental risk and opportunity information at least annually from suppliers

☑ Collect WASH information at least annually from suppliers

☑ Collect water quality information at least annually from suppliers (e.g., discharge quality, pollution incidents, hazardous substances)

☑ Collect water quantity information at least annually from suppliers (e.g., withdrawal and discharge volumes)

(5.11.7.4) Upstream value chain coverage

Select all that apply

☑ Tier 1 suppliers

(5.11.7.5) % of tier 1 suppliers by procurement spend covered by engagement

Select from:

☑ 51-75%

(5.11.7.7) % tier 1 suppliers with substantive impacts and/or dependencies related to this environmental issue covered by engagement

Select from:

☑ 51-75%

(5.11.7.9) Describe the engagement and explain the effect of your engagement on the selected environmental action

İşbank has adopted the principle of continuous improvement its suppliers, ensuring organizational excellence, and consistently business processes to consistent improvement. In this context, we aim to collect as much information as possible about our suppliers and their sustainability related applications. In order to collect such data, we conduct a Sustainability Study with our selected suppliers every year through directing a Supplier Sustainability Performance Measurement Survey which includes various questions about water. With this method, the following issues of about our suppliers are considered - total amount of water used to product products -existence of a goal to reduce water consumption -existence of a policy or internal regulation to manage water use and water related issues -reporting and following within the scope of water use -actions taken to reduce the amount of water use or to use water more efficiently Answers to these questions are collected in addition to main topics of environment, labor and human rights, ethics, and sustainable purchasing. The survey is conducted to understand at what stage suppliers are in terms of sustainability and it also aims to raise their awareness on the topic.

(5.11.7.11) Engagement is helping your tier 1 suppliers engage with their own suppliers on the selected action

Select from:

☑ Unknown

C6. Environmental Performance - Consolidation Approach

(6.1) Provide details on your chosen consolidation approach for the calculation of environmental performance data.

Climate change

(6.1.1) Consolidation approach used

Select from:

☑ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The consolidation of İşbank's environmental impact accounting has been done through the operational control approach as the reporting scope covers banking activities.

Water

(6.1.1) Consolidation approach used

Select from:

☑ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The consolidation of İşbank's environmental impact accounting has been done through the operational control approach as the reporting scope covers banking activities.

Plastics

(6.1.1) Consolidation approach used

Select from:

☑ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The consolidation of İşbank's environmental impact accounting has been done through the operational control approach as the reporting scope covers banking activities.

Biodiversity

(6.1.1) Consolidation approach used

Select from:

☑ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The consolidation of İşbank's environmental impact accounting has been done through the operational control approach as the reporting scope covers banking activities.

C7. Environmental performance - Climate Change

(7.1.1) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

	Has there been a structural change?
	Select all that apply ☑ No

(7.1.2) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?
	Select all that apply ☑ No

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

	Scope 2, location-based	Scope 2, market-based	Comment
	Select from: ☑ We are reporting a Scope 2, location-based figure	*Select from:* ☑ We are reporting a Scope 2, market-based figure	*No additional comments.*

(7.5) Provide your base year and base year emissions.

Scope 1

(7.5.1) Base year end

12/31/2018

(7.5.2) Base year emissions (metric tons CO2e)

22647.2

(7.5.3) Methodological details

While calculating Scope 1 emissions, the following sources causing carbon emissions were considered: - Natural gas, diesel, LPG, fuel oil and coal consumption for heating purposes, - Fuels used in generators (Diesel), - Company vehicles fuel Consumption (Diesel and Gasoline) - Refrigerants (Leaks reported during installation and maintenance phases are taken into account) Also our Scope 1 emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

Scope 2 (location-based)

(7.5.1) Base year end

12/31/2018

(7.5.2) Base year emissions (metric tons CO2e)

64840.5

(7.5.3) Methodological details

While calculating Scope 2 emissions, electricity consumption was taken into account. İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable, etc.) - residual mix totals attributes were not available and that's why our market-based Scope 2 emissions were same as our location-based Scope 2 emissions in 2018. Our Scope 2 emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

Scope 2 (market-based)

(7.5.1) Base year end

12/31/2018

(7.5.2) Base year emissions (metric tons CO2e)

64840.5

(7.5.3) Methodological details

While calculating Scope 2 emissions, electricity consumption was taken into account. İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable, etc.) - residual mix totals attributes were not available and that's why our market-based Scope 2 emissions were same as our location-based Scope 2 emissions in 2018. Our Scope 2 emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

Scope 3 category 1: Purchased goods and services

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

11231.0

(7.5.3) Methodological details

Scope 3 emissions resulting from "purchased goods & services" including emissions resulting from paper usage within the organization were given.

Scope 3 category 2: Capital goods

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

25173

(7.5.3) Methodological details

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

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

12210.0

(7.5.3) Methodological details

Emissions from distribution/transmission of fuel and energy consumption not included in Scope 1 and 2 are calculated using DEFRA loss & leakage values.

Scope 3 category 4: Upstream transportation and distribution

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

567.5

(7.5.3) Methodological details

Emission calculations were made using the emission factors specified according to the transportation mode in the DEFRA 2022 Freighting Goods section based on the 2022 shipment weight and km data. In cases where weight and distance data are not available, calculations are made using the monetary value paid within the scope of cargo activities and the emission factors (kgCO2e/USD) in the EPA-sourced USEEIO v1.1 database.

Scope 3 category 5: Waste generated in operations

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

21.9

(7.5.3) Methodological details

Our Scope 3 emissions resulted from the waste generated in our head office, technology and operations centres as well as data centre building.

Scope 3 category 6: Business travel

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

548.7

(7.5.3) Methodological details

Domestic, European, Continental business flights and fuel consumption of private car used for business purposes were taken into account when calculating business travel emissions.

Scope 3 category 7: Employee commuting

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

1458

(7.5.3) Methodological details

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

Scope 3 category 13: Downstream leased assets

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

1400

(7.5.3) Methodological details

Emission calculations were made by multiplying the rental value of the leased assets by the EPA's USEEIO v1.1 emission factor (kg CO2e/).

(7.6) What were your organization’s gross global Scope 1 emissions in metric tons CO2e?

Reporting year

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

18333

(7.6.3) Methodological details

Scope 1 emissions include emissions from our head offices, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey. Scope 1 emission include: - Natural gas, diesel, LPG, fuel oil and coal consumption for heating purposes, - Fuels used in generators (Diesel), - Company vehicles fuel Consumption (Diesel and Gasoline) - Refrigerants (Leaks reported during installation and maintenance phases are taken into account)

Past year 1

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

22119

(7.6.2) End date

12/30/2022

(7.6.3) Methodological details

Scope 1 emissions include emissions from our head offices, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey. Scope 1 emission include: - Natural gas, diesel, LPG, fuel oil and coal consumption for heating purposes, - Fuels used in generators (Diesel), - Company vehicles fuel Consumption (Diesel and Gasoline) - Refrigerants (Leaks reported during installation and maintenance phases are taken into account)

Past year 2

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

22528

(7.6.2) End date

12/30/2021

(7.6.3) Methodological details

Scope 1 emissions include emissions from our head offices, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey. Scope 1 emission include: - Natural gas, diesel, LPG, fuel oil and coal consumption for heating purposes, - Fuels used in generators (Diesel), - Company vehicles fuel Consumption (Diesel and Gasoline) - Refrigerants (Leaks reported during installation and maintenance phases are taken into account)

(7.7) What were your organization’s gross global Scope 2 emissions in metric tons CO2e?

Reporting year

(7.7.1) Gross global Scope 2, location-based emissions (metric tons CO2e)

51057

(7.7.2) Gross global Scope 2, market-based emissions (metric tons CO2e) (if applicable)

0

(7.7.4) Methodological details

The location-based scope 2 emission calculation is based on the assumption that the Bank's electricity consumption is from the grid which is sourced from non-renewable sources. On the other hand market-based scope 2 emission calculation is calculated by deducting the energy obtained from renewable resources purchased by the Bank in 2023.

Past year 1

(7.7.1) Gross global Scope 2, location-based emissions (metric tons CO2e)

57944

(7.7.2) Gross global Scope 2, market-based emissions (metric tons CO2e) (if applicable)

0

(7.7.3) End date

12/30/2022

(7.7.4) Methodological details

The location-based scope 2 emission calculation is based on the assumption that the Bank's electricity consumption is from the grid which is sourced from non-renewable sources. On the other hand market-based scope 2 emission calculation is calculated by deducting the energy obtained from renewable resources purchased by the Bank in 2022.

