TÜRKİYE İŞ BANKASI

TSRS Compliant Sustainability Report 2024

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About Türkiye İş Bankası

Türkiye İş Bankası A.Ş. ("İşbank" or the "Bank"), since its establishment in 1924, has maintained its commitment to its founding principles, with strong financial performance, an extensive branch and ATM network, a wide range of products, and a reputation maintained and enhanced under all market conditions. With a competent and qualified workforce of 20,560 employees, İşbank provided services to 25 million customers in the corporate, commercial, SME, retail, and private banking segments as of the end of 2024. As of year-end 2024, with consolidated total assets of TL 3,860.7 billion, the Bank is Türkiye's largest private bank. İşbank provides fast and high-quality services through an extensive service network comprising its Internet Branch, İşCep mobile application, Call Center, 6,496 ATMs (including those in the Turkish Republic of Northern Cyprus and abroad), and nearly 671 thousand POS terminals (including virtual POS). The Bank's physical service channels consist of its Head Office in Istanbul, Tuzla Technology and Operations Centre (TUTOM), Tuzla ATLAS Data Centre, Ankara Operations Centre (ATOM), as well as 49 Regional Offices and 1,012 branches across Türkiye.

As a group, İşbank, with the mission of supporting the industrial and economic development of the country, has numerous subsidiaries and associates operating in various sectors. As of year-end 2024, İşbank held direct or indirect equity interests in 171 companies, including direct ownership in 31 of them, and exercised management control over 123. As of the same date, the carrying value of İşbank's subsidiaries on the Bank's balance sheet amounted to TL 214.5 billion (The list of companies is provided in the **"Annexes"** section, collectively referred to as the "Group").

A significant portion of this portfolio in terms of size consists of institutions operating in the financial sector, including banking, investment banking, insurance, private pension, leasing, factoring, brokerage, portfolio management, and asset leasing.

In addition, Türkiye Şişe ve Cam Fabrikaları A.Ş. ("Şişecam") is one of the Group's most prominent subsidiaries, operating as a global player in the fields of glass and chemicals production. In the domestic market, İşbank supports its technological capabilities through subsidiaries such as Softtech in software, İşNet in IT infrastructure, Topkapı Consulting, Maksmarket Consulting, and Moka in payment systems and platform banking, as well as innovation centres located in the Silicon Valley. Furthermore, İşbank engages in next-generation entrepreneurship activities through İş Girişim, Maxis Girişim Sermayesi, Yüzüncü Yıl Teknoloji Girişimleri, and Tibaş Ventures, which primarily focuses on Turkish startups established abroad.

The synergy created with subsidiaries and associates operating in various sectors and geographies both domestically and internationally enables İşbank to access new business opportunities, thereby strengthening its competitive advantage and enhancing the value it creates for its investors.

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İşbank is a public company incorporated in Türkiye and listed on Borsa İstanbul ("BIST"). This report contains the consolidated climate-related financial disclosures of İşbank and its subsidiaries (together referred to as the "Group") for the year ended in 31 December 2024. The consolidated climate-related disclosures have been prepared to cover the financial subsidiaries consolidated in the Bank's financial statements in accordance with the Regulation on the Procedures and Principles Regarding Banks' Accounting Practices and Retention of Documents, and other regulations, communiqués, guidelines, and circulars issued by the Banking Regulation and Supervision Agency ("BRSA") regarding banks' accounting and financial reporting principles for banks, as well as the provisions of the Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("KGK") for matters not regulated therein (together referred to as the "BRSA Accounting and Financial Reporting Legislation"), as of 31 December 2024. The report also includes subsidiaries not consolidated under the BRSA Accounting and Financial Reporting Legislation.

This report includes disclosures on climate-related governance, strategy, risk management, metrics, and targets ("Sustainability Information") for the period that ended in 31 December 2024.

The Group's disclosures in this context have been prepared in compliance with the Turkish Sustainability Reporting Standards ("TSRS") by the KGK, published in the Official Gazette dated 29 December 2023 and numbered 32414(M).

The Sustainability Information as presented by KGK in accordance with TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information and TSRS 2 Climate-related Disclosures, and the following sector-based guidance documents for the application of TSRS 2 have been considered:.

- TSRS 2 – Climate-related Disclosures
- Sector-Based Implementation of TSRS 2: Volume 8 – Construction Materials
- Sector-Based Implementation of TSRS 2: Volume 16 – Commercial Banks
- Sector-Based Implementation of TSRS 2: Volume 17 – Insurance
- Sector-Based Implementation of TSRS 2: Volume 18 – Investment Banking and Brokerage
- Sector-Based Implementation of TSRS 2: Volume 47 – Chemicals

Within the scope of the Sustainability Information, the Bank has considered not only its own activities but also all value chain elements with which it has significant interactions, including its investment portfolio.

Materiality Assessment

The climate-related disclosures in this report have been determined in accordance with the principle of financial materiality as defined in the TSRS, with the aim of identifying information that can reasonably be expected to affect the Group's future financial performance with respect to climate-related risks and opportunities. Information considered material relates to climate-related risks and opportunities that could reasonably influence the decision-making processes of the Group's current and potential investors and users of general-purpose financial statements.

For the purpose of financial materiality assessment, existing and potential climate-related risks and opportunities have been analysed across the Group's main business lines - banking, manufacturing, insurance, reinsurance, leasing, factoring, services, other financial institutions, and other companies. All risks and opportunities in the value chain were assessed.

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All risks and opportunities within the value chain were evaluated separately, and as a result this report, prepared in accordance with the TSRS, includes material climate-related information identified by considering both quantitative factors for climate-related risks and opportunities with a significant financial impact and qualitative factors that could reasonably influence the decisions of the primary users of the general-purpose financial report based on this report.

In assessing the nature, likelihood, and magnitude of the effects of climate-related risks and opportunities, the Group applied a quantitative threshold alongside qualitative factors, based on its consolidated financial statements. The financial materiality threshold was determined by reference to performance and capital indicators commonly used in the banking sector. Accordingly, the lower of 5% of the three-year average consolidated profit before tax or 1% of equity capital has been considered the threshold. This assessment has been made based on the institution's own expert judgment and is subject to revision in light of future developments.

İşbank Group Structure and Reporting Scope

Türkiye İşbank Overview (p. 2)	Value Chain (p. 3)

Materiality Analysis

Climate-related Risks (p. 24)

Risk Type	Value Chain Component	Scenario	Time Horizon/Estimated Financial Impact
Transition - Carbon Tax / ETS	Credit Portfolio	NGFS Net-Zero and IEA Net-Zero 2050	Medium-Long
Water Stress / Drought	Credit Portfolio	RCP8.5	Long
Heatwaves	Direct Operations	RCP8.5	Long
Extreme Precipitation	Direct Operations	RCP8.5	Long
Transition - Carbon Tax / ETS	Non-financial Subsidiary		(p. 28)

Climate-related Opportunities (p. 29)

Opportunity Type	Value Chain Component	Time Horizon
Climate-related Products and Services	Credit Portfolio	Short - Medium - Long

Short Term	0 - 1 Year	Medium Term	1 - 5 Years	Long Term	> 5 Years

Rating Scale	Low	Medium-Low	Medium	Medium-High	High
Financial Impact Scale (TL)	<400 million	<800 million	<1.6 billion	<3.2 billion	>3.2 billion

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Connection with Financial Disclosures

This report has been prepared for the year ended on 31 December 2024. The TSRS-Compliant Sustainability Report is an integral part of the consolidated financial report for 31 December 2024 prepared in accordance with BRSA regulations and should be read in conjunction with that report. Pursuant to Article 70 of the Turkish Commercial Code, year-end financial statements must be prepared in Turkish Lira ("TL"), and in accordance with Article 24 of TSRS 1, the presentation currency of the financial statements must also be used in the sustainability report. Therefore, sustainability-related financial information has been presented in TL in accordance with the provisions of TMS 21.

Transition Reliefs

The TSRS provides certain transitional reliefs for the first reporting period of its application. The Group has made applied the transition reliefs set out in paragraphs E3, E4, E5, and E6 of TSRS 1 and paragraphs C3 and C4.b of TSRS 2.

TSRS 1 E3: The report includes only information pertaining to the current reporting period; no comparative information has been disclosed regarding climate-related risks and opportunities.

TSRS 1 E4: The TSRS-Compliant Sustainability Report is published after the financial statements for the period 1 January 2024 – 31 December 2024 have been disclosed.

TSRS 1 E5, TSRS 1 E6, and TSRS 2 C3: Only information relating to climate-related risks and opportunities has been disclosed.

TSRS 2 C4.b: Scope 3 emissions, including financed emissions, have not been disclosed in this reporting period.

Reporting Entity Boundaries and Measurement Approach

İşbank has applied the financial control approach in determining its organizational boundaries for reporting greenhouse gas emissions. In line with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), which allows the use of operational control, financial control, or equity share approaches for defining scope and boundaries, the Bank has selected the financial control approach. Accordingly, all emissions from operations under its financial control are included in the Group's greenhouse gas inventory.

Business Model and Value Chain

In preparing its climate-related financial disclosures, İşbank has considered not only its own activities but also its subsidiaries and other associates, thereby covering the full value chain in its assessment. In addition to the direct operations of the Bank and its subsidiaries, both upstream and downstream activities of the value chain have been integrated into the reporting process.

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Value Chain

Risk and opportunity analysis has been conducted considering the entire value chain; only climate-related elements deemed to have material financial impact have been reflected in the report.

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İşbank Value Chain

Value Chain Activity	Sub-element		Description
Upstream (Suppliers)	Goods and Service Suppliers		External providers of products and services such as technological equipment, advertising, security services, energy, cleaning, consultancy, stationery, and logistics
	IT, Cybersecurity, and Operational Support Providers		Information technologies, data security, telecommunications, and call centre infrastructure
Direct Operations	Main Lines of Business	Banking Services	Corporate and commercial banking, SME, business and agricultural banking, retail banking, private banking, capital markets transactions, other banking services
		Financial Associates	Insurance, private pensions, portfolio management, venture capital, development and investment banking, REIT, leasing and factoring, brokerage, payment services
	Other Lines of Business	Non-financial Associates	Glass (the value chain encompasses an integrated process from processing natural resources into products to recycling. For details, see page 21 of Şişecam's TSRS-compliant 2024 Sustainability Report), renewable energy, e-commerce, technology, cultural and arts publishing
Downstream (Customers and Business Partners)	Retail Banking		Retail banking activities cover deposit, personal loans, overdraft accounts, credit cards, bill payments, money transfers, foreign exchange transactions, safe deposit boxes, insurance, tax payments, investment accounts, and other banking services for individuals. Private banking activities comprise all financing and cash management services provided to high-net-worth individuals.
	Corporate and Commercial Banking		Within the scope of corporate and commercial banking activities, banking services are offered through various financial instruments to large-scale corporate companies, SMEs, and other commercial enterprises. Services provided to this customer segment include project finance, business and investment loans, deposits and cash management, credit cards, checks and promissory notes, foreign trade transactions and financing, letters of guarantee, letters of credit, forfaiting, foreign exchange transactions, bill collection, salary payments, investment accounts, tax collections, and other banking products.
	Treasury Transactions and Investment Activities		Acquisition and sale of securities, money market transactions, spot and forward TL and foreign currency transactions, derivative transactions such as forwards, swaps, futures, and options, and raising medium-to-long-term funding through instruments such as syndications and securitizations.