Past year 2

(7.7.1) Gross global Scope 2, location-based emissions (metric tons CO2e)

55470

(7.7.2) Gross global Scope 2, market-based emissions (metric tons CO2e) (if applicable)

8784

(7.7.3) End date

12/30/2021

(7.7.4) Methodological details

The location-based scope 2 emission calculation is based on the assumption that the Bank's electricity consumption is from the grid which is sourced from non-renewable sources. On the other hand market-based scope 2 emission calculation is calculated by deducting the energy obtained from renewable resources purchased by the Bank in 2021.

(7.8) Account for your organization’s gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

32085

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Supplier-specific method

☑ Spend-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

80

(7.8.5) Please explain

The İşbank Purchased Goods and Services emission calculations were conducted using both a spend-based and a supplier-specific method. A comprehensive analysis was conducted on purchasing records and supplier lists, corresponding to 80% of total suppliers. In the supplier-specific calculations, scope 1 and 2 emission information was obtained from four main suppliers, with emissions shared at the rate of İşbank's share in the total supplier turnover. The remaining purchases are listed according to Tier 1 suppliers, purchase records, and expenditure commodities using the spend-based method. Emissions were calculated using life cycle (tCO2e) emissions and USEEIO v1.1 emission factors (tCO2e/ spent). The remaining 20% of emissions from purchasing expenditures were calculated using the extrapolation method based on the average emissions of the 80% already included. Emissions from paper usage within the organization were also added to the calculation. Paper consumption was calculated using Environmental Paper Network emission factors.

Capital goods

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

11539

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Average spend-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

80

(7.8.5) Please explain

An average spend based method was used in the emission calculations of İşbank Capital goods. Tier 1 suppliers are listed by purchase records and capital goods expenditure, and emissions calculated using Life cycle (tCO2e) emissions, USEEIO v1.1 emission factors (tCO2e/ spent).

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

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

10749

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Average data method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

DEFRA 2023 emission factors and loss & fugitive emissions due to distribution/transmission of fuel and energy consumption are calculated.

Upstream transportation and distribution

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

326

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Spend-based method

☑ Distance-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

(7.8.5) Please explain

Emission calculations were made using the emission factors specified according to the transportation mode in the DEFRA 2023 Freighting Goods section based on the 2023 shipment weight and km data. In cases where weight and distance data are not available, calculations are made using the monetary value paid within the scope of cargo activities and the emission factors (kgCO2e/USD) in the EPA-sourced USEEIO v1.1 database.

Waste generated in operations

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

39

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Waste-type-specific method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

(7.8.5) Please explain

DEFRA 2023 emission factors are used. Emissions are calculated by multiplying the amount of waste by the relevant emission factor.

Business travel

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

486

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Distance-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

(7.8.5) Please explain

Domestic, European, Continental business flights and fuel consumption of private car used for business purposes are taken into account when calculating business travel emissions. DEFRA emission factors were used for air travel emissions.

Employee commuting

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

1954

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Fuel-based method

☑ Distance-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

(7.8.5) Please explain

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

Upstream leased assets

(7.8.1) Evaluation status

Select from:

☑ Not relevant, explanation provided

(7.8.5) Please explain

Emissions from the operation of assets leased by İşbank are already included in our scope 1 and scope 2 inventories. To prevent double accounting, we do not include these emissions in scope 3. As a result, the evaluation status of this category in scope 3 is given as "not relevant."

Downstream transportation and distribution

(7.8.1) Evaluation status

Select from:

☑ Not relevant, explanation provided

(7.8.5) Please explain

As İşbank operates in the financial sector, the main services it offers are intangible, particularly loan allocation. Additionally, İşbank assumes responsibility for transportation and distribution costs, when applicable. Accordingly, the downstream transportation and distribution category is deemed irrelevant in this context.

Processing of sold products

(7.8.1) Evaluation status

Select from:

☑ Not relevant, explanation provided

(7.8.5) Please explain

Our business is the provision of financial services to our customers. We do not engage in the sale of intermediate products that require processing into final products. Accordingly, the processing of sold products is not included in our GHG inventory.

Use of sold products

(7.8.1) Evaluation status

Select from:

☑ Not relevant, explanation provided

(7.8.5) Please explain

As İşbank operates in the financial sector, the main services it offers are intangible, particularly loan allocation. Given the nature of İşbank's business, the use of the sold products category is not deemed relevant.

End of life treatment of sold products

(7.8.1) Evaluation status

Select from:

☑ Not relevant, explanation provided

(7.8.5) Please explain

As a financial sector institution, İşbank's products and services are not subject to end-of-life treatment. Given the nature of İşbank's business, end-of-life treatment of sold products is not a relevant consideration.

Downstream leased assets

(7.8.1) Evaluation status

Select from:

☑ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

5816

(7.8.3) Emissions calculation methodology

Select all that apply

☑ Spend-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

Emission calculations were made by multiplying the rental value of the leased assets by the EPA's USEEIO v1.1 emission factor (kg CO2e/)

Franchises

(7.8.1) Evaluation status

Select from:

☑ Not relevant, explanation provided

(7.8.5) Please explain

As İşbank does not operate through franchises, this category is not applicable to our business.

Other (upstream)

(7.8.1) Evaluation status

Select from:

☑ Not evaluated

(7.8.5) Please explain

n/a

Other (downstream)

(7.8.1) Evaluation status

Select from:

☑ Not evaluated

(7.8.5) Please explain

n/a

(7.8.1) Disclose or restate your Scope 3 emissions data for previous years.

Past year 1

(7.8.1.1) End date

12/30/2022

(7.8.1.2) Scope 3: Purchased goods and services (metric tons CO2e)

27519

(7.8.1.3) Scope 3: Capital goods (metric tons CO2e)

9597

(7.8.1.4) Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

4237

(7.8.1.5) Scope 3: Upstream transportation and distribution (metric tons CO2e)

567.5

(7.8.1.6) Scope 3: Waste generated in operations (metric tons CO2e)

36.6

(7.8.1.7) Scope 3: Business travel (metric tons CO2e)

721

(7.8.1.8) Scope 3: Employee commuting (metric tons CO2e)

1439

(7.8.1.14) Scope 3: Downstream leased assets (metric tons CO2e)

1400

Past year 2

(7.8.1.1) End date

12/30/2021

(7.8.1.2) Scope 3: Purchased goods and services (metric tons CO2e)

39339

(7.8.1.3) Scope 3: Capital goods (metric tons CO2e)

8296

(7.8.1.4) Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

12558

(7.8.1.6) Scope 3: Waste generated in operations (metric tons CO2e)

33.4

(7.8.1.7) Scope 3: Business travel (metric tons CO2e)

418.1

(7.8.1.8) Scope 3: Employee commuting (metric tons CO2e)

1490.6

(7.9) Indicate the verification/assurance status that applies to your reported emissions.

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

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

Row 1

(7.9.1.1) Verification or assurance cycle in place

Select from:

☑ Annual process

(7.9.1.2) Status in the current reporting year

Select from:

☑ Complete

(7.9.1.3) Type of verification or assurance

Select from:

☑ Limited assurance

(7.9.1.4) Attach the statement

İs Bankası CDP Verification Form 24.09.2024_signed.pdf

(7.9.1.5) Page/section reference

Pages 1-2

(7.9.1.6) Relevant standard

Select from:
☑ ISAE3000

(7.9.1.7) Proportion of reported emissions verified (%)

100

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

Row 1

(7.9.2.1) Scope 2 approach

Select from:
☑ Scope 2 market-based

(7.9.2.2) Verification or assurance cycle in place

Select from:
☑ Annual process

(7.9.2.3) Status in the current reporting year

Select from:

☑ Complete

(7.9.2.4) Type of verification or assurance

Select from:

☑ Limited assurance

(7.9.2.5) Attach the statement

İs Bankası CDP Verification Form 24.09.2024_signed.pdf

(7.9.2.6) Page/ section reference

Pages 1-3.