About the Report

List of Abbreviations

Institutions and Organizations	
EU	European Union
BRSA	Banking Regulation and Supervision Agency
BIST	Borsa İstanbul
CDP	Carbon Disclosure Project
DEG	German Investment and Development Bank
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ICMA	International Capital Market Association
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
KGK	Public Oversight, Accounting and Auditing Standards Authority
LMA	Loan Market Association
NGFS	Network for Greening the Financial System
NZBA	Net-Zero Banking Alliance
SBTi	Science Based Targets initiative
TBMM	Grand National Assembly of Türkiye
TPI	Transition Pathway Initiative
TPT	Transition Plan Taskforce
UNEP FI	United Nations Environment Programme Finance Initiative
WRI	World Resources Institute

Technical Abbreviations	
WEEE	Waste Electrical and Electronic Equipment
AMA	Advanced Measurement Approach
ECL	Expected Credit Loss
BREEAM	Building Research Establishment Environmental Assessment Method
CO_2	Carbon Dioxide
ESRA	Environmental and Social Risk Assessment Model
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ELD	External Loss Data
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure
SPP	Solar Power Plant
GO	Guarantee of Origin
HEPP	Hydroelectric Power Plant
ILD	Internal Loss Data
I-REC	International Renewable Energy Certificate
ISIC	International Standard Industrial Classification
ICAAP	Internal Capital Adequacy Assessment Process
LEED	Leadership in Energy and Environmental Design
NACE	Statistical Classification of Economic Activities
NDC	Nationally Determined Contribution
PCAF	Partnership for Carbon Accounting Financials

Technical Abbreviations	
RCP	Representative Concentration Pathways
VaR	Value at Risk
ScA	Scenario Analysis
CBAM	Carbon Border Adjustment Mechanism
SÜRAS	Sustainability Analysis System
SMS	Sustainability Management System
TFRS	Turkish Financial Reporting Standards
TAS	Turkish Accounting Standards
TNFD	Taskforce on Nature-related Financial Disclosures
TSRS	Turkish Sustainability Reporting Standards
UoM	Unit of Measurement/Category
GAR	Green Asset Ratio
Other	
Atlas	İşbank Tuzla Data Centre
ATOM	Ankara Operations Centre
IT	Information Technology
ESG	Environmental, Social and Governance
EFSE	The European Fund for Southeast Europe
ETS	Emissions Trading System
GGF	Green for Growth Fund
REIT	Real Estate Investment Trust
SME	Small and Medium-sized Enterprises
KPI	Key Performance Indicator
TARSİM	The Agricultural Insurance Pool
TUTOM	Tuzla Technology and Operations Centre

1. Governance

1. Governance

1.1 Board Oversight

At İşbank, sustainability governance, including climate-related matters is carried out through a robust organizational structure and processes designed to ensure the effective adoption and implementation of sustainability principles and targets. This structure is based on a multi-layered management approach and responsibility-sharing framework that starts at the strategic level with the Board of Directors and extends across the institution via governance committees and executive bodies. It enables the sustainability agenda to be addressed in a holistic, consistent, and continuously evolving manner.

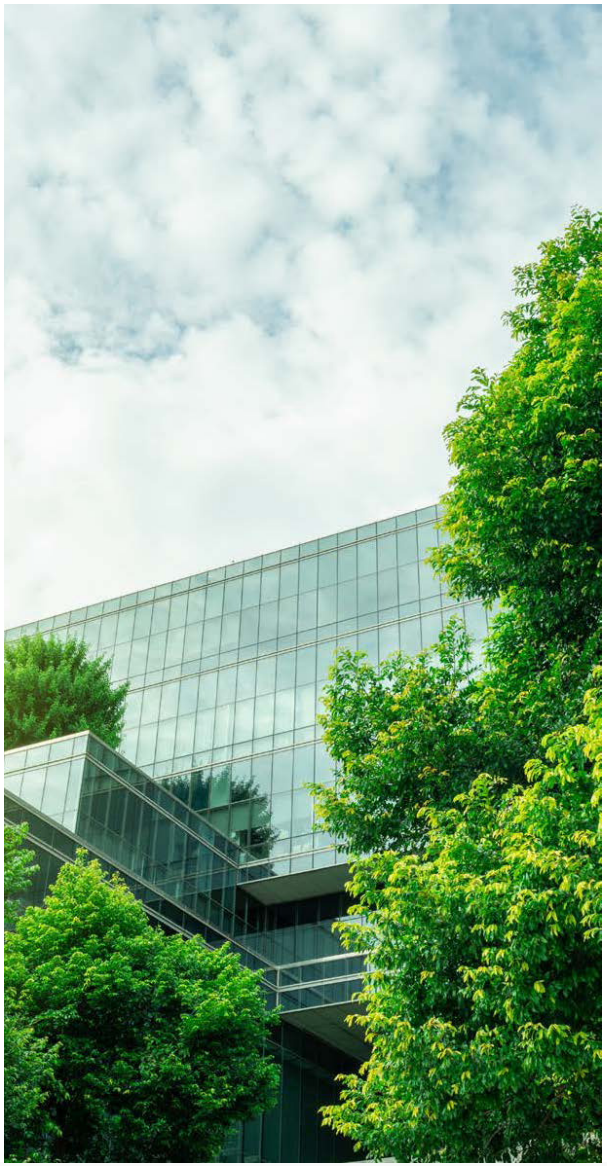
1.1.1 Sustainability Committee

At İşbank, the Board of Directors represents the highest-level governance body guiding sustainability management. Chaired by the Chairperson of the Board of Directors, the Sustainability Committee consists of two Board Members and the Executive Committee members responsible for the relevant departments. It is the governing body responsible for overseeing Bank's sustainability activities. The Committee represents all relevant business units from a value chain perspective, encompassing areas such as sustainability, internal systems, and subsidiaries.

The key duties and responsibilities of the Sustainability Committee include:

- Preparing the Bank's sustainability strategy and policies and submitting them to the Board of Directors for approval
- Setting sustainability targets and action plans, and ensuring coordination within the Bank for their implementation
- Overseeing the integration of sustainability-related issues into strategic business plans
- Monitoring the progress of metrics and targets

The most significant decision taken by the Sustainability Committee in 2024 was the approval of emission reduction targets for five carbon-intensive sectors as part of the Bank's decarbonization strategy. In this context, İşbank, which had announced emission reduction targets for the cement, iron-steel, and power generation sectors in 2023, expanded the scope in 2024 to include the aluminium, real estate, road freight transport, oil and gas, and agriculture sectors. With this step, İşbank became the first Turkish bank to set emission reduction targets for all sectors defined as carbon-intensive by the Net-Zero Banking Alliance. As a result, approximately 65% of the emissions from the Bank's credit portfolio are now covered by these targets. This development reflects the capacity of the Bank's sustainability governance not only to maintain risk awareness but also to steer decision-making processes with measurable targets.



1. Governance

1.1.2 Organizational Structure

The Deputy Chief Executive in charge of the Investor Relations and Sustainability Division serves as the Bank's Sustainability Leader. The Sustainability Leader is responsible for representing the Bank in sustainability communications and leading sustainability initiatives.

The Investor Relations and Sustainability Divison is responsible for analysing developments and global trends in sustainability, developing and shaping the Bank's environmental, social and governance (ESG) strategy and targets, formulating business plans in line with these objectives, and ensuring coordination of related efforts across the Bank.

The Head of the Investor Relations and Sustainability Divison, acting as the Sustainability Coordinator, ensures that the Bank's senior management prioritizes sustainability and climate-related issues, and are considered in strategic decision-making processes.

1.1.3 Risk Committee

The effective management of climate-related risks is overseen by the Risk Committee, which operates under the authority of the Board of Directors. Established to disseminate risk management principles within the Bank and reflect them in decision-making and implementation processes, the Risk Committee is responsible for preparing the Bank's risk management strategies and policies, submitting them to the Board for approval, monitoring their implementation, ensuring that all risks are understood, and overseeing their integration into the Bank's risk management system.

The Operational Risk Committee operates with the aim of developing the operational risk management framework and strengthening the governance model for operational risks.

1. Governance

1.2 Management

1.2.1 Sustainability Management System (SMS)

The Sustainability Management System is a framework established by İşbank in 2015 to structure its ESG activities in line with its sustainability perspective and is continuously updated in accordance with emerging needs. The **Sustainability Policy**, along with other complementary policies approved by the Board of Directors, forms the basis for the operation of the Sustainability Management System.

The policies adopted under the system are publicly disclosed on the Bank's corporate website. İşbank's sustainability approach is reinforced through a range of policies and practices, including those addressing climate change and environmental responsibility.

The main policies supporting the Bank's sustainability approach include:

> Sustainability Policy
> Environmental and Social Impact Policy
> Human Rights and Human Resources Policy
> Anti-Bribery and Anti-Corruption Policy
> Gifts and Hospitality Policy
> Gender Equality Policy

The Sustainability Management System operates through defined processes and assigned responsibilities. To ensure the activities are carried out in a purposeful, efficient, and effective manner, the system is regularly subjected to internal control and internal audit. The results are reviewed by senior management, and the findings and recommendations are shared with the relevant parties to ensure timely improvements and adjustments.

1.2.2 Audit and Internal Control under the SMS

In line with the Sustainability Policy, audit activities related to the operations carried out under the Sustainability Management System are conducted as part of the Bank's internal audit framework. Reports prepared following the audits conducted by the Board of Inspectors are submitted to the Audit Committee and the Bank's senior management. The plans and measures developed to address the findings are monitored by the Board of Inspectors. The Board of Directors closely monitors and guides the work of the Board of Inspectors through the monthly and annual activity reports submitted via the Audit Committee.

The Internal Control Division oversees the effectiveness of the control points within the activities carried out under the Sustainability Management System. In terms of environmental impact assessment and management, compliance is ensured with the ISO 14001 Environmental Management System Standard, and the "internal audit" activities defined under the Environmental Management System are also performed by the Internal Control Division.

[1] Since 2018, İşbank has implemented the ISO 14001 Environmental Management System to reduce its environmental impacts and establish an environmental management system in line with international standards. As of 2024, all İşbank locations hold the Environmental Management System Certificate.

1. Governance

1.2.3 Management of Climate Change Risks

The management of climate change risks is an integral part of the Bank's overall risk management activities. Climate change risk is periodically assessed in line with the responsibilities and principles defined in the **Climate Change Risk Policy**. For this purpose, the Bank's customer portfolio is segmented by sectors, and the potential impacts of climate change on each sector, and where necessary on sub-sectors, are assessed individually.

The Risk Management Division as the primary executing body of centralized risk management activities within the Bank, carries out internal and regulatory capital adequacy assessments in line with Basel regulations and in parallel with international best practices. It works on the development and validation of risk measurement methodologies, as well as on the optimization of the capital adequacy management process. The Bank's risk exposure is systematically monitored in accordance with written risk policies and implementation procedures. In this context, risk management activities are conducted in line with internal regulations approved by the Board of Directors, such as the Capital Adequacy, Credit Risk, Asset-Liability Management Risk, Operational Risk, Model Risk, Climate Change Risk, Stress Testing, Reputation Risk, Consolidated Risk, and Information Systems Management Policies.

Risks that may arise during operations are identified and classified through the **Risk Catalogue**, which serves as the primary document for defining and categorizing all potential risks. Risks in the catalogue are detailed under two main categories: financial risks and non-financial risks. Evaluations and analyses related to these risks are reported monthly to the Risk Committee and, through the Audit Committee, to the Board of Directors.

The Bank has undertaken various initiatives to measure, report, and establish governance principles and policies for climate change risks, and to integrate them into the Bank's strategy and lending processes. In this context, climate change risk - positioned as a strategic risk in the Risk Catalogue - is articulated and illustrated in a manner that encompasses both transition and physical risks, in line with international best practices.

Climate-related risks and opportunities are integrated into strategic decision-making processes, and trade-offs between short-term financial returns from carbon-intensive sectors and the long-term environmental risks posed by these sectors are assessed. For example, while the Bank aims to contribute to environmental sustainability objectives and comply with policies and regulations supporting the transition to a low-carbon economy, this process may lead to increased credit risks for customers in high-carbon sectors. With the introduction of a carbon tax, such customers may face financial stress, which could negatively affect the quality of the Bank's credit portfolio and result in an increase in expected credit loss provisions. In this context, there may be a trade-off between environmental responsibility and financial soundness/returns. While contributing to long-term sustainability goals, the Bank may face increased credit risk and capital costs in the near term.

On key issues related to climate change risk, the Risk Management Division prepares risk reports, through which the Risk Committee and the Board of Directors are informed at least on a quarterly basis. Furthermore, evaluations and key considerations concerning climate change risks are communicated to the relevant governance bodies within the scope of the annually issued Risk Assessment Report and the **Internal Capital Adequacy Assessment Process (ICAAP)** Report.

The fundamental principles and methodologies regarding climate change risks, along with roles and responsibilities, are set out in the Climate Change Risk Policy.

1. Governance

Climate Change Risk Policy

The Climate Change Risk Policy establishes the core principles, rules, and procedures governing the identification, definition, assessment and/or measurement, monitoring, control, reporting, and management of the climate change risks to which İşbank may be exposed as a result of its operations.

The management of climate change risks is adopted as an inseparable component of general risk management activities. All activities within the Bank are conducted with sensitivity to the presence and management of climate change risks, in a way that minimizes potential losses. It is essential that climate change risks are managed in line with the risk appetite set by the Board of Directors, as well as the Bank's climate strategy and targets. In addition, the Bank ensures that its internal strategies and risk appetite statements are consistent with publicly disclosed climate-related strategies and commitments.

At İşbank, responsibilities for managing climate change risk are defined within the framework of the **three lines** of defence. The primary role of the first line is to identify, assess, and control climate change risks to which their respective business lines may be exposed to and to ensure that credit decisions throughout the lending process are made with due consideration of climate change risks. The second line of defense defines the principles, standards, policies, and requirements governing the management of climate change risk. The third line of the defense, within its existing roles and responsibilities, provides assurance to the Board of Directors regarding the effective functioning of the framework described above.

Consolidated Risk Policies

The Bank's risk management principles regarding its subsidiaries are overseen in accordance with **İşbank's Consolidated Risk Policies**. In line with these policies and considering their operational structures, subsidiaries implement their own risk management policies. Risk policies approved by the Boards of Directors of the subsidiaries form the framework of their risk management systems and processes. The risk levels of the subsidiaries are closely monitored by the Risk Management Division and reported periodically to the Risk Committee and the Board of Directors.

The Risk Management Division is responsible for the following activities:

- Defining the Bank's climate change risk appetite statement.
- Defining, monitoring, reporting, and reviewing climate change risk metrics and key risk indicators, including those within the scope of the risk appetite.
- Periodically reviewing the Climate Change Risk Policy and, if necessary, updating it for submission to the Risk Committee.
- Independently assessing and monitoring climate-related risks from the first line.
- Developing and updating heat map and scenario analysis tools for identifying and measuring climate change risk and reporting the results of risk measurements performed with these tools.
- Creating, improving, periodically reviewing, and updating the climate change risk questionnaire.

Assessments on the Bank's exposure level to climate change risk are reported by the Risk Management Division to the Risk Committee and, through the Audit Committee, to the Board of Directors.

1. Governance

1.2.4 Audit and Control within the Scope of Risk Management

In addition to reporting to the Risk Committee and the Board of Directors, climate change risk metrics are regularly monitored by the Risk Management Division. The processes for managing climate change risk and compliance with policy provisions are audited by the Board of Inspectors. The principles for implementing action plans to address the findings identified during these audits are determined by the Board of Directors.

The Board of Inspectors audits the Bank's Head Office divisions, banking processes, information systems, domestic and foreign branches, subsidiaries within the scope of consolidation, as well as support service providers. In addition, it provides consultancy to the Bank in areas where needed.

In accordance with the "Regulation on the Audit of Bank Information Systems and Banking Processes to be Performed by Independent Audit Firms" published by the BRSA, the banking processes and information systems are audited annually by the Board of Inspectors to serve as the basis for the Management Statement to be submitted to the independent auditor.

Audits aim to provide assurance regarding the Bank's compliance not only with legal regulations but also with its strategies, policies, principles, and objectives. Within the framework of the activities of the first and second lines of defense, the work carried out in this direction prioritizes the identification of risks and the assessment of the effectiveness and adequacy of controls, and audit plans are prepared by taking into account the risks that the Bank may face and the control environment. Audits are carried out on-site or remotely in accordance with international quality standards, utilizing the strength of the Board of Inspectors' deep-rooted audit culture and advanced information technologies, with a modern and risk-oriented approach, according to business needs, using an agile working methodology.

1.3 Remuneration

At İşbank, the **Remuneration Policy**, which is established primarily based on the Collective Bargaining Agreement as well as the Bank's internal regulations and legal provisions, defines all economic and social rights of employees. The Bank's Board of Directors have ultimate authority and responsibility for ensuring that remuneration practices are effectively managed in accordance with relevant legislation and this Policy.

The İşbank Remuneration Committee is responsible for preparing decisions on remuneration to be submitted to the Board of Directors for approval, ensuring that remuneration practices are aligned with the Bank's ethical values, internal balances, and strategic objectives, and regularly monitoring the effectiveness of the Policy.

It is essential that the remuneration of the Bank's managers and employees at all levels is not solely linked to short-term performance. Accordingly, a performance-based remuneration system reflecting the Bank's strategic priorities and tied to specific sustainability-related performance indicators is applied. Sustainability performance is evaluated for all employees, including senior management, in line with the Bank's strategic priorities and specific indicators. The results of this performance evaluation are incorporated into the remuneration system under an incentive-based mechanism for division managers, all employees, and branches. Specific indicators include sustainability performance targets such as the share of sustainability-themed loans, green loans, and renewable energy projects within the portfolio.

Among the senior management targets, climate change-related sustainability targets have an average weighting of 10%–20%, depending on the area of responsibility.

1. Governance

1.4 Internal Competence

Sustainability roles within the Group are structured in line with the competencies of the individuals concerned. Existing and potential climate-related risks and opportunities are assessed by each Group company within their respective governance frameworks. The Bank is responsible for ensuring the consistent implementation of sustainability practices and policies across the Group and for the holistic monitoring and management of related risks.

When assessing the exposure, positioning, and financial impacts of each business line to climate-related risks and opportunities, the internal competencies of each business line are considered for managing climate risks and opportunities, especially for certain climate-related matters identified in the banking and manufacturing business lines.

The İşbank Board of Directors consists of 11 members, including the CEO, who is an ex officio member of the Board. Other members are elected by the General Assembly for a maximum term of three years, and re-election is possible. The competencies of the Board members are presented in the **"Annexes"** section of the report, in the Board of Directors Matrix. The CEO and three Board members who are also members of the Sustainability Committee closely monitor developments regarding climate change through dedicated meetings.

1.4.1 Sustainability and Climate Change-Oriented Training Programs

İşbank has adopted a comprehensive training approach aimed at raising employees' awareness of sustainability and integrating this concept into both their business practices and daily lives. In this context, throughout 2024, numerous digital and in-person training programs focused on sustainability were delivered.

Digital Trainings + In-Person and Other Training Programs

Digital Trainings

Through the Bank's digital learning platform, Learning World, a sustainability-themed digital training series has been available to employees. This series aimed to convey the fundamental dimensions of the sustainability concept and to promote behavioural transformation in this regard.

As part of this series, trainings on:
> State of the World
> History of Sustainability
> Sustainable Finance
> Business and Sustainability
were provided.

In addition, complementary trainings titled "Sustainable Development Goals" and "Our Sustainability-Oriented Products and Services" were also offered to employees.

In 2024, the Climate Change Risk training was implemented, designed from a climate change and risk management perspective. The program comprehensively addressed the components of climate risk, its significance for the Bank, management approaches, and employee responsibilities.

The digital training content was further diversified with the "Zero Waste – Where to Throw It?" program, which focuses on correct waste separation practices directly applicable to daily life.

All these training programs were designed in alignment with the Bank'sESG Roadmap, which defines the framework of its sustainability efforts.

In-Person and Other Training Programs

Throughout 2024, various sustainability-focused in-person training activities were conducted for employees from different positions and divisions Development-oriented programs such as Starting My Career, Effective Management and Leadership Program, Branch Managers Development Program, and Promotion Programs included topics such as sustainable finance practices and environmental and social risk management. Within the scope of the Innovation Academy, innovative approaches to sustainability were explored, and a dedicated training session was held on the Carbon Border Adjustment Mechanism (CBAM). In addition technical trainings were delivered for environmental officers and internal auditors within the scope of the ISO 14001 Environmental Management System.

2. Strategy

2. Strategy

Shaped by its corporate values and defined as the **"İşbank Banking"** model, İşbank has adopted the creation of long-term, shareable, and sustainable value for all stakeholders as a strategic priority. In this context, the Bank regards sustainability as one of the core components of its business strategy, managing climate change mitigation and the transition to a low-carbon economy through a holistic approach.

The Bank's sustainability approach was integrated into its corporate structure in 2015 through the establishment of the Sustainability Management System, under which activities are structured in line with international best practices. These efforts are directed by the Sustainability Committee, one of the Bank's highest governance bodies, composed of members from both the Board of Directors and the Executive Committee. This structure ensures that sustainability-based decisions are evaluated from a comprehensive, interdisciplinary perspective.

In line with this approach, which forms the foundation of the business model, the Bank's activities are structured end-to-end along the axis of sustainability. All processes are actively managed, ranging from reducing the carbon footprint of the Bank's own operations and supporting the green transition of financed customers, to sourcing sustainable resources, developing and offering sustainability-themed products and services, and monitoring the environmental, and social impacts of financing activities.

Operating in the field of development and investment banking, and providing advisory services, TSKB continues its activities with the mission of contributing to inclusive and sustainable development. For TSKB, sustainability is not only a core philosophy shaping business practices and stakeholder engagement, but also a central focus of its products and services. The Bank adopts a business model that delivers solutions for combating climate change and encourages the transition to a low-carbon economy.

In the manufacturing sector, Şişecam has set comprehensive targets in the ESG domains under its "CareforNext" sustainability strategy. The strategy is based on the principles of protecting the planet, empowering society, and transforming life. In line with this, Şişecam adopts circular economy principles in its operational processes, develops comprehensive projects for the efficient use of water and energy resources, and invests in sustainable product innovations.

2. Strategy

2.1 Climate-Related Risks and Opportunities

2.1.1 Identification and Classification of Climate Risks

İşbank structures its operations to minimize potential losses arising from climate change risks and manages these risks as part of its corporate risk management processes. In this context, both physical and transition risks associated with climate change are systematically assessed and monitored.

The potential adverse impacts of global climate change on the Bank's business model, operations, assets, and activities are defined as "climate change risk" in the Bank's Risk Catalogue. The effects of climate change on the Bank's financial performance are expected to materialize through traditional risks such as credit risk, market risk, operational risk, and reputational risk. The Bank identifies both transition and physical risks associated with climate change, along with their subcategories. The definitions adopted by the Bank for these risks and their subcategories are presented in the Climate Change Risk Categories table.

Climate Change Risk Categories

Risk Type	Description
Transition Risks	The risk of causing losses to financial institutions and their customers due to adaptation and risk mitigation actions taken to limit climate change during the transition to a low-carbon economy.
Regulatory Risk	Risks to which financial institutions and their customers are exposed due to climate change-related regulations imposed by regulatory authorities and legislators.
Technology Risk	Risks posed to financial institutions and their customers by technological advancements and innovations that support the transition to a low-carbon economy.
Market Risk	The risk that supply and demand changes caused by climate change lead to fluctuations in commodity prices, thereby affecting products and services in the market.
Reputational Risk	Risks associated with potential loss of reputation if different expectations created by climate change cannot be met by the financial institution or its customers.
Physical Risks	Risks arising from changes in nature caused by climate change that affect the financial institution, its customers, and other stakeholders in the value chain.
Acute Physical Risks	Physical risks that may occur independently and on an event basis due to climate change.
Chronic Physical Risks	The risk of a financial institution or its customers incurring losses due to permanent physical conditions on Earth caused by climate change.