(7.9.2.7) Relevant standard

Select from:

☑ ISAE3000

(7.9.2.8) Proportion of reported emissions verified (%)

100

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

Row 1

(7.9.3.1) Scope 3 category

Select all that apply

- ☑ Scope 3: Capital goods
- ☑ Scope 3: Business travel
- ☑ Scope 3: Employee commuting
- ☑ Scope 3: Downstream leased assets
- ☑ Scope 3: Purchased goods and services
- ☑ Scope 3: Waste generated in operations
- ☑ Scope 3: Upstream transportation and distribution
- ☑ Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

(7.9.3.2) Verification or assurance cycle in place

Select from:

☑ Annual process

(7.9.3.3) Status in the current reporting year

Select from:

☑ Complete

(7.9.3.4) Type of verification or assurance

Select from:

☑ Limited assurance

(7.9.3.5) Attach the statement

İs Bankası CDP Verification Form 24.09.2024_signed.pdf

(7.9.3.6) Page/section reference

Pages 1-3

(7.9.3.7) Relevant standard

Select from:
☑ ISAE3000

(7.9.3.8) Proportion of reported emissions verified (%)

100

(7.10.1) 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 renewable energy consumption

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:
☑ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

In line with the emission reduction targets of İşbank, renewable energy has been used in all of the Bank's operational areas where renewable energy can be supplied for electricity consumption. In 2022 and in 2023 the amount of energy generated from renewable energy sources accounted for 100% of the total energy consumption of the Bank. Therefore, the difference between the sum of gross scope 1 and 2 GHG emissions in 2022 and 2023 is not due to renewable energy use.

Other emissions reduction activities

(7.10.1.1) Change in emissions (metric tons CO2e)

3786

(7.10.1.2) Direction of change in emissions

Select from:

☑ Decreased

(7.10.1.3) Emissions value (percentage)

17

(7.10.1.4) Please explain calculation

The gross global emissions (Scope 1 2) of İşbank for 2023 are 18,333 metric tons of CO2e. Its gross global emissions for the previous reporting year were 22,119 metric tons of CO2e. This means that the total change in emissions is 3,786 metric tons of CO2e, equal to a 17% decrease. The change is attributed to two reasons: 1) a reduction of 466 metric tons of CO2e achieved due to LED transformation activities 2) Due to seasonal conditions and the encouragement of the use of electrical energy instead of fossil fuels, emissions from heating have decreased, and due to the ongoing renewal of air conditioning devices and fire extinguishers, there has been a decrease in the amount of refrigerant and CO2 gas.

(7.30) 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)	*Select from:* ☑ Yes
Consumption of purchased or acquired electricity	*Select from:* ☑ Yes
Consumption of purchased or acquired heat	*Select from:* ☑ No
Consumption of purchased or acquired steam	*Select from:* ☑ No
Consumption of purchased or acquired cooling	*Select from:* ☑ No
Generation of electricity, heat, steam, or cooling	*Select from:* ☑ No

(7.30.1) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

Consumption of fuel (excluding feedstock)

(7.30.1.1) Heating value

Select from:

☑ LHV (lower heating value)

(7.30.1.2) MWh from renewable sources

0

(7.30.1.3) MWh from non-renewable sources

32510

(7.30.1.4) Total (renewable and non-renewable) MWh

32510

Consumption of purchased or acquired electricity

(7.30.1.1) Heating value

Select from:

☑ Unable to confirm heating value

(7.30.1.2) MWh from renewable sources

108720

(7.30.1.3) MWh from non-renewable sources

0

(7.30.1.4) Total (renewable and non-renewable) MWh

108720

Total energy consumption

(7.30.1.1) Heating value

Select from:

☑ LHV (lower heating value)

(7.30.1.2) MWh from renewable sources

108720

(7.30.1.3) MWh from non-renewable sources

32510

(7.30.1.4) Total (renewable and non-renewable) MWh

141230

(7.30.16) Provide a breakdown by country/area of your electricity/heat/steam/cooling consumption in the reporting year.

Turkey

(7.30.16.1) Consumption of purchased electricity (MWh)

108720

(7.30.16.2) Consumption of self-generated electricity (MWh)

0

(7.30.16.4) Consumption of purchased heat, steam, and cooling (MWh)

32510

(7.30.16.5) Consumption of self-generated heat, steam, and cooling (MWh)

0

(7.30.16.6) Total electricity/heat/steam/cooling energy consumption (MWh)

141230.00

(7.45) 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.

Row 1

(7.45.1) Intensity figure

0.00001

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

18333

(7.45.3) Metric denominator

Select from:

☑ unit total revenue

(7.45.4) Metric denominator: Unit total

169382370000

(7.45.5) Scope 2 figure used

Select from:

☑ Market-based

(7.45.6) % change from previous year

38.7

(7.45.7) Direction of change

Select from:

☑ Decreased

(7.45.8) Reasons for change

Select all that apply

☑ Other emissions reduction activities

(7.45.9) Please explain

While the emission figures in the numerator decreased, the revenue figure in the denominator increased more than the decrease in the numerator. The reason for the decrease in the sum of Scope 1 and 2 emissions is due to the decrease in Scope 1.

(7.52) Provide any additional climate-related metrics relevant to your business.

Row 1

(7.52.1) Description

Select from:

☑ Energy usage

(7.52.2) Metric value

508429

(7.52.3) Metric numerator

GJ

(7.52.4) Metric denominator (intensity metric only)

n/a

(7.52.5) % change from previous year

16

(7.52.6) Direction of change

Select from:

☑ Decreased

(7.52.7) Please explain

Throughout the reporting year, İşbank modernized the lighting systems across its 245 branches, significantly reducing energy consumption. Additionally, İşbank undertook comprehensive branch renovations, including optimizing HVAC systems to enhance energy efficiency.

(7.53.1) Provide details of your absolute emissions targets and progress made against those targets.

Row 1

(7.53.1.1) Target reference number

Select from:

☑ Abs 1

(7.53.1.2) Is this a science-based target?

Select from:

☑ Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

(7.53.1.4) Target ambition

Select from:

☑ 1.5°C aligned

(7.53.1.5) Date target was set

12/31/2018

(7.53.1.6) Target coverage

Select from:

☑ Organization-wide

(7.53.1.7) Greenhouse gases covered by target

Select all that apply

☑ Carbon dioxide (CO2)

(7.53.1.8) Scopes

Select all that apply

☑ Scope 1

☑ Scope 2

(7.53.1.9) Scope 2 accounting method

Select from:

☑ Market-based

(7.53.1.11) End date of base year

12/30/2019

(7.53.1.12) Base year Scope 1 emissions covered by target (metric tons CO2e)

22647

(7.53.1.13) Base year Scope 2 emissions covered by target (metric tons CO2e)

64840

(7.53.1.31) Base year total Scope 3 emissions covered by target (metric tons CO2e)

0.000

(7.53.1.32) Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

87487.000

(7.53.1.33) Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

(7.53.1.34) Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

(7.53.1.53) Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

(7.53.1.54) End date of target

12/30/2026

(7.53.1.55) Targeted reduction from base year (%)

100

(7.53.1.56) Total emissions at end date of target covered by target in all selected Scopes (metric tons CO2e)

0.000

(7.53.1.57) Scope 1 emissions in reporting year covered by target (metric tons CO2e)

18333

(7.53.1.58) Scope 2 emissions in reporting year covered by target (metric tons CO2e)

0

(7.53.1.77) Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

18333.000

(7.53.1.78) Land-related emissions covered by target

Select from:

☑ No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

(7.53.1.79) % of target achieved relative to base year

79.04

(7.53.1.80) Target status in reporting year

Select from:

☑ Revised

(7.53.1.81) Explain the reasons for the revision, replacement, or retirement of the target

In 2023, we procured 100% renewable energy for electricity consumption arising from our Bank's own operations and simultaneously implemented energy efficiency measures. By the end of 2023, we reduced our emissions by 79% compared to the base year of 2018, while shifting our carbon-neutrality target from 2035 to 2026.

(7.53.1.82) Explain target coverage and identify any exclusions

Our Scope 1 2 GHG emissions target for 2026 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 head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System)). • Renewable energy installments for our self-consumption of electricity. • 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, we aim to be a "Carbon Neutral Bank" with a 100% scope 1 2 emissions reduction target for 2026. In 2023, we procured 100% renewable energy for electricity consumption arising from our Bank's own operations and simultaneously implemented energy efficiency measures. By the end of 2023, we reduced our emissions by 79% compared to the base year of 2018, while shifting our carbon-neutrality target from 2035 to 2026. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets İnitiative (SBTi). As we intend to submit our NZBA target for our Scope 3 financed emissions for validation along with our Scope 1 and 2 targets, we aim to receive validation within the next 2 years, although it has not been validated yet.

(7.53.1.83) Target objective

As a financial institution, although reducing our financed emissions is the area where we will create value and make a difference, it is also important to monitor and reduce our Scope 1 and 2 emissions from our operations. As part of our decarbonization efforts, which also contribute to our Bank's sustainability strategy, we are actively working to neutralize our Scope 1 and 2 emissions by 2026.