2. Strategy

Climate change extends beyond the Bank's direct operations, exerting material influence across the value chain through its financed customers. The transition to a low-carbon economy entails heightened risks, particularly for customers operating in carbon-intensive sectors, where significant transformation will be required. These dynamics may necessitate revisions to credit policies, recalibration of risk appetite, and the restructuring of financial products.

Physical risks, due to their potential to directly affect operations, can pose threats in areas critical to business continuity such as branch infrastructure, information technologies, and logistics processes. From a value chain perspective, the vulnerability of financed customers to physical climate risks–particularly to factors such as water stress, extreme weather events, and drought–carries the potential to impact the quality of the loan portfolio.

2.1.2 Areas of Opportunity and Strategic Potential

While climate change entails significant risks, it can also present various opportunities through effective measures taken against these risks. Within the scope of climate change, the Group evaluates numerous strategic opportunity areas. In this context, it considers effective risk management across ESG dimensions as an advantage for the value chain in the transition to a green economy, thereby viewing the potential to enhance the resilience of the financial system as an opportunity. The Bank regards not only the transformation of existing customers but also the ability to reach new customers focused on climate-friendly investments as an important opportunity in the green transformation process. The potential to position itself as a trusted business partner brings opportunities to strengthen the Bank's position in sustainable finance and to gain access to new global financing sources that support the transition economy.

The Bank sees guiding customers and raising awareness in the fight against climate change as a key strategic opportunity area. In this framework, it aims to inform customers about sustainable finance and green transformation. Through the services it offers, the Bank seeks to support the fight against climate change and build a customers base that will drive demand for new sustainable products.

The capacity for early adaptation to climate change-related regulations reinforces İşbank's position as a trusted and leading actor in the sector. Leveraging its technical expertise in sustainable finance, the Bank proactively responds to rapidly evolving legislation in the transition to a low-carbon economy and reflects this capability in its product development and resource diversification processes.

In addition, through effective customer communication and specialization, the Bank evaluates its tailored solutions as an opportunity to help customers better understand their climate-related risks and benefit from sustainable financing options. At the same time, establishing multi-stakeholder collaborations presents significant potential for the success of climate action, creating a basis for stronger interactions among the private sector, public institutions, and non-governmental organizations. These climate change-related areas are considered strategic opportunities, through which the aim is to create both financial and societal value.

2. Strategy

2.1.3 Strategic Time Horizons

At İşbank, short-term is considered 0–1 year, medium-term 1–5 years, and long-term more than 5 years in the context of climate change-related risks and opportunities. These time horizon definitions are determined in alignment with the Bank's strategic assessments, financial planning, and the ICAAP report prepared annually. The defined time horizons are integrated into the Bank's climate change adaptation strategy, enabling the evaluation of each risk and opportunity in accordance with strategic planning processes. Within this framework, the identification of short-, medium-, and long-term impacts is structured to align with the Climate Transition Plan. This structure allows the Bank to assess and manage its strategic responses to climate risks and opportunities within a time-based system.

İşbank Strategic Time Horizons

Short Term	0 - 1 Year
Medium Term	1 - 5 Years
Long Term	> 5 Years

The short-term period covers the monitoring of environmental targets and the planning of immediate actions in line with the Bank's current strategic priorities. Priorities within this scope include the implementation of sustainability projects that deliver quick returns in areas such as energy efficiency and waste management, reducing operational costs, and improving environmental performance.

In the medium term, the focus is on enhancing institutional resilience against climate-related risks and gradually integrating sustainability principles into the business model. During this period, the Bank plans more comprehensive transformation initiatives with longer payback periods, such as developing environmentally friendly products, investing in renewable energy, implementing projects to mitigate climate risks, and conducting R&D activities.

The long-term period refers to the stage in which the Bank's climate strategy, shaped by its net-zero targets, is implemented. This includes preparing for systemic transformations such as climate change and regulatory shifts, decarbonizing the credit portfolio, and setting strategic transformation targets to achieve net-zero commitments. The Bank's interim targets for 2030, its coal phase-out strategy by 2040, and sectoral emission reduction commitments extending to 2050 are concrete examples of its long-term strategic vision. These targets form the basis for the processes of identifying, assessing, and managing long-term environmental risks and opportunities.

The Bank also treats these time horizon definitions as an integral part of its strategic and capital planning processes, ensuring that its sustainability-oriented transformation is carried out in alignment with this planning framework.

2. Strategy

2.2 Business Model and Value Chain

2.2.1 Approach to Risks and Opportunities

Within the scope of its core business areas of banking and financial services, İşbank offers a broad range of products and services to retail, commercial, and corporate customers. While providing services through its extensive branch network across Türkiye and strong digital channels, the Bank also operates effectively in international markets through its overseas subsidiaries and branches.

The Bank's business model encompasses not only traditional banking services such as deposit-taking, loan allocation, payment systems, foreign trade financing, treasury, and capital markets transactions, but also complementary services offered through its financial subsidiaries. This multi-layered structure positions İşbank as one of Türkiye's leading financial groups.

Based on analyses conducted for the banking and manufacturing business lines, various measures have been developed to address material climate-related risks. In banking activities, financing solutions that support sustainable development are provided, and products aimed at financing low-carbon investments are developed. In manufacturing activities, processes that enhance resource efficiency and promote the adoption of circular production practices are implemented. In this way, İşbank Group creates a strong influence in combating climate change from both the financial and real sector perspectives, while promoting sustainability principles across the Group to generate environmental and social benefits.

2.2.2 Climate-Related Risks and Opportunities

İşbank Group analyses the physical and transition risks posed by climate change across its various business lines, as well as their financial impacts and strategic implications, aiming to effectively manage the opportunities that arise while mitigating these risks.

Within banking activities, climate risks arising particularly from the loan portfolio are of primary importance. These risks are shaped both by the physical climate conditions to which customers are exposed and by the need to transition to low-carbon business models in line with increasing regulatory requirements and market expectations in carbon-intensive sectors. An assessment of the Group's banking operations shows that transition risks are particularly driven by regulations targeting customers operating in carbon-intensive sectors, while physical risks are most notable in water-intensive sectors due to increasing water stress. Both types of risks have the potential to adversely affect customers' loan repayment capacity.

In the manufacturing business line, transition risks are particularly associated with production facilities operating under the Emissions Trading System (ETS) and with export products subject to carbon leakage risk.

In addition to managing climate-related risks, the Group also addresses opportunities in the development of sustainable products and services as a strategic priority. In banking activities, products and instruments for financing green transition investments are being diversified, and practices that consider customers' preparedness for climate risks are being expanded. In development banking, financing solutions are provided to support transition and adaptation investments, while in the manufacturing business line, the aim is to reduce environmental impacts and maintain competitiveness through low-carbon and resource-efficient products.

2. Strategy

Risks

Risk Type	Value Chain Component	Description	Potential Financial Impact Type	Estimated Financial Impact	Scenario	Risk Measurement Method	Action	Expected Time Horizon	Materiality Level[2]
Transition - Carbon Tax/ ETS	Banking Loan Portfolio	Ongoing preparations for low-carbon economy regulations such as ETS and the Green Taxonomy, with the Climate Law enacted by the Turkish Grand National Assembly in 2025. A national carbon pricing mechanism is expected to be implemented. Under the EU Green Deal, CBAM will impose direct carbon costs as of 2026 for exporters in sectors such as aluminium, cement, iron-steel, electricity, hydrogen, and fertilizers. Both national and international regulations impose additional financial burdens on carbon-intensive companies, which may adversely affect operational profitability and debt repayment capacity if unprepared for the transition. Customers in high-emission sectors such as cement, iron-steel, and energy may experience cash flow deterioration, changes in cost structures, and weakened repayment capacity, potentially increasing default probabilities and deteriorating asset quality.	Increase in default probabilities and expected credit loss provisions	TL 1.6 - 3.2 billion	NGFS Net-Zero	Stressed Probability of Default	The financial impacts of the transition to a low-carbon economy are addressed at a strategic level; policy commitments, lending restrictions, and analytical tools are applied in an integrated manner to manage transition risks and assess related opportunities. Within the scope of its NZBA commitment, İşbank has set 2030 interim targets for carbon-intensive sectors in line with its 2050 net-zero objective, pledging to support the transition of customers in these sectors and to report annual emission reduction performance. The Bank provides guidance to enhance customers' compliance capabilities with regulations such as the European Green Deal and CBAM, while implementing lending policies aimed at decarbonizing its portfolio by refraining from financing new coal mines and new coal- and natural gas-fired power plant investments. Credit allocations in carbon-intensive sectors are monitored within defined risk appetite limits. Similarly, TSKB develops analytical tools to quantify transition risks and conducts stress testing and scenario analysis using the Net-Zero 2050 scenario to assess the potential impacts of CBAM on its portfolio. Through the IRDA model, the transition readiness of clients operating in sectors covered by CBAM - such as cement, iron and steel, fertilizers, and aluminum - is assessed; and it is projected that the financial impacts of transition risks will increase in the medium term. With the implementation of the national ETS, these analyses are expected to be further deepened to strengthen portfolio resilience.	Medium / Long	Medium - High

[2] As a result of the financial impact analysis, risks that are higher than the greater of "5% of the average pre-tax profit over the last three years" or "1% of equity capital" are defined as "High" significant risks. During the reporting period, no risk was identified with a potential financial impact level exceeding the specified threshold.

2. Strategy

Risk Type	Value Chain Component	Description	Potential Financial Impact Type	Estimated Financial Impact	Scenario	Risk Measurement Method	Action	Expected Time Horizon	Materiality Level[2]
Physical - Water Stress/ Drought	Banking Loan Portfolio	The risk of high water stress particularly increases input costs in the agricultural sector, reduces productivity, and expands the need for irrigation-related infrastructure. This situation may limit the production capacities of agricultural customers operating in high-risk regions, leading to a decrease in revenues and a weakening of debt repayment capacities, and therefore to an increase in probability of default. This development creates risk in the credit portfolio directed towards the agricultural sector and may lead to an increase in expected credit loss provisions. Long-term changes in precipitation regimes and increasing drought caused by climate change create significant physical risks for water-dependent sectors. In this context, hydroelectric power plants (HEPPs) are directly affected by changes in the amount, seasonal distribution, and availability of water. The increasing drought trend observed in Türkiye's inland and southeastern regions further reinforces this risk. In particular, in the case of severe and prolonged drought, significant decreases in water levels in dams and rivers limit the production capacity of hydroelectric power plants; accordingly, energy production decreases, revenue streams are interrupted, and companies' debt repayment capacities weaken. This situation requires a reassessment of the default risk of loans extended to the energy sector. Especially during periods when the water regime becomes irregular and water supply decreases, fluctuations in the cash flows of these companies, weakening in credit repayment performance, and an increase in the need for debt restructuring can be observed. These developments may lead to an increase in the Group's expected credit loss provisions.	Increase in default probabilities and expected credit loss provisions	TL 800 million - 1.6 billion	RCP8.5	Stressed Probability of Default	In response to physical climate risks, the Group implements various preventive and adaptive practices in both the agriculture and energy sectors. In the agricultural sector, technological solutions are being scaled up to enhance productivity and strengthen resilience against natural hazards. Within the scope of the Digital Agriculture Project carried out in cooperation with Vodafone Business, İşbank provides farmers with early warnings through meteorological and data stations installed in production areas, while offering recommendations developed on the basis of collected data to support more efficient management of agricultural activities. Through the İmeceMobil application, farmers are able to monitor soil and crop conditions, control costs, and improve yields. Awareness of climate risks is raised through farmer meetings held with the participation of academics, while products such as the Smart Agriculture Loan and Pressurized Irrigation System Loan promote water efficiency. In addition, awareness activities on Agricultural Insurance (TARSİM) encourage risk transfer, and internal training programs strengthen the Bank's institutional capacity. In the energy sector, in order to balance the risks arising from the water dependency of hydroelectric power plants, İşbank takes steps to diversify its renewable energy portfolio towards resources such as solar and wind. Meanwhile, TSKB conducts stress testing and scenario analyses for customers operating in water-intensive sectors, assessing changes in their debt repayment capacity under different climate scenarios. These analyses provide input for planning processes aimed at enhancing climate resilience.	Long	Medium

2. Strategy

Risk Type	Value Chain Component	Description	Potential Financial Impact Type	Estimated Financial Impact	Scenario	Risk Measurement Method	Action	Expected Time Horizon	Materiality Level[2]
Physical - Heatwave	Direct Operations - İşbank	Physical risks arising from climate change are not limited to long-term average temperature increases but also manifest themselves through the rising frequency and intensity of short-term yet severe extreme weather events. These risks may have direct and indirect impacts on operations. Particularly in countries such as Türkiye, located in the mid-latitude zone, heatwaves covering wide geographic areas are projected to occur more frequently and with greater intensity. Under high-emission scenarios such as RCP 8.5 and NGFS Current Policies, average temperatures across Türkiye are expected to rise significantly after 2040, with days exceeding 40°C becoming more widespread in various regions. A considerable part of the Bank's operational activities are located in geographies exposed to these risks. Potential impacts include reduced employee productivity under extreme heat conditions, disruptions in business continuity, and increased pressure on energy and infrastructure systems. In this context, under severe physical risk scenarios, a substantial portion of the potential financial impact is assessed to stem from operational disruptions, rising operational costs, and declines in workforce performance.	Revenue loss from business disruption and reduced productivity; increased cooling and employee safety costs	TL 400 – 800 million	RCP8.5	Value at Risk[3]	Since 2009, the Bank has been implementing the Business Continuity Management Program to mitigate the impacts of climate change-induced natural disasters and extreme weather events on its operations. The Program aims to establish an effective response capability designed to protect the institution's reputation, brand, and value-creating activities. Managed holistically, the Business Continuity Management Program is structured in compliance with the ISO 22301 Standard and relevant national regulations in Türkiye. As of early 2024, business continuity efforts have been carried out under the responsibility of the Disaster and Emergency Coordination Office, which reports directly to the CEO. In order to enhance İşbank's resilience and organizational preparedness against disasters, including climate-related events that may affect our country, the "Disaster Management and Coordination Program," launched in the second half of 2023 with the participation of more than 50 employees, is being managed under the responsibility of the Disaster and Emergency Coordination Office as of 2024.	Long	Medium – Low

[3] *A 99.9% confidence interval was used.*

2. Strategy

Risk Type	Value Chain Component	Description	Potential Financial Impact Type	Estimated Financial Impact	Scenario	Risk Measurement Method	Action	Expected Time Horizon	Materiality Level[2]
Physical - Extreme Precipitation	Direct Operations - İşbank	Acute physical risks driven by climate change may adversely affect the Bank's business continuity through short-term, intense, and sudden climate events. Under high-temperature and weather variability assumptions such as RCP 8.5 and NGFS Current Policies scenarios, an increase in both the frequency and intensity of short-term but severe precipitation events is projected in Türkiye from 2030 onwards. In metropolitan areas such as Istanbul, which face rapid urbanization and coastal risk, limited infrastructure capacity, high population density, and simultaneous climatic anomalies exacerbate the frequency and severity of flood and inundation events caused by heavy rainfall. This situation elevates the likelihood of physical damage to assets such as branches, ATMs, operations canters, data canters, and logistics infrastructure located in Istanbul and its surroundings. Moreover, as these events may result in service disruptions, threats to employee safety, and interruptions in customer services, they are considered and monitored within the scope of climate-related risks that may not be directly reflected in financial data but create significant operational impacts.	Damage/ impairment to tangible fixed assets; revenue loss from business disruption; additional employee safety expenditures	TL 0 - 400 million	RCP8.5	Value at Risk	Since 2009, the Bank has been implementing the Business Continuity Management Program to reduce the impacts of climate change-induced natural disasters and extreme weather events on its operations. The Program is designed to establish an effective response capability aimed at safeguarding the institution's reputation, brand, and value-creating activities. Managed in an integrated manner, the Business Continuity Management Program is aligned with the ISO 22301 Standard and relevant national regulations in Türkiye. As of early 2024, business continuity activities are carried out under the responsibility of the Disaster and Emergency Coordination Office, which reports directly to the Chief Executive Officer. In order to strengthen İşbank's resilience and organizational adaptability against disasters, including climate-related hazards to which our country is exposed, the "Disaster Management and Coordination Program," launched in the second half of 2023 with the participation of more than 50 employees, is being managed under the responsibility of the Disaster and Emergency Coordination Office as of 2024.	Long	Low

2. Strategy

Risk Type	Value Chain Component	Description	Potential Financial Impact Type	Estimated Financial Impact	Scenario	Risk Measurement Method	Action	Expected Time Horizon	Materiality Level[2]
Transition - Carbon Tax/ ETS	Non-Financial Subsidiary - Manufacturing Sector	Energy-intensive manufacturing activities (e.g., glass, soda ash) are highly exposed to transition risks from carbon pricing mechanisms. Stricter ETS and CBAM regulations increase structural cost pressure, requiring transformation in production, export strategies, and supply chains. After 2026, with the end of free allocation under the EU ETS and CBAM scope expansion, carbon costs are expected to rise significantly both for overseas facilities and Turkish operations.	Within the scope of compliance with carbon regulations, increasing operating expenses, the risk of premature retirement of existing assets due to policy changes, and rising product costs or demand contraction stemming from penalties are putting pressure on profitability in the manufacturing business line, particularly in energy-intensive production activities. These factors bring along risks of asset devaluation, deterioration in cash flows, and weakening of portfolio quality.	See Şişecam's TSRS compliant 2024 Sustainability Report on the Public Disclosure Platform for details					

Rating Scale	Low	Medium-Low	Medium	Medium-High	High
Financial Impact Scale (TL)	< 400 million	< 800 million	< 1.6 billion	< 3.2 billion	≥ 3.2 billion

2. Strategy

Opportunities

Opportunity Definition	Description	Time Horizon	Financial Impact / Opportunity Link
Financing Driven by Climate Regulations and Opportunity of Customer Portfolio Transformation	Increasing global and local regulations aimed at combating climate change are accelerating structural transformation in the real economy, particularly in carbon-intensive sectors. This transformation compels companies to adopt low-carbon processes both to fulfil legal obligations and to gain a competitive advantage. The resulting financing needs present a strategic opportunity area for İşbank. Leveraging its broad customer base and extensive commercial loan portfolio, İşbank aims to actively contribute to the transformation of the national economy by financing its customers' green transition investments, while reinforcing its position as a leading market player. At the same time, the Bank targets strengthening its balance sheet by diversifying access to external financing sources. In line with initiatives such as the Net-Zero Banking Alliance, CBAM (Carbon Border Adjustment Mechanism), and ETS (Emissions Trading System), the carbon intensities of companies are increasingly becoming a decisive factor in credit decisions, highlighting firms with strong environmental performance. İşbank measures emissions of companies in its commercial portfolio at a granular level and prioritises long-term collaborations with these companies. This approach both reduces credit risk and supports sustainable growth.	Short, Medium, Long	Climate-related regulations are transforming the risk management approaches of the financial sector while also offering strategic opportunities. İşbank leverages this context to align its loan portfolio with a low-carbon economy and to serve as an effective solution partner in its customers' green transition investments. The Bank has institutionalized this strategic approach through its Climate Transition Plan (the Plan), which covers all sectors identified as carbon-intensive by the Net-Zero Banking Alliance (cement, iron & steel, power generation, aluminium, real estate, road freight transport, oil & gas, and agriculture). With this Plan, İşbank became the first Turkish bank to share not only its targets but also concrete action sets and sectoral roadmaps enabling these targets with the public. Developed in parallel with scenarios aligned to global climate goals, the Plan goes beyond disclosing numerical targets by offering a strategic framework that sets out sector-specific steps for reducing carbon emissions and details how these steps will be implemented. Defining actions to be taken in close collaboration with customers in carbon-intensive sectors to meet set targets, the Plan focuses on environmentally friendly financing solutions such as promoting clean energy use, prioritizing energy efficiency investments, supporting the transition to sustainable fuels, and financing emission reduction technologies. The Climate Transition Plan outlines the Bank's decarbonization strategy for sectors accounting for approximately 65% of the emissions from its loan portfolio. İşbank conducts its financed emissions based on international methodologies, evaluates its decarbonization targets and sectoral transition pathways in light of these calculations, and reports regularly. This approach enables the Bank to focus on financing the transition in emission-intensive sectors within its loan portfolio. In determining sectoral decarbonization targets, different decarbonization scenarios were analysed for each sector, and projections were made regarding the scale and timing of potential green transition investments. These analyses were supported by financial modelling, including factors such as financing needs and potential impacts on the loan portfolio, ensuring a comprehensive assessment. İşbank's sustainable finance commitments form another key component of its strategic approach in this area. The Bank achieved its 2023-2026 sustainable finance commitment of TL 300 billion by 2025, ahead of schedule, and subsequently revised the commitment upward following its strong performance. Accordingly, the sustainable finance target, which includes green loans, has been increased to TL 650 billion. Through financing activities with high environmental and social impact, both the transformation of the customer portfolio and the acceleration of the low-carbon transition are supported, thereby enhancing the climate-related regulatory compliance capacity of customers in the value chain alongside the Bank. The evolution of the loan portfolio toward a low-carbon structure strengthens İşbank's resilience to climate-related transition risks and boosts its growth potential in sustainable finance. This strategic approach not only contributes to environmental goals but also supports long-term financial soundness and corporate value creation.

2. Strategy

2.3 Strategy and Decision-Making

2.3.1 Climate Transition Plan

In April 2022, İşbank became a member of the Net-Zero Banking Alliance (NZBA), established under the leadership of the United Nations Environment Programme Finance Initiative (UNEP FI), with the aim of managing greenhouse gas emissions from its loan portfolio and setting science-based reduction targets to enable its green transition. The Bank has committed to achieving net-zero emissions by 2050 and, towards this goal, has set interim targets for 2030 focusing on carbon-intensive sectors. This membership has enabled the Bank to align its climate strategy more robustly with international standards, initiating a significant transformation process that incorporates the systematic assessment of climate risks, portfolio analyses, and the integration of the transition plan into corporate decision-making processes.

İşbank formalised its climate-related strategy through its Climate Transition Plan ("The Plan"), publicly disclosed in 2025. Prepared in line with the principles of the Transition Plan Taskforce (TPT), the Plan outlines the Bank's long-term strategic roadmap towards its net-zero goal. Leading the sector with its comprehensive transformation strategy, the Bank is the first Turkish bank to disclose emission reduction roadmaps for all carbon-intensive sectors defined by the NZBA.

The Climate Transition Plan comprises the following key components:

- Science-based sectoral emission reduction targets
- Sector-specific action plans for carbon-intensive sectors
- Sustainable finance targets
- Customer engagement and guidance policies
- Performance indicators and monitoring mechanisms to track progress

In 2020, İşbank's Scope 1 and Scope 2 emissions totalled approximately 78,000 tCO_2e. The Bank is implementing energy and resource efficiency initiatives aimed at reducing its Scope 1 emissions. Analyses revealed that nearly half of these emissions stem from energy consumption in service buildings. Accordingly, transformation plans focused on energy and resource efficiency have been prioritised, considering the need to maintain existing systems in branches where climate conditions necessitate it. The installation of heat pumps and high-efficiency HVAC systems are among the most common improvement measures implemented at these branches.