(7.53.1.84) Plan for achieving target, and progress made to the end of the reporting year

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. These strategic steps for achieving our net zero target will be continuous while residual part of Scope 1 2 emissions will be offsetted. Also we consider this a science-based target, but this target has not been approved as sciencebased by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

(7.53.1.85) Target derived using a sectoral decarbonization approach

Select from:

☑ No

(7.53.4) Provide details of the climate-related targets for your portfolio.

Row 1

(7.53.4.1) Target reference number

Select from:

☑ Por1

(7.53.4.2) Target type

Select from:

☑ Sector Decarbonization Approach (SDA)

(7.53.4.4) Methodology used when setting the target

Select from:

☑ NZBA Target Setting Guidelines

(7.53.4.5) Date target was set

11/30/2023

(7.53.4.6) Target is set and progress against it is tracked at

Select from:

☑ Sector level

(7.53.4.7) Sector

Select from:

☑ Power generation

(7.53.4.8) Portfolios covered by the target

Select all that apply

☑ Banking (Bank)

(7.53.4.10) Asset classes covered by the target

Select all that apply

☑ Loans

☑ Project finance

(7.53.4.12) Target type: Absolute or intensity

Select from:

☑ Intensity

(7.53.4.14) % of portfolio emissions covered by the target

35.45

(7.53.4.16) Metric (or target numerator if intensity)

Select from:

☑ Metric tons CO2e

(7.53.4.17) Target denominator

Select from:

☑ Other, SDA denominator please specify**:** MWh

(7.53.4.18) % of portfolio covered in relation to total portfolio value

3.83

(7.53.4.21) Frequency of target reviews

Select from:

☑ Annually

(7.53.4.22) End date of base year

12/30/2021

(7.53.4.23) Figure in base year

0.617

(7.53.4.24) We have an interim target

Select from:

☑ No

(7.53.4.27) End date of target

12/30/2030

(7.53.4.28) Figure in target year

0.241

(7.53.4.29) Figure in reporting year

0.543

(7.53.4.30) % of target achieved relative to base year

19.680851063829774

(7.53.4.31) Target status in reporting year

Select from:

☑ Underway

(7.53.4.34) Is this a science-based target?

Select from:

☑ Yes, we consider this a science-based target, and it has been set in line with the Glasgow Financial Alliance for Net Zero (GFANZ) commitments, but we have not committed to seek validation by the Science Based Targets initiative within the next two years

(7.53.4.35) Target ambition

Select from:

☑ 1.5°C aligned

(7.53.4.37) Please explain target coverage and identify any exclusions

The target covers all clients in the energy production activity including thermal coal activities and electricity generation from renewable energy facilities. The stated emission intensity reduction target is set for 2030 and our target setting procedure relies on financial year calculations. We utilize various assumptions from international and local sources relevant to the power generation industry in order to estimate the sector's financed emissions. Emission values per unit of electricity production, accounting for different production types such as coal, natural gas and renewable sources are derived using data from IPCC guidelines and data released by relevant ministries in Türkiye - especially Ministry of Energy and Natural Resources. Firm based data such as financials are collected from customers' financial statements. Electricity production values can be directly found through EPIAS database for almost each specific facility. Türkiye's energy generation mix and firm-level production mix are derived from the National Energy Plan and EPIAS database. To estimate revenue or assets per unit of production in the sector, we relied on TURKSTAT data. Additionally, sector-specific financial ratios were incorporated into our emission calculations, also using TURKSTAT data. Supporting the green transformation in the economy, in addition to targets in the power generation sector, the Bank also announced it would phase out financing of coal related activities by 2040. In 2020, as a decision that would shape the sector, the Bank announced that it would not finance new thermal power plant investments for generating electricity using coal and natural gas. In 2021, the Bank also disclosed that it would not finance new coal mining investments.

(7.53.4.38) Target objective

In 2022, we significantly strengthened our commitment to advancing the transition to a net-zero economy by becoming a member of the industry-led, UN-convened Net-Zero Banking Alliance (NZBA). As part of this commitment, we have focused on searching decarbonization routes in high carbon-emitting sectors, embedding specific levers to drive meaningful change. Through this strategic approach, we have established intermediate emission intensity reduction targets for 2030 in addition to our long-term 2050 targets. The targets set represent a fundamental element of the Bank's sustainability strategy and reflect its goal of being a leading partner in its customers' green transformation. As a signatory of the Net Zero Banking Alliance, we announced 2030 targets in carbon-intensive sectors as part of our efforts to manage the impacts arising from the Bank's loan portfolio. With the decarbonization efforts, the Bank aims to accurately identify the actions that customers can take on their decorbanization journey and provide guidance to customers in this context, provide the financial support needed for green and sustainable practices that customers need in their decarbonization process and create financial impact models for the differentiated needs on a sectoral basis, and track the development of customers in this area. Regarding so, power generation is among the carbon-intensive sectors and among the top priorities of the Bank's decarbonization strategy.

Row 2

(7.53.4.1) Target reference number

Select from:

☑ Por2

(7.53.4.2) Target type

Select from:

☑ Sector Decarbonization Approach (SDA)

(7.53.4.4) Methodology used when setting the target

Select from:

☑ NZBA Target Setting Guidelines

(7.53.4.5) Date target was set

11/30/2023

(7.53.4.6) Target is set and progress against it is tracked at

Select from:

☑ Sector level

(7.53.4.7) Sector

Select from:

☑ Manufacturing

(7.53.4.8) Portfolios covered by the target

Select all that apply

☑ Banking (Bank)

(7.53.4.10) Asset classes covered by the target

Select all that apply

☑ Loans

☑ Project finance

(7.53.4.12) Target type: Absolute or intensity

Select from:

☑ Intensity

(7.53.4.14) % of portfolio emissions covered by the target

10.33

(7.53.4.16) Metric (or target numerator if intensity)

Select from:

☑ Metric tons CO2e

(7.53.4.17) Target denominator

Select from:

☑ Ton iron and steel

(7.53.4.18) % of portfolio covered in relation to total portfolio value

1.58

(7.53.4.21) Frequency of target reviews

Select from:

☑ Annually

(7.53.4.22) End date of base year

12/30/2021

(7.53.4.23) Figure in base year

0.801

(7.53.4.24) We have an interim target

Select from:

☑ No

(7.53.4.27) End date of target

12/30/2030

(7.53.4.28) Figure in target year

0.721

(7.53.4.29) Figure in reporting year

0.574

(7.53.4.30) % of target achieved relative to base year

283.7499999999999

(7.53.4.31) Target status in reporting year

Select from:

☑ Achieved

(7.53.4.34) Is this a science-based target?

Select from:

☑ Yes, we consider this a science-based target, and it has been set in line with the Glasgow Financial Alliance for Net Zero (GFANZ) commitments, but we have not committed to seek validation by the Science Based Targets initiative within the next two years

(7.53.4.35) Target ambition

Select from:

☑ 1.5°C aligned

(7.53.4.37) Please explain target coverage and identify any exclusions

The target covers all iron&steel manufacturers including customers manufacturing iron&steel via Basic Oxygen Furnaces (BOF) and Electric Arc Furnaces (EAF). The stated emission intensity reduction target is set for 2030 and our target setting procedure relies on financial year calculations. We utilize various assumptions from international and local sources relevant to the iron&steel industry in order to estimate the Bank's financed emissions. Emission values per unit of iron&steel production, accounting for different production types such as EAF and BOF are derived using data from the World Steel Association. To estimate revenue or assets per unit of production in the sector, we relied on TURKSTAT data. Additionally, sector-specific financial ratios were incorporated into our emission calculations, also using TURKSTAT data. Lastly, emission factors for energy inputs are calculated based on IPCC guidelines and data released by relevant ministries in Türkiye. The emission intensity in the reporting year has shown a significant decrease compared to our base year due to a couple of reasons. Firstly, as known, contributors to high emissions in the iron and steel sector are caused by BOF players. Conversely to base year scenarios, majority of BOF players have decreased their emission intensities by their own efforts. Also, since financed emissions are calculated by clients attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project; a decrease in AF will eventually result in decreased emission intensities. For İşbank's case, our share in the loans of BOF players have decreased where also asset size of these players increased significantly.

(7.53.4.38) Target objective

In 2022, we significantly strengthened our commitment to advancing the transition to a net-zero economy by becoming a member of the industry-led, UN-convened Net-Zero Banking Alliance (NZBA). As part of this commitment, we have focused on high carbon-emitting sectors, embedding specific levers to drive meaningful change. Through this strategic approach, we have established intermediate targets for 2030 in addition to our long-term 2050 targets. The targets set represent a fundamental element of the Bank's sustainability strategy and reflect its goal of being a leading partner in its customers' green transformation. As a signatory of the Net Zero Banking Alliance, we announced 2030 emission reduction targets in carbon-intensive sectors as part of our efforts to manage the impacts arising from the Bank's loan portfolio. With the decarbonization efforts, the Bank aims to accurately identify the actions that customers can take on their decorbanization journey and provide guidance to customers in this context, provide the financial support needed for green and sustainable practices that customers need in their decarbonization process and create financial impact models for the differentiated needs on a sectoral basis, and track the development of customers in this area. Regarding so, iron&steel sector is among the carbon-intensive sectors and supporting our strategy; İşbank shows a dedicated and ambitious willingness for iron&steel sector to become greener.