The Bank has assessed the suitability of its branches for electrification, and transformation efforts will continue in branches deemed appropriate throughout 2025. This transformation follows a phased approach that considers both technical feasibility and climatic conditions to reduce building-related emissions.

More than half of the Bank's total emissions result from fuel consumption in transportation. Passenger cars make up 85% of İşbank's vehicle fleet, with electrification in this segment prioritised. The expansion of electric vehicle usage also drives the need for additional charging infrastructure. In this regard, the Bank aims to quadruple the number of charging stations installed across its operations, viewing these investments as a key step towards achieving its 2026 carbon-neutral target.

İşbank began sourcing renewable energy in 2021, and by 2022 had achieved its commitment to procure 100% of its electricity from renewable sources, thereby addressing Scope 2 emissions. As a result of these efforts, the Bank's gross emissions from its own operations have been reduced to approximately 20,000 tCO_2e by 2024, compared to the 2018 base year level of 87,000 tCO2e.

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Emissions from the supply chain are also part of İşbank's decarbonization strategy. In line with the GHG Protocol: Corporate Accounting and Reporting Standard, emissions from purchased goods and services, business travel, and other activities – classified as Scope 3, Categories 1–14 – are measured annually, and the results are reported in the Plan.

Beyond these targets, İşbank has placed portfolio emissions from its lending activities at the core of its decarbonization strategy. Accordingly, since 2020, the Bank has ceased financing new thermal power plant investments that generate electricity using coal or natural gas as fuel. Subsequently, in 2021, this strategic decision was expanded to exclude the allocation of resources to new coal mining investments. As of 2023, the Bank has further strengthened its policy on coal financing, committing to a phased exit from the financing of coal and coal-related activities by 2040.

İşbank has aligned its strategy for reducing emissions from its commercial loan portfolio with NZBA practices.

By integrating its decarbonization approach into its business processes – including lending activities – the Bank has set gross emission reduction targets for all sectors identified by NZBA as carbon-intensive, prioritising support for customers in these sectors in their transition to a net-zero economy. Due to their significant share in total emissions, carbon-intensive sectors have emerged as a key focus area. According to İşbank's gross emissions calculations as of the end of 2023, these sectors, which hold a substantial weight in the commercial loan portfolio, are responsible for 65% of total financed emissions.

The Sectoral Decarbonization Targets table outlines İşbank's emission intensity reduction targets for each carbon-intensive sector identified by the NZBA, to be achieved by 2030. These targets represent a core element of the Bank's sustainability strategy, reflecting its commitment to act as a guiding business partner in customers' green transition journeys, offering innovative solutions for a sustainable future.

Sectoral Decarbonization Targets

Sector	2030 Emission Reduction Target	Base Year
Power Generation	61%	2021
Cement	21%	2021
Iron & Steel	10%	2021
Aluminium	7%	2023
Real Estate	36%	2023
Road Freight Transport	20%	2023
Oil & Gas	15%	2023
Agriculture - Wheat	14%	2023
Agriculture - Maize	15%	2023
Agriculture - Rice	16%	2023

2. Strategy

Due to its critical role in food security and sustainable development, the agricultural sector is among İşbank's strategic priorities. Emission targets for this sector have been differentiated by product type to best reflect the distribution of crops across Türkiye's arable land and the Bank's agricultural portfolio. In this context, three distinct targets and roadmaps have been established for wheat, maize, and rice, selected from agricultural products differentiated by their characteristics. Details and measurement values related to these commitments are provided in the Climate Transition Plan.

When setting emission intensity reduction targets for carbon-intensive sectors, the Alliance has based its approach on international emission reduction pathways and scenarios. In this regard, the global alignment and domestic applicability of the targets have been prioritised, and the scenarios followed were selected specifically for each sector. Accordingly, in shaping its strategy for emissions arising from its commercial loan portfolio, İşbank has drawn on reduction pathways developed by the International Energy Agency (IEA – NZE 2050), the Science Based Targets initiative (SBTi 1.5°C), the Transition Pathway Initiative (TPI), and the Network for Greening the Financial System (NGFS) as the foundation for its roadmap.

In addition to global climate scenarios considered when developing decarbonization pathways, İşbank conducts studies focusing on Türkiye's specific dynamics and the needs of its customers during their green transition process. These efforts ensure that the Climate Transition Plan aligns with national conditions and potential, enhancing its feasibility and effectiveness. The Plan provides a roadmap consistent with the target of achieving net-zero emissions by 2050 and is reviewed annually in line with leading frameworks such as the Carbon Disclosure Project (CDP), the TPT, and the International Financial Reporting Standards (IFRS).

Key assumptions underlying the development of the Climate Transition Plan include alignment with Türkiye's Nationally Determined Contributions (NDCs), access to green technologies, the evolution of the regulatory framework, and the pace of transformation within the customer base. The Plan also addresses strategic areas such as energy efficiency, renewable energy investments, enhanced emissions measurement capacity, and the expansion of sustainable finance opportunities.

In the Plan, customer engagement is defined as one of the Bank's priority action areas. Within the scope of the Climate Transition Plan, the Bank positions customer engagement as a key leverage factor for the transition to a low-carbon economy. Furthermore, core decarbonization steps have been identified for each carbon-intensive sector, and their applicability has been systematically assessed. In this way, while supporting customers in their transition processes, the Bank also advances towards achieving its net-zero target.

The strategic actions under the decarbonization scope included in the Climate Transition Plan are assessed separately within the framework of the transition plan for carbon-intensive sectors. İşbank supports the use of renewable energy for self-consumption to help its customers reduce electricity-related emissions. The Bank aims to provide the necessary financing for its customers to upgrade existing production facilities and equipment, make technological investments, and access innovative solutions to reduce the greenhouse gas emissions generated in their production processes.

2. Strategy

Within the sector-specific decarbonization actions identified, the provision of financing for the following types of investments stands out:

- Renewable energy investments for electricity generation.
- In the cement sector, waste heat recovery projects, transition to alternative raw materials, and investments in carbon capture and storage technologies within the scope of customer transition.
- In the iron-steel and aluminium sectors, transition to green energy and investments aimed at upgrading existing furnaces to lower-emission production furnaces.
- In the road transport sector, investments in more efficient engines, sustainable fuels, and zero-emission electric vehicles.
- In the oil and natural gas sector, investments in refinery conversion for sustainable fuels and electric charging stations.
- In the real estate sector, financing of high energy-efficiency, low-emission buildings, district heating systems, heat pumps, and rooftop solar photovoltaic installations.
- In the agricultural sector, the renewal of the tractor fleet–replacing older vehicles with those equipped with more efficient engines–and the financing of investments in regenerative agriculture and soil productivity enhancement practices have been identified as priority actions within the scope of customer transition.

These actions have been developed within a science-based framework by bringing together several key factors, including the projections of Türkiye's National Energy Plan, national targets and economic conditions, sectoral penetration projections of new technologies, and the Bank's market share.

2.3.2 Sustainable Finance

Overseas Financing

İşbank closely monitors sustainability-themed financing opportunities, developing various products and services that support the green economy while transforming its financing policies in this direction. To evaluate these opportunities more systematically and contribute to sustainable development, the Bank has established its **Sustainable Finance Framework**.

The Framework has been designed in full alignment with the International Capital Market Association (ICMA)'s Green Bond Principles and Social Bond Principles, as well as the Loan Market Association (LMA)'s Green Loan Principles. This document provides the Bank with a structure for using various financial instruments to deliver environmentally and socially responsible financing, invest in sustainable projects, and support efforts to reduce carbon emissions.

In the international debt capital markets, investor interest in green, social and sustainability-themed financial instruments–aimed at objectives such as mitigating the adverse impacts of climate change and supporting equality of opportunity in society–has increased significantly in recent years. This development also enhances the opportunities to access such funding sources. In this context, İşbank closely follows both developments in local regulations and sustainable finance practices in international markets, regularly evaluating opportunities for sustainability-themed Eurobond issuances and the procurement of sustainability-linked loans in line with its needs and objectives.

2. Strategy

In June 2024, İşbank secured a sustainability-linked syndicated loan amounting to USD 442 million and EUR 562.7 million, with a maturity of 367 days. The loan's key performance indicators (KPIs) are the amount of cash loans extended to small and medium-sized enterprises (SMEs) owned/managed by women and the amount of cash loans extended to small-scale farmers. In November 2024, the Bank obtained another sustainable syndicated loan of USD 584.5 million and EUR 494.9 million, with a maturity of 371 days. This facility will be allocated in accordance with the conditions stipulated in the agreement and the Bank's Sustainable Finance Framework.

Utilizing its remittance-backed borrowing program, İşbank executed two transactions in February and May 2024, totalling USD 80 million, with a final maturity of six years, in which the investor was Deutsche Investitions- und Entwicklungsgesellschaft (DEG), a subsidiary of the German Investment and Development Bank. These funds will be used to finance SMEs and green projects across Türkiye.

Again, through a remittance-backed transaction, in May 2024 the Bank secured another source of USD 106.9 million from the European Bank for Reconstruction and Development (EBRD), with a final maturity of five years, to be utilized for SME digital transformation, climate finance, renewable energy, and energy efficiency projects.

In 2024, İşbank also utilized Eurobond issuances as a means of securing sustainable funding. In this context, the USD 500 million issuance in June 2024, with a maturity of five years, marked the Bank's first sustainable Eurobond issuance in a market transaction. The proceeds from this issuance were allocated, in line with the Sustainable Finance Framework, to finance projects falling under green and social categories, such as SME financing, climate finance, renewable energy, and energy efficiency. In addition, in March 2024, İşbank structured a USD 250 million, four-year treasury financing transaction as sustainability linked. Under this arrangement, the sustainability performance criteria were defined as the volume of consumer loans to be extended in the provinces affected by the earthquakes and the amount of cash loans to be granted to small and medium-sized women entrepreneurs.

Furthermore, in 2024, İşbank carried out two Eurobond issuances totalling USD 40 million, with The European Fund for Southeast Europe (EFSE) and the Green for Growth Fund (GGF) as investors, both managed by Finance in Motion. Issued respectively as a sustainable bond and a green bond, the proceeds from these securities will be allocated to SME financing, as well as climate finance, renewable energy, and energy efficiency.

In addition to the above, İşbank issued approximately USD 430 million equivalent in sustainable Eurobonds across 11 standalone transactions in 2024. These funds were allocated in accordance with the Sustainable Finance Framework.

The share of sustainability-linked funding in the Bank's Non-FX Deposit Funding increased from 44% at year-end 2023 to 62% by the end of 2024. This development is regarded as a concrete indicator of the Bank's strategic focus on sustainable finance.

2. Strategy

Domestic Financing

For domestic issuances, İşbank has prepared its Green Debt Instrument and Sustainable Debt Instrument Framework Document in accordance with the principles set forth in the Guide on Green Debt Instruments, Sustainable Debt Instruments, Green Lease Certificates, and Sustainable Lease Certificates published by the Capital Markets Board of Türkiye.

In 2024, the Bank issued a green financing bill with a maturity of 126 days and a nominal value of TL 4.5 billion. This transaction represented the first green debt instrument in the Turkish financial markets to be publicly offered. The proceeds from this issuance were allocated for the financing and refinancing of renewable energy loans.

Sustainable Finance

İşbank shapes its business model around sustainable finance, with the aim of mitigating climate change-related risks and capturing related opportunities. In this context, it adopts prioritisation strategies for allocating resources to sustainable projects, placing particular emphasis on renewable energy financing, green loans, and projects involving low-carbon technologies. Since 2015, the entirety of the Bank's project financing for new electricity generation investments has been directed toward renewable energy sources.