(7.54.3) Provide details of your net-zero target(s).

Row 1

(7.54.3.1) Target reference number

Select from:

☑ NZ1

(7.54.3.2) Date target was set

11/30/2023

(7.54.3.3) Target Coverage

Select from:

☑ Organization-wide

(7.54.3.4) Targets linked to this net zero target

Select all that apply

☑ Abs1

(7.54.3.5) End date of target for achieving net zero

12/30/2050

(7.54.3.6) Is this a science-based target?

Select from:

☑ Yes, we consider this a science-based target, and we have committed to seek validation of this target by the Science Based Targets initiative in the next two years

(7.54.3.8) Scopes

Select all that apply

☑ Scope 1

☑ Scope 2

☑ Scope 3

(7.54.3.9) Greenhouse gases covered by target

Select all that apply

- ☑ Methane (CH4)
- ☑ Nitrous oxide (N2O)
- ☑ Carbon dioxide (CO2)
- ☑ Perfluorocarbons (PFCs)
- ☑ Hydrofluorocarbons (HFCs)
- ☑ Sulphur hexafluoride (SF6)
- ☑ Nitrogen trifluoride (NF3)

(7.54.3.10) Explain target coverage and identify any exclusions

We are aware of the importance of İşbank's role in transitioning to a net zero economy. The Bank has taken portfolio decisions that align with Paris Agreement in carbon-intensive sectors. For Scope 3 Category 15 emissions, the baselining and transition pathway approach is applicable only to corporate, commercial and SME banking clients, excluding retail segments, which already account for a very small fraction of our emissions. Our approach for determining the net zero targets of the Bank focuses on non-retail lending activities such as corporate/SME cash loans and project financing as part of our efforts to manage the impacts of the Bank's loan portfolio and set reduction targets. We observe that non-retail loans portfolio constitutes 71% of the total loan portfolio as of YE2023 and the vast majority of İşbank's portfolio emissions arises from it. Remaining 29% consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. Our Scope 3 emissions cover İşbank's financed emissions. Therefore reported or calculated emissions of the customers may differ in terms of Scope 1, 2 and 3 coverage. We have included Scope 1 and 2 emissions of our customers by default and reached a final value. In addition we also have taken into account our customers' Scope 3 emissions; conducted the calculations and obtained a more comprehensive data in a new format. In order to keep the methodology easy to follow and keep the results comparable with the past years; we have focused more on Scope 1 and 2 emissions of our customers.

(7.54.3.11) Target objective

In 2022, we significantly strengthened our commitment to advancing the transition to a net-zero economy by becoming a member of the industry-led, UN-convened Net-Zero Banking Alliance (NZBA). This prestigious Alliance brings together leading banks from around the world, all dedicated to the goal of aligning their portfolios with net-zero emissions by 2050, as stipulated by the ambitious targets of the Paris Climate Agreement. As part of this commitment, we have focused on high carbon-emitting sectors, embedding specific levers to drive meaningful change. Through this strategic approach, we have established intermediate targets for 2030 in addition to our long-term 2050 targets. These intermediate targets are designed to ensure we make measurable progress towards our ultimate goal of net-zero emissions, while also addressing the immediate needs and challenges of transitioning our portfolio to a more sustainable trajectory. The targets set represent a fundamental element of the Bank's sustainability strategy and reflect its goal of being a leading partner in its customers' green transformation. As a signatory of the Net Zero Banking Alliance, we announced 2030 emission reduction targets in carbon-intensive sectors as part of our efforts to manage the impacts arising from the Bank's loan portfolio. With the decarbonization efforts, the Bank aims to accurately identify the actions that customers can take on their decorbanization journey and provide guidance to customers in this context, provide the financial support needed for green and sustainable practices that customers need in their decarbonization process and create financial impact models for the differentiated needs on a sectoral basis, and track the development of customers in this area.

(7.54.3.12) Do you intend to neutralize any residual emissions with permanent carbon removals at the end of the target?

Select from:

☑ Yes

(7.54.3.13) Do you plan to mitigate emissions beyond your value chain?

Select from:

☑ No, we do not plan to mitigate emissions beyond our value chain

(7.54.3.14) Do you intend to purchase and cancel carbon credits for neutralization and/or beyond value chain mitigation?

Select all that apply

☑ Yes, we plan to purchase and cancel carbon credits for neutralization at the end of the target

(7.54.3.15) Planned milestones and/or near-term investments for neutralization at the end of the target

For emissions that cannot be reduced through other measures, we will collaborate with our clients and the broader financial community to explore offsetting options like establishing our own carbon bank and working with new banking initiatives to develop offset propositions. As part of our commitment to NZBA, we are annually calculating and monitoring the progress against our previously&newly disclosed targets. Approaching to year 2030, İşbank will be calculating that current year's Scope 3 emissions and with the confidence of being sure that all the efforts of decarbonization have been applied, a number of offsetting options will be considered for the remaining emissions.

(7.54.3.17) Target status in reporting year

Select from:

☑ New

(7.54.3.19) Process for reviewing target

In line with the objective of Net Zero, we will publicly share the progress against our disclosed targets on carbon-intensive sectors on an annual basis. The Net Zero targets are determined according to our commitment to Net Zero Banking Alliance. Member banks that undertake to publicly announce their (2030) intermediate and long-term (2050) targets in line with the Paris Agreement by complying with the below criteria: -Set targets for at least one of the most impactful carbon-intensive sectors within 18 months of commitment -Cover the majority of carbon-intensive sectors within 36 months, -Targets will be reviewed in maximum 5-year periods and new intermediate targets will be defined for each 5-year period starting from the first intermediate target year (2030); -Studies should be based on a scientific basis in a way that will contribute to global climate goals, -Report the annual public reporting of progress against the targets, and -Studies to be subjected to an independent assurance.

(7.55.1) 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	*1*	*`Numeric input*
To be implemented	*1*	*50546*
Implementation commenced	*1*	*0*
Implemented	*2*	*51523*
Not to be implemented	*0*	*`Numeric input*

(7.55.2) Provide details on the initiatives implemented in the reporting year in the table below.

Row 1

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in buildings

☑ Lighting

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

466

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☑ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

☑ Voluntary

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

0

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

3009450

(7.55.2.7) Payback period

Select from:

☑ No payback

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☑ 1-2 years

(7.55.2.9) Comment

-

Row 2

(7.55.2.1) Initiative category & Initiative type

Low-carbon energy consumption

☑ Other, please specify **:**Renewable energy supply

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

51057

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☑ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

☑ Voluntary

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

0

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

1805723

(7.55.2.7) Payback period

Select from:

☑ No payback

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☑ 1-2 years

(7.55.2.9) Comment

-

(7.55.3) What methods do you use to drive investment in emissions reduction activities?

Row 1

(7.55.3.1) Method

Select from:

☑ Dedicated budget for energy efficiency

(7.55.3.2) Comment

Investments required by standards such as ISO14001 are supported by the Bank. The budgets of systems such as automation renovation, remote monitoring, pump renovation, energy efficient air conditioner renewals, solar panels and transformation of lighting luminaires (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.

Row 2

(7.55.3.1) Method

Select from:

☑ Compliance with regulatory requirements/standards

(7.55.3.2) Comment

Investments required by standards such as ISO14001 are supported by the Bank in order to engage employee environment awareness with classes, certification and audition processes. 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.

Row 3

(7.55.3.1) Method

Select from:

☑ Internal incentives/recognition programs

(7.55.3.2) Comment

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, under the leadership of CSO, all division heads have an energy reduction 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.

C12. Environmental performance - Financial Services

(12.1) Does your organization measure the impact of your portfolio on the environment?