As of 2024, renewable energy financing accounted for 78% of the Bank's electricity generation loan portfolio. The financed projects have resulted in the avoidance of approximately 10.5 million tCO_2e of greenhouse gas emissions by year-end 2024 and the generation of around 62.7 million MWh of clean energy.

By implementing its sustainable finance strategy through concrete actions, İşbank had achieved 88% of its commitment to provide TL 300 billion in sustainable financing by 2026, as of year-end 2024. By the first quarter of 2025, the Bank had fully met both its TL 300 billion sustainable finance target for the 2023–2026 period and its TL 100 billion commitment to financing women entrepreneurs for the 2023–2028 period. Both targets have since been updated and expanded through to the end of 2028, with the sustainable finance commitment increased to TL 650 billion and the financing commitment for women entrepreneurs raised to TL 250 billion. Through these strategic steps supporting climate transition and inclusive development, the Bank continues to advance its sustainability vision.

2.3.3 Direct Mitigation and Adaptation Activities

İşbank implements various direct emission reduction initiatives to minimize its environmental impact. In line with the GHG Protocol: Corporate Accounting and Reporting Standard, the Bank has committed to reducing the total of its gross Scope 1 and Scope 2 emissions by 38% by 2025 and 65% by 2030, compared to the 2018 base year, and to operate on a carbon-neutral basis by 2035. As of 2024, the Bank has achieved a 77% reduction in the combined Scope 1 and Scope 2 emissions compared to the base year, thereby revising its carbon-neutral operations target forward to 2026.

Since initiating renewable energy procurement in 2021, İşbank has been sourcing 100% of its electricity consumption from renewable sources as of 2022.

2. Strategy

Under the collaboration with İş Enerji Yatırımları A.Ş. and İş Merkezleri Yönetim ve İşletim A.Ş., the Bank commissioned in 2025 a 20 MW capacity solar power plant (SPP) in Bitlis/Ahlat to meet the electricity needs of its headquarters buildings, along with a 3 MW capacity SPP to supply electricity for 27 service buildings.

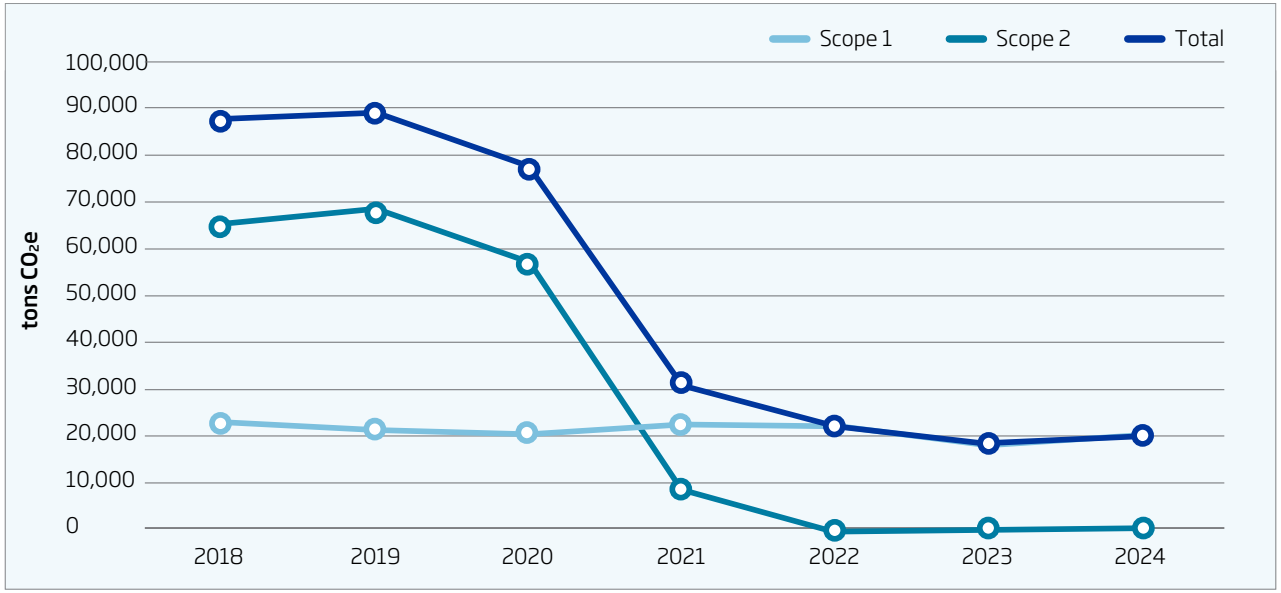
To systematically manage its environmental impacts, İşbank has implemented the ISO 14001 Environmental Management System since 2018. The Bank's Headquarters Tower in Levent, İstanbul holds a BREEAM In-use Excellent certification, while the Tuzla Technology and Operations Centre (TUTOM) holds a LEED Gold certification. İşbank's Tuzla Data Centre (Atlas) is the first data centre in Türkiye certified under the LEED v4 Gold for Data Centers standard. In the Atlas Data Centre, the air heated during the cooling of IT cabinets in server rooms is reused for heating office areas. Rainwater is collected through rooftop rainwater collection channels, treated, and reused in various applications.

Energy, water, and paper conservation measures are implemented across the Bank's service buildings. For 2024, compared to 2023, the Bank targeted a 3% reduction in total waste generated at branches and headquarters, and a 5% reduction in resource consumption. In waste management, steps have been taken to minimize the use of single-use plastics, opting instead for reusable alternatives such as glass bottles. Recycling is supported through scrap sales and toner cartridge returns for field assets managed by the IT Department, with all processes conducted via authorized firms certified for Waste Electrical and Electronic Equipment (WEEE).

Efforts are ongoing to establish remote monitoring and energy management systems for branches. By the end of 2024, the replacement of all lighting fixtures in service buildings with LED systems–providing significant savings in lighting energy consumption–was completed.

In response to climate-related risks and opportunities, the Bank directs its capital allocations towards renewable energy, climate-friendly technologies, and energy efficiency, making capital expenditures in these areas.

Greenhouse Gas Emissions Trend



2. Strategy

2.4 Climate Resilience

Considering the climate change-related risks and opportunities it has identified, İşbank adapts its strategy and business model to these changes and develops strategic approaches aimed at strengthening its resilience to climate impacts.

Under the Climate Transition Plan, the Bank is restructuring its lending policies, sustainable finance strategy, and investment priorities in line with its interim targets for 2030 and net-zero commitments for 2050. In this transformation process, concrete actions such as mitigating risks for carbon-intensive sectors, increasing the volume of sustainable finance, and decarbonizing the portfolio are prioritised.

Based on the climate change-related risks identified through scenario analyses, İşbank develops concrete action plans and integrates them into its business model in alignment with its strategic objectives. This approach enables proactive measures to be taken against uncertain climate conditions and supports long-term organizational resilience.

Positioning climate change risks at the core of its enterprise risk management activities, İşbank continuously enhances and updates its scenario analysis approach to respond to risks and opportunities, and to assess the availability and flexibility of its existing financial resources.

The Bank maintains a strong capital and liquidity position that provides resilience against the physical and transition risks identified in climate scenario analyses. As of year-end 2024, the consolidated Common Equity Tier 1 capital adequacy ratio stood at 14.42%, and the consolidated liquidity coverage ratio at 148.26%, providing a sufficient buffer against climate-related sudden losses.

In scenarios assessing the impact of climate change risks on the loan portfolio, the Bank activates loan restructuring options and collateral management processes. In addition to its concrete steps toward decarbonizing the loan portfolio in line with its net-zero commitment, its coal phase-out strategy and sustainability-focused approach to financed activities enhance the resilience of the portfolio to these risks. Furthermore, within the scope of managing climate change risks, the Bank strengthens its capacity to generate additional resources by increasing the supply of green finance products and issuing sustainable bonds.

2.4.1 Scenario Analysis

Purpose and Methods

The Bank applies a scenario analysis approach—combining both qualitative and quantitative elements—to ensure that stakeholders can understand the resilience of its strategy and business model against climate-related changes, developments, and uncertainties.

Rather than providing a complete projection of the future regarding climate-related risk factors, the scenarios aim to improve understanding of these risk factors and to define strategic priorities for managing them.

The Bank has established its scenario analysis framework using an approach that considers all reasonable and supportable information available as of the reporting date—without incurring excessive cost or effort—and that is aligned with current and projected conditions. The scenario analysis methodology applied by the Bank has been implemented in compliance with the reference scenario frameworks of the Network for Greening the Financial System (NGFS) and the Intergovernmental Panel on Climate Change (IPCC).

The scenario analysis framework is based on global scenarios and their assumptions, representing different temperature and emission pathways, to:

- Understand the impacts of different climate policy pathways and physical risk conditions on the Bank's business model, operations, financial position, and value chain,
- Estimate how these impacts may change over time, and
- Assess the resilience of the corporate strategy under these conditions.

2. Strategy

Climate Scenarios Used

Scenario Name	Projected Temperature Increase by 2100 (°C)	Physical Risk Level	Transition Risk Level	Policy and Carbon Pricing	Description
RCP4.5	~2.5°C	Medium	Medium	Gradual Increase	Limited policy interventions: emissions peak around 2040.
RCP8.5	~4.3°C	Very High	Low	Low	No-policy scenario; worst physical outcomes.
NGFS Current Policies	~3.0°C	High	Low–Medium	At Current Policy Levels	Assumes continuation of existing climate policies.
NGFS Net-Zero 2050	<1.5°C	Low	Very High	Rapid Increase (≥150 USD/ton CO_2e)	Strict policies, carbon taxation, rapid transition.
NGFS Delayed Transition	~2.2–2.5°C	Medium–High	Very High (sudden shock)	Sudden and Rapid Increase (post-2035)	Late but abrupt transition causing major market shocks.

For each scenario, the following impact areas have been taken into consideration:

- **Physical risks (direct operations):** The intensity, duration, and geographic location of events such as heatwaves, extreme precipitation, floods, and droughts, and their potential impacts on service interruptions, ATM and IT infrastructure damage, and operational revenue losses.
- **Physical risks (loan portfolio):** The potential adverse impacts of the intensity, duration, and geographic effects of heatwaves, extreme precipitation, floods, and droughts on the financial outlook of customers operating in sectors exposed to such events.
- **Transition risks (loan portfolio):** The potential adverse impacts of mechanisms based on carbon pricing—such as Carbon Tax regulations and Emissions Trading Schemes (ETS)—on the financial outlook of customers operating in sectors exposed to these risks.

The NGFS Net-Zero 2050 scenario is considered the baseline scenario for transition risks, as it is not only the most ambitious scenario in terms of combating climate change but also aligned with the Bank's strategy to achieve carbon neutrality by 2050. **The RCP8.5** scenario, on the other hand, is regarded as the primary scenario for physical risk analysis due to its projection of the highest long-term temperature increases.

In line with these scenarios, efforts are made to quantify not only short- and medium-term risk changes but also long-term systemic impacts, including macroeconomic trends. For transition scenarios, the years 2030 and 2035 are included within the analysis scope, as they fall within the next decade, align with the maturity profile of the Bank's loan portfolio, and coincide with the Bank's strategic planning horizon—particularly the interim target year (2030) for assessing progress in portfolio decarbonization under the net-zero strategy. Since physical risks are expected to materialize more significantly over the longer term, 2065 has been adopted as the reference year for physical risk scenario analyses, covering a 40-year period.

2. Strategy

Given that most of the Bank's operations are in Türkiye, Türkiye-specific projections have been used in the analyses where available. The scope of physical risk scenarios has been defined to cover, in addition to major provinces where operations are concentrated such as Istanbul, the Bank's entire operations where necessary, depending on the nature of the risk. In addition to the headquarters premises, branches, call centres, and ATM networks–where customer interaction takes place–have been included in the analysis scope to the greatest extent possible.