Banking (Bank)

(12.1.1) We measure the impact of our portfolio on the climate

Select from:

☑ Yes

(12.1.2) Disclosure metric

Select all that apply

☑ Financed emissions

(12.1.8) We measure the impact of our portfolio on water

Select from:

☑ No, but we plan to do so in the next two years

(12.1.9) Primary reason for not measuring portfolio impact on water

Select from:

☑ Lack of tools or methodologies available

(12.1.10) Explain why your organization does not measure its portfolio impact on water

Primary reason for not measuring portfolio impact on water is limited universally accepted frameworks and methodologies for measuring the direct and indirect impact of financial portfolios on water resources. Accurately assessing the impact of financial portfolios on water resources requires detailed, specific data from the businesses and projects financed. In many cases, obtaining reliable and standardized water usage and management data from a broad range of sectors and regions presents significant challenges. This makes it difficult to consistently measure and report on water-related impacts across our portfolio. As an organization, we rely on widely recognized and adopted standards for environmental impact assessments, and we are closely monitoring the development of water-related methodologies and reporting guidelines to ensure we can adopt them when appropriate.

(12.1.11) We measure the impact of our portfolio on biodiversity

Select from:

☑ No, but we plan to do so in the next two years

(12.1.12) Primary reason for not measuring portfolio impact on biodiversity

Select from:

☑ Lack of tools or methodologies available

(12.1.13) Explain why your organization does not measure its portfolio impact on biodiversity

Measuring the impact on biodiversity is a complex task that requires granular, region-specific data across various sectors. Unlike carbon emissions, where measurement tools and frameworks are well established, biodiversity lacks universally accepted metrics and reporting standards that can be easily applied across a diverse portfolio. This makes consistent measurement and reporting a challenge at this time. For a large and diverse portfolio as İşBank's, collecting the necessary biodiversity data from clients and sector presents significant operational challenges. Many businesses, especially smaller ones, may not have processes in place to track their biodiversity impact, making it difficult for us to aggregate and assess portfolio-wide biodiversity impact. However, we evaluate all new investment projects with a total investment amount of more than USD 10 million by using the Environmental and Social Risk Evaluation Tool (ÇESMOD). While risk categories are identified as part of the E&S Impact Evaluations conducted by İşbank, biodiversity risks are evaluated only on a per-project basis. For projects which are determined as high risk category and present a number of biodiversity risks, consultants are also requested to prepare a Biodiversity Action Plan. In the ÇESMOD question set, the need for a critical habitat assessment and balancing strategy study for all relevant projects is examined. In addition, on a sectoral basis, additional impact questions such as bat habitat, bird migration routes and biodiversity issues are considered.

(12.1.1) Provide details of your organization's financed emissions in the reporting year and in the base year.

Banking (Bank)

(12.1.1.1) Asset classes covered in the calculation

Select all that apply

☑ Loans

☑ Project finance

(12.1.1.2) Financed emissions (metric unit tons CO2e) in the reporting year

14225300.95

(12.1.1.3) % of portfolio covered in relation to total portfolio value

33

(12.1.1.4) Total value of assets included in the financed emissions calculation

809748488670.00

(12.1.1.5) % of financed emissions calculated using data obtained from clients/investees (optional)

19.17

(12.1.1.6) Emissions calculation methodology

Select from:

☑ The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF)

(12.1.1.7) Weighted data quality score (for PCAF-aligned data quality scores only)

4

(12.1.1.8) Financed emissions (metric unit tons CO2e) in the base year

15651937

(12.1.1.9) Base year end

12/30/2021

(12.1.1.10) % of undrawn loan commitments included in the financed emissions calculation

0

(12.1.1.11) Please explain the details of and assumptions used in your calculation

Our approach for calculating portfolio emissions focuses on non-retail lending activities such as corporate/SME loans and project finance. We observe that non-retail loans portfolio constitutes 33,15% of the total assets of the bank as of YE2023. Remaining portion consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities in the overall emissions. Apart from that, 71% of total loans of İşbank are included in financed emission calculations as non-retail lending activities; where remaining 29% covers retail lending activities. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculation. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. Approximately %20 of the total portfolio emissions are calculated by using the data obtained from customers. Relevant data are collected from our clients' Integrated Annual Reports, from their CDP responses, production and energy consumption values stated in all other public reports. etc. Within this 20%, 7,5% of the total portfolio emissions are calculated using real and verified emissions data of the customers, where 23,25% of this value is calculated from physical activity (production) based methodology, where outstanding amount in the company its total debt and equity are known, reported company emissions are not known. Emissions are calculated using company's production amount, fuel mix and IPCC's emission factor assumptions on different fuel types. Remaining %69,3 of portfolio emissions are derived from firms' economic activities, where outstanding amount in the company, its total debt plus equity and revenue as well as emission factors for the sector per unit of revenue are known. As PCAF recommends using official statistical data tCO2e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT's and Central Bank's websites. If the data is not available for 2023, past year's data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by AF for each firm and aggregated to reach the bank's total loan-portfolio emission level.

(12.1.2) Disclose or restate your financed emissions for previous years.

Past year 1 for Banking (Bank)

(12.1.2.1) End Date

12/30/2022

(12.1.2.2) Financed emissions (metric unit tons CO2e) in the reporting year

19073418

(12.1.2.3) % of portfolio covered in relation to total portfolio value

37

(12.1.2.4) % calculated using data obtained from clients/investees

40

(12.1.2.5) Emissions calculation methodology

Select from:

☑ The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF)

(12.1.2.6) Please explain the details of and assumptions used in your calculation

Our approach for calculating portfolio emissions of the Bank focuses on non-retail lending activities such as corporate/SME loans and project financing. We observe that non-retail loans portfolio constitutes 77% of the total loan portfolio as of YE2022 and the vast majority of İşbank's portfolio emissions arises from it. Remaining 23% consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculation. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. AF for each firm is calculated by using customer-level bank data. However, data required to calculate the borrower's emissions is not always available. Approximately %40 of the total portfolio emissions are calculated by using the emissions data obtained from directly from customers, their CDP responses and other public reports. Approximately 8% of the total portfolio emissions are calculated using a physical activity (production) based methodology, where outstanding amount in the company, its total debt and equity are known, reported company emissions are not known. Emissions are calculated using company's production amount, fuel mix and IPCC's emission factor assumptions on different fuel types. Remaining %52 of portfolio emissions are derived from firms' economic activities, where outstanding amount in the company, its total debt plus equity and revenue as well as emission factors for the sector per unit of revenue are known. As PCAF recommends using official statistical data tCO2 e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total sectoral revenue data available at TURKSTAT's and Central Bank's websites. We include each firm in the portfolio so energy and mining sectors are included in the calculation as required. For each data type, most recent available data is used. If the data is not available for 2022, past year's data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by the AF for each firm and aggregated to reach the bank's total loan-portfolio emission level, which is 19,073,418 tons.

Past year 2 for Banking (Bank)

(12.1.2.1) End Date

12/30/2021

(12.1.2.2) Financed emissions (metric unit tons CO2e) in the reporting year

15651937

(12.1.2.3) % of portfolio covered in relation to total portfolio value

38

(12.1.2.4) % calculated using data obtained from clients/investees

8

(12.1.2.5) Emissions calculation methodology

Select from:

☑ The Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF)

(12.1.2.6) Please explain the details of and assumptions used in your calculation

Our approach for calculating portfolio emissions of the Bank focuses on non-retail lending activities such as corporate/SME loans and project financing. We observe that non-retail loans portfolio constitutes 78% of the total loan portfolio as of YE2021 and the vast majority of İşbank's portfolio emissions arises from it. Remaining 22% consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculation. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. AF for each firm is calculated by using customer-level bank data. However, data required to calculate the borrower's emissions is not always available. Approximately %8 of the total portfolio emissions are calculated by using the emissions data obtained from directly from customers, their CDP responses and other public reports. Approximately 39% of the total portfolio emissions (mostly energy production facilities) are calculated using a physical activity (production) based methodology, where outstanding amount in the company, its total debt and equity are known, reported company emissions are not known. Emissions are calculated using company's production amount, fuel mix and IPCC's emission factor assumptions on different fuel types. Remaining portfolio emissions are derived from firms' economic activities, where outstanding amount in the company, its total debt plus equity and revenue as well as emission factors for the sector per unit of revenue are known. As PCAF recommends using official statistical data tCO2 e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT's website. We include each firm in the portfolio so energy and mining sectors are included in the calculation as required. For each data type, most recent available data is used. If the data is not available for 2021, past year's data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by the AF for each firm and aggregated to reach the bank's total loan-portfolio emission level, which is 15,651,937 tons.

(12.2) Are you able to provide a breakdown of your organization's financed emissions and other portfolio carbon footprinting metrics?

	Portfolio breakdown
Banking (Bank)	*Select all that apply* ☑ Yes, by asset class ☑ Yes, by industry ☑ Yes, by scope

(12.2.1) Break down your organization's financed emissions and other portfolio carbon footprinting metrics by asset class, by industry, and/or by scope.

Row 1

(12.2.1.1) Portfolio

Select from:

☑ Banking (Bank)

(12.2.1.2) Portfolio metric

Select from:

☑ Emissions intensity (tCO2e/MWh)

(12.2.1.3) Industry

Select from:

☑ Power generation

(12.2.1.4) Asset class

Select from:

☑ Loans

(12.2.1.5) Clients'/investees' scope

Select from:

☑ Scope 1

(12.2.1.6) % of asset class emissions calculated in the reporting year based on total value of assets

5

(12.2.1.7) Value of assets covered in the calculation

45962600017

(12.2.1.8) Financed emissions or alternative metric

2667632

(12.2.1.9) Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Select from:

☑ Not applicable

(12.2.1.12) Please explain the details, assumptions and exclusions in your calculation

Our approach for calculating portfolio emissions focuses on non-retail lending activities including cash loans. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculations. Scope 1 and 2 emissions of our clients are covered during financed emissions calculations however; compared to Scope 1, Scope 2 remains relatively small and therefore for the reporting matters it is not stated separately. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. Emissions are calculated using company's electricity production amount, fuel mix and IPCC's emission factor assumptions on different fuel types. As PCAF recommends using official statistical data tCO2e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT's and Central Bank's websites. If the data is not available for 2023, past year's data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by AF for each firm and aggregated to reach the bank's total loan-portfolio emission level. After reaching the emission value, emission intensity in tCO2e/MWh unit can be calculated easily. Emission intensity in the power generation sector is then reached by dividing the total amount of financed emissions with the total amount of electricity produced by our clients. The calculations do not cover Scope 3 emissions due to lack of client data in that specific area. However when considering the environmental impact of our power generation portfolio, we surely take all Scope 1, 2 and 3 emissions by relying on globally accepted ratios in terms of inner percentage distributions of all scopes. For example, according to a great number of cases globally and verified data of emissions; 70%, 1% and 29% of total emissions are arised from Scope 1, 2 and 3 emissions respectively.

Row 3

(12.2.1.1) Portfolio

Select from:

☑ Banking (Bank)

(12.2.1.2) Portfolio metric

Select from:

☑ Emissions intensity (tCO2e/MWh)

(12.2.1.3) Industry

Select from:

☑ Power generation

(12.2.1.4) Asset class

Select from:

☑ Project finance

(12.2.1.5) Clients'/investees' scope

Select from:

☑ Scope 1

(12.2.1.6) % of asset class emissions calculated in the reporting year based on total value of assets

33

(12.2.1.7) Value of assets covered in the calculation

48072319127

(12.2.1.8) Financed emissions or alternative metric

2070341

(12.2.1.9) Are you able to provide the gross exposure for your undrawn loan commitment separately from the drawn loan commitment?

Select from:

☑ Not applicable

(12.2.1.12) Please explain the details, assumptions and exclusions in your calculation

Our approach for calculating portfolio emissions focuses on non-retail lending activities including project finance loans. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculations. Scope 1 and 2 emissions of our clients are covered during financed emissions calculations however; compared to Scope 1, Scope 2 remains relatively small and therefore for the reporting matters it is not stated separately. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. Emissions are calculated using company's electricity production amount, fuel mix and IPCC's emission factor assumptions on different fuel types. As PCAF recommends using official statistical data tCO2e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT's and Central Bank's websites. If the data is not available for 2023, past year's data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by AF for each firm and aggregated to reach the bank's total loan-portfolio emission level. After reaching the emission value, emission intensity in tCO2e/MWh unit can be calculated easily. Emission intensity in the power generation sector is then reached by dividing the total amount of financed emissions with the total amount of electricity produced by our clients. The calculations do not cover Scope 3 emissions due to lack of client data in that specific area. However when considering the environmental impact of our power generation portfolio, we surely take all Scope 1, 2 and 3 emissions by relying on globally accepted ratios in terms of inner percentage distributions of all scopes. For example, according to a great number of cases globally and verified data of emissions; 70%, 1% and 29% of total emissions are arised from Scope 1, 2 and 3 emissions respectively.

(12.3) State the values of your financing and insurance of fossil fuel assets in the reporting year.

Lending to all fossil fuel assets

(12.3.1) Reporting values of the financing and/or insurance of fossil fuel assets

Select from:

☑ Yes

(12.3.2) Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

62402608768

(12.3.3) New loans advanced in reporting year (unit currency – as specified 1.2)

35701235735

(12.3.5) % of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

7.7

(12.3.6) Details of calculation

For the calculation of the value of fossil fuel assets, NACE and The Climate Policy Relevant Sectors (CPRS) classifications are used. CPRS is a classification of economic activities to assess climate transition risk, first developed in the article by Battiston et al. (2017) published on Nature Climate Change. Definitions used for fossil fuel assets, oil, gas, thermal coal and met coal are inline with the definitions provided by CDP guidance and other widely accepted frameworks. In this regard, all the financing tied to the upstream, mid-stream and downstream activities of fossil fuels arte taken into account. Since the sectoral classification of İşBank is based on NACE, we mapped highest detail NACE codes to fossil fuel related CPRS codes. NACE codes are also flagged based on their relationship with coal (thermal & met), oil, gas or both. After the mapping is complete, all the firms in İşBank's portfolio are classified in terms of fossil fuel-related (thermal coal, met coal, oil and gas) and not carbon-related categories. Value of the fossil fuel assets in the portfolio is calculated as the sum of the total outstanding cash loan amount of firms that are operating in fossil fuel-related sectors. New loans advanced to fossil fuel related sectors calculated as the total outstanding loan amount issued to fossil fuel related sectors in 2023. Percentage of portfolio value comprised of fossil fuel assets in reporting year equals to value of the fossil fuel assets / value of total loan portfolio.

Lending to thermal coal

(12.3.1) Reporting values of the financing and/or insurance of fossil fuel assets

Select from:

☑ Yes

(12.3.2) Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

29148448505

(12.3.3) New loans advanced in reporting year (unit currency – as specified 1.2)

4688500117

(12.3.5) % of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

3.6

(12.3.6) Details of calculation

Similar to the fossil fuel assets, NACE and The Climate Policy Relevant Sectors (CPRS) classifications are used for the calculation of the value of thermal coal assets. Thermal coal is defined as "coal used for energy and heating". All the financing relevant to upstream, mid-stream and downstream thermal coal activities (such as extraction, drilling, processing, storage, power generation and transmission, etc.) are considered in the calculation. For electricity production, firms are manually classified into coal, oil and gas categories. If a firm is engaged in more than one type of production, asset weights are calculated as the percentage of 2023 production (MWh) with the specified fuel type in the total production amount of the firm. For the sales, storage and distribution of electricity, share of coal in Turkiye's energy generation mix for the 2023 is taken into account. Value of the thermal coal assets in the portfolio is calculated as the sum of the total outstanding cash loan amount of firms that are operating in thermal coal-related sectors. New loans advanced to thermal coal related sectors calculated as the total outstanding loan amount issued to thermal coal related sectors in 2023. Percentage of portfolio value comprised of thermal coal assets in reporting year equals to value of the thermal coal assets / value of total loan portfolio.

Lending to met coal

(12.3.1) Reporting values of the financing and/or insurance of fossil fuel assets

Select from:

☑ Yes

(12.3.2) Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

3725220

(12.3.3) New loans advanced in reporting year (unit currency – as specified 1.2)

2396939

(12.3.5) % of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

0

(12.3.6) Details of calculation

Similar to the fossil fuel assets, NACE and The Climate Policy Relevant Sectors (CPRS) classifications are used for the calculation of the value of met coal assets. Met coal is defined as "metallurgical coal, also known as coking coal, which is used to produce coke, the primary source of carbon used in steelmaking." It differs from thermal coal by its carbon content and its coking ability. Value of the met coal assets in the portfolio is calculated as the sum of the total outstanding cash loan amount of firms that are operating in met coal-related sectors, mainly manufacturing of coke oven products. New loans advanced to met coal related sectors calculated as the total outstanding loan amount issued to met coal related sectors in 2023. Percentage of portfolio value comprised of met coal assets in reporting year equals to value of the met coal assets / value of total loan portfolio, which is considerably low (%0,0005).

Lending to oil

(12.3.1) Reporting values of the financing and/or insurance of fossil fuel assets

Select from:

☑ Yes

(12.3.2) Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

26912608279

(12.3.3) New loans advanced in reporting year (unit currency – as specified 1.2)

26436495176

(12.3.5) % of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

3.3

(12.3.6) Details of calculation

The same methodology for calculating thermal coal-related lending figures are applied for the calculation of oil related lending figures.

Lending to gas

(12.3.1) Reporting values of the financing and/or insurance of fossil fuel assets

Select from:

☑ Yes

(12.3.2) Value of the fossil fuel assets in your portfolio (unit currency - as specified in 1.2)

6337826763

(12.3.3) New loans advanced in reporting year (unit currency – as specified 1.2)

4573843502

(12.3.5) % of portfolio value comprised of fossil fuel assets to total portfolio value in reporting year

0.8

(12.3.6) Details of calculation

The same methodology for calculating thermal coal-related lending figures are applied for the calculation of gas related lending figures.

(12.5) In the reporting year, did your organization finance and/or insure activities or sectors that are aligned with, or eligible under, a sustainable finance taxonomy? If so, are you able to report the values of that financing and/or underwriting?

Banking (Bank)

(12.5.1) Reporting values of the financing and/or insurance of activities or sectors that are eligible under or aligned with a sustainable finance taxonomy

Select from:

☑ No, but we plan to report in the next two years

(12.5.35) Primary reason for not providing values of the financing and/or insurance

Select from:

☑ No standardized procedure

(12.5.36) Explain why you are not providing values of the financing and/or insurance

Currently, national taxonomy studies compatible with the EU Taxonomy are ongoing in our country. While we are actively participating by supporting these studies, we are also waiting for the finalization of these studies. Therefore, we plan to report the sustainable financing figure in line with the national taxonomy to be published in the next two years.

(12.6) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of environmental issues?

	Existing products and services enable clients to mitigate and/or adapt to the effects of environmental issues
	Select from: ☑ Yes

(12.6.1) Provide details of your existing products and services that enable clients to mitigate and/or adapt to the effects of environmental issues, including any taxonomy or methodology used to classify the products and services.

Row 1

(12.6.1.1) Environmental issue

Select all that apply

☑ Climate change

(12.6.1.2) Product/service enables clients to mitigate and/or adapt to climate change

Select all that apply

☑ Mitigation

☑ Adaptation

(12.6.1.3) Portfolio

Select from:

☑ Banking (Bank)

(12.6.1.4) Asset class

Select from:

☑ Project finance

(12.6.1.5) Type of product classification

Select all that apply

☑ Products that promote environmental and/or social characteristics

☑ Products that have sustainable investment as their core objective

(12.6.1.6) Taxonomy or methodology used to identify product characteristics

Select all that apply

☑ The EU Taxonomy for environmentally sustainable economic activities

☑ Green Bond Principles (ICMA)

☑ LMA Green Loan Principles

☑ LMA Sustainability Link Loans Principles

(12.6.1.7) Type of solution financed, invested in or insured

Select all that apply

☑ Renewable energy

☑ Other, please specify**:** Waste Management

(12.6.1.8) Description of product/service

In accordance with the Sustainable Finance Framework, our Bank offers Green Loan and Sustainability Linked Loan products to customers. Sustainability-linked loans are any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower's achievement of ambitious, predetermined sustainability performance objectives. Green loans are any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. The total cash balance of SLL and GL in İşbank as of 31.12.2023 is USD 155 million. In 2023, a total of 6 project loans were used within the scope of project finance, and 4 of these loans were marked as sustainable loans (%77 of Project Loans given in 2023) according to our Bank's sustainable finance framework.

(12.6.1.9) % of portfolio aligned with a taxonomy or methodology in relation to total portfolio value

0.3

(12.6.1.10) % of asset value aligned with a taxonomy or methodology

0

(12.6.1.11) Product considers principal adverse impacts on environmental factors

Select from:

☑ No

Row 2

(12.6.1.1) Environmental issue

Select all that apply

☑ Water

(12.6.1.3) Portfolio

Select from:

☑ Banking (Bank)

(12.6.1.4) Asset class

Select from:

☑ Loans

(12.6.1.5) Type of product classification

Select all that apply

☑ Products that have sustainable investment as their core objective

(12.6.1.6) Taxonomy or methodology used to identify product characteristics

Select all that apply

☑ Green Bond Principles (ICMA)

(12.6.1.7) Type of solution financed, invested in or insured

Select all that apply

☑ Ecosystem protection

☑ Ecosystem restoration

☑ WASH services

☑ Wastewater treatment infrastructure

☑ Water resources and ecosystem protection

(12.6.1.8) Description of product/service

Water security loan aims to meet the financing needs of businesses that want to contribute to the protection of the seas by investing in wastewater treatment, wastewater recovery facilities, ship ballast water treatment, or gray water treatment systems, or that want to improve their existing facilities by investing in maintenance, repair, and capacity increases. The wastewater treatment and ship ballast water treatment systems within the loan contribute to biodiversity by enabling the existence of clean water and food in an environment where living creatures can thrive and protecting the existence and survival of life forms. Moreover, İşbank supports farmers regarding pressurized irrigation systems through its cooperation with BASUSAD. Within this framework, the Bank finances the installation of pressurized irrigation systems. The economic benefit provided in 2022 with loans that finance the transformation investments of customers using wild or pressurized irrigation continues. İşbank has reached a balance of approximately 90 million TL as of the end of 2023 with water security and pressurized irrigation systems loans designed in accordance with the category of Sustainable Water, Wastewater Management and Climate Adaptation within the sustainable finance framework. The framework, prepared according to international standards and created with the second party opinion received from Sustainalytics, constitutes İşbank's standard in this regard. In addition, the loans, which are compatible with the criteria in the communique on green asset ratio published as a draft by the Banking Regulation and Supervision Agency in September 2023, offer a variety of products on the basis of resource efficiency.

(12.6.1.9) % of portfolio aligned with a taxonomy or methodology in relation to total portfolio value

0.01

(12.6.1.10) % of asset value aligned with a taxonomy or methodology

0

(12.6.1.11) Product considers principal adverse impacts on environmental factors

Select from:

☑ No

(12.7) Has your organization set targets for deforestation and conversion-free and/or water-secure lending, investing and/or insuring?

Water

(12.7.1) Target set

Select from:

☑ No, we have not set such targets, but we plan to within the next two years

(12.7.2) Explain why your organization has not set targets for deforestation- and conversion-free and/or water-secure lending, investing and/or insuring

With the commitment we made within the scope of Sustainable Finance, we started to provide loans related to water efficiency, which we evaluate within the scope of resource efficiency. In the upcoming period, we aim to set measurable targets in this field based on the data obtained in 2023.

(12.7.1) Provide details of your targets for deforestation and conversion-free and/or water-secure lending, investing and/or insuring.

Water

(12.7.1.2) Targets set

Select from:

☑ Targets for providing products and services that enable clients to mitigate water insecurity

C13. Further information & sign off

(13.1) Indicate if any environmental information included in your CDP response (not already reported in 7.9.1/2/3, 8.9.1/2/3/4, and 9.3.2) is verified and/or assured by a third party?

	Other environmental information included in your CDP response is verified and/or assured by a third party
	Select from: ☑ Yes

(13.1.1) Which data points within your CDP response are verified and/or assured by a third party, and which standards were used?

Row 1

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☑ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Financial services

☑ Other data point in module 12, please specify**:** Financed emissions in the reporting year (ton CO2e)

(13.1.1.3) Verification/assurance standard

General standards

☑ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

For financed emissions (metric unit tonnes CO2e) calculation in the reporting year the results and methodology have been been third party verified by KPMG through providing independent limited assurance in accordance with International Standard on Assurance Engagements ISAE 3000.

Row 2

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☑ Climate change

☑ Water

(13.1.1.2) Disclosure module and data verified and/or assured

Disclosure of risks and opportunities

☑ Financial effect of environmental opportunities

(13.1.1.3) Verification/assurance standard

General standards

☑ Other general verification standard, please specify **:**International Standard on Quality Control 1 (ISQC1)

(13.1.1.4) Further details of the third-party verification/assurance process

Amount of total financial metric aligned with cllimate and water opportunities in the reporting year has been third party verified by KPMG through providing independent limited assurance in accordance with International Standard on Quality Control 1 (ISQC1).

(13.1.1.5) Attach verification/assurance evidence/report (optional)

ISBANK-PRB2023.pdf

(13.3) Provide the following information for the person that has signed off (approved) your CDP response.

(13.3.1) Job title

Chief Financial Officer & Chief Sustainability Officer of İşbank

(13.3.2) Corresponding job category

Select from:

☑ Chief Financial Officer (CFO)

(13.4) Please indicate your consent for CDP to share contact details with the Pacific Institute to support content for its Water Action Hub website.

Select from:

☑ No