To estimate the potential impacts of climate change on both direct operations and asset quality, the Bank has conducted scenario analyses focusing on the following risk factors with significant potential to create material impacts.

Risk Factors

Risk Factor	Aligned Base Scenario	Climate Risk Type	Affected Risk Type	Stressed Risk Metric	Impact Channel	Region
Heavy Precipitation	RCP8.5	Physical Risk	Operational Risk	Value at Risk	Direct Operations	Istanbul
Severe Heatwave	RCP8.5	Physical Risk	Operational Risk	Value at Risk	Direct Operations	Nationwide (Türkiye)
Carbon Taxation	NGFS Net-Zero 2050	Transition Risk	Credit Risk	Expected Credit Loss	Credit Portfolio	Nationwide (Türkiye)
Water Stress/Drought – Agriculture	RCP8.5	Physical Risk	Credit Risk	Expected Credit Loss	Credit Portfolio	Nationwide (Türkiye)
Water Stress/Drought – Power Generation	RCP8.5	Physical Risk	Credit Risk	Expected Credit Loss	Credit Portfolio	Nationwide (Türkiye)

To quantify the impacts, the methodology was customized based on conventional banking risks affected by climate factors, adhering as much as possible to the applications and methods used for the quantification of such risks.

2. Strategy

Scenario Analysis Data Sources

In conducting scenario analyses, the Bank utilized both internal data–obtained with reasonable effort–and climate-related data and assumptions sourced externally.

In all scenarios, the impact levels identified were assessed using the Bank's financial data as of year-end 2024. For instance, in addition to the expected credit loss amounts for loan customers, both internal and external data used in calculating operational value-at-risk were incorporated into the analysis with a 2024 year-end reference point. In cases where customers' 2024 financial data or carbon emission figures were not available, the most recent and consistent data obtainable was used.

Uncertainties Related to the Climate Scenario Analysis Approach

In assessing its resilience to climate change, the Bank identified multiple uncertainty factors associated with both physical and transition risks. The uncertainties described below define the limitations regarding the robustness and usability of scenario analyses.

From a physical risk perspective, IPCC and NGFS projections are based on different modelling techniques and scenarios. Significant variations in estimates can arise depending on the approach adopted for physical variables such as temperature increase, precipitation patterns, and sea-level rise. Models may project different frequencies and severities of extreme weather events for the same region. The limited availability of high-resolution, long-term climate data at the provincial and district levels in Türkiye–as well as the lack of systematic historical records for past events such as floods, hailstorms, and droughts–restricts analyses and introduces uncertainty. While two branches or ATMs located within the same city, or even in the same district, may be exposed to different levels of physical risk, limited access to information on infrastructure quality, drainage systems, and building structure in the micro-locations of branches and ATMs adversely affects the level of detail in the analyses.

Climate Scenario Analysis Data Sources

Data Source	Data Group
Bank and Customer Data	> Customers' current risk indicators (probability of default, exposure at default, expected credit loss) > Customers' financial data (balance sheet data, income statement data, cash flow statement data) > Sector-specific data to be obtained from customers (production data, fuel usage data, etc.) > Geographical distribution data of the Bank's branch and ATM network > The Bank's historical loss and operational disruption data
External Sources	> Supply-demand data (unit price in the sector, total supply, total demand, etc.) > Sector and market outlooks (technological developments, trends, etc.) > Company-specific data (financial reports and sector-level special data varying according to the scope of the scenario) > Climate change indicators (unit emission factors, historical frequency data related to the risk event, etc.) > Assumptions and projections within global climate scenarios (NGFS, IPCC, WRI)

From a transition risk perspective, the timing of the transition–whether early or delayed–is a factor that directly influences the Bank's strategic investment decisions. The lack of clarity regarding the exact timing of full implementation and the varying scope of regulations on carbon pricing, green finance, and sustainable taxonomies in Türkiye and globally creates strategic uncertainty. Dynamics such as the speed at which consumers shift toward low-carbon products and the increase in demand for green investments may vary depending on behavioural and economic models. Climate-related reputational shocks driven by media or civil society pressure could cause disproportionate harm to the Bank's public image, yet quantifying such impacts in financial terms remains highly challenging.

2. Strategy

From a modelling perspective, the constructed scenarios incorporate numerous assumptions and parameters based, where necessary, on expert judgment. Variables such as business interruption duration, revenue loss ratio, and physical damage ratio are determined in alignment with the scenarios and are highly dependent on these assumptions. Such assumptions may vary depending on different expert opinions, which can in turn alter scenario outcomes. Furthermore, a single climate event may simultaneously impact multiple risk factors. Identifying and modelling such cross-risk effects is highly complex. The chain reactions that systemic risks can trigger are generally not accounted for in standard financial stress test models. Quantifying these effects requires the use of more sophisticated, science-based Integrated Assessment Models (IAMs). However, integrating such models into corporate risk management processes can be operationally challenging and costly.

From a timing perspective, the exact occurrence of physical risks such as floods or droughts, the enforcement date of transition risk elements such as carbon taxes, and–most importantly–the timing of when these risks' combined effects will be reflected in financial statements cannot be predicted with certainty.

These uncertainties underscore the need to adopt flexible, parameter-driven models that are sensitive to changing conditions, rather than fixed, forecast-based static approaches in climate risk analysis and decision-making processes. Accordingly, the Bank has adopted a scenario approach that prioritises flexibility–incorporating multiple scenarios that can be reassessed in line with evolving conditions–over a linear risk approach based on a single scenario.

Within this context, the scenario analysis frameworks assessing the impacts on Operational Risk and Credit Risk, which are of particular importance in terms of exposure to climate factors, are presented below. Market Risk and Liquidity Risk have not been prioritised at this stage, given the relatively lower magnitude of potential impacts.

Operational Risk Scenario Analyses

In quantifying operational risks, the Bank employs not only the current regulatory method–the Basic Indicator Approach–but also the **Advanced Measurement Approach** (AMA). İşbank's internal capital model for operational risk is based on determining appropriate distributions for Units of Measure (UoMs) level Internal Loss Data (ILD), External Loss Data (ELD), and Scenario Analysis (ScA) data.

A customized integration method is applied to combine ILD, ELD, and ScA data, after which Monte Carlo simulation is used to estimate **Value at Risk** (VaR) for each operational risk category at various confidence intervals.

By performing one million simulations, the loss curves estimated on a category basis are combined using a copula-based method. Correlation factors between risks, as well as the risk mitigation effects of the Bank's various operational risk insurance policies, are incorporated into the model to arrive at the net VaR. At a 99.9% confidence level, the calculated net VaR is taken as the capital requirement for operational risk in accordance with the principles of the internal measurement approach.

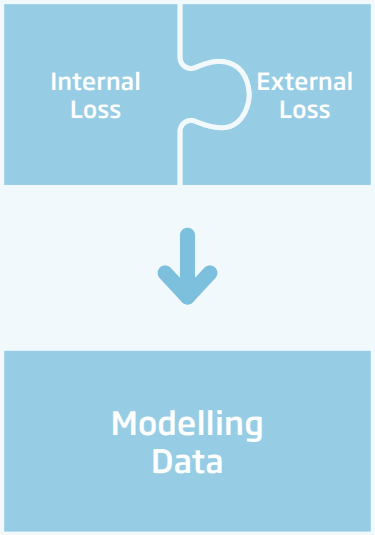
To estimate the potential impact of various climate events on the magnitude of operational risk, the "Scenario Analysis" module of the Bank's internal capital model has been utilized. Operational risk scenario analysis enables the consideration of the effects of unexpected, assumption-based yet plausible operational risk events in the quantification of risk. It focuses on identifying realistic events that occur infrequently and differ from expected losses, but which, if realized, could have a significant impact on the Bank.

2. Strategy

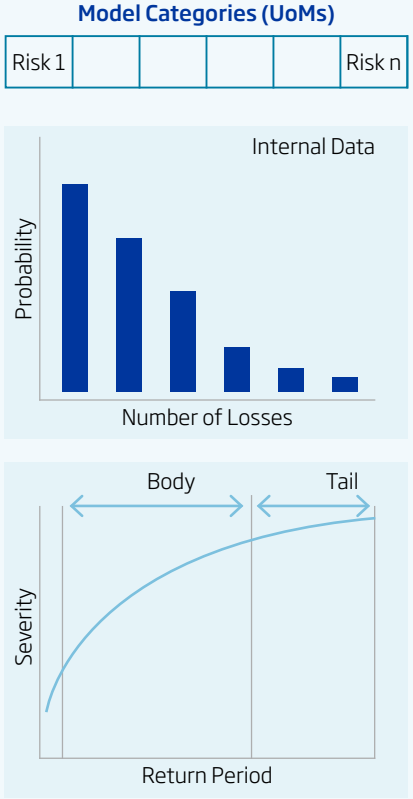
Below is the diagram illustrating the integration management of climate change-related risks into the Bank's operational risk internal model.

Integration of Climate Change-Related Risks into the Bank's Operational Risk Internal Model

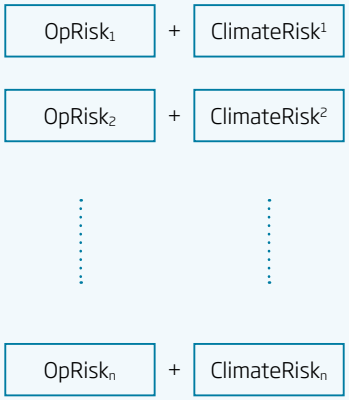
Collection of Internal and External Loss Data
Aggregation of Loss Data



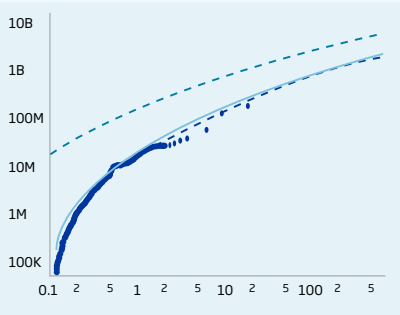
Quantification of Risk through Statistical Modelling (Severity and Frequency)
Historical Data Modelling



Parameter Updates Based on Expert Opinion
Review of Scenarios in the Context of Climate Impacts



Evaluation of Results
Analysis of Quantitative Results



2. Strategy

An analysis was conducted–based on the operational risk taxonomy currently under consultation by the European Banking Authority (EBA) and supported by expert judgment–to assess the impact of climate events on different risk categories within the operational risk model. It was evaluated that climate change could affect the relevant operational risk categories through the transmission channels outlined below.

The operational risk climate scenarios used in the impact assessment encompass two primary climate events and estimate their potential impacts on the Bank in alignment with the global scenario assumptions of the NGFS and the IPCC.

While the baseline scenarios applied in the assessment are RCP8.5 and NGFS Net-Zero 2050, the RCP4.5, NGFS Current Policies, and NGFS Delayed Transition scenarios were also incorporated into the analyses where necessary, to account for uncertainties not covered within the baseline scenarios.

Primary Transmission Channels

Primary Transmission Channels	Related Climate Risk	Affected Model / Risk Category
Physical damage to the Bank's assets due to increased extreme weather events	Physical Risk	Damage to Physical Assets
Business interruptions and reduced employee productivity due to increased extreme weather events	Physical Risk	Business Interruptions and System Failures
Additional costs incurred to protect employee health and safety due to increased extreme weather events	Physical Risk	Employment Practices and Workplace Safety

Operational Risk Scenarios Used in the Analysis

Scenario Name	Risk Type	Impact Channel	Region	Base Scenario
Heavy Precipitation	Physical Risk	Direct Operations	Istanbul	RCP8.5
Heatwave	Physical Risk	Direct Operations	Nationwide (Türkiye)	RCP8.5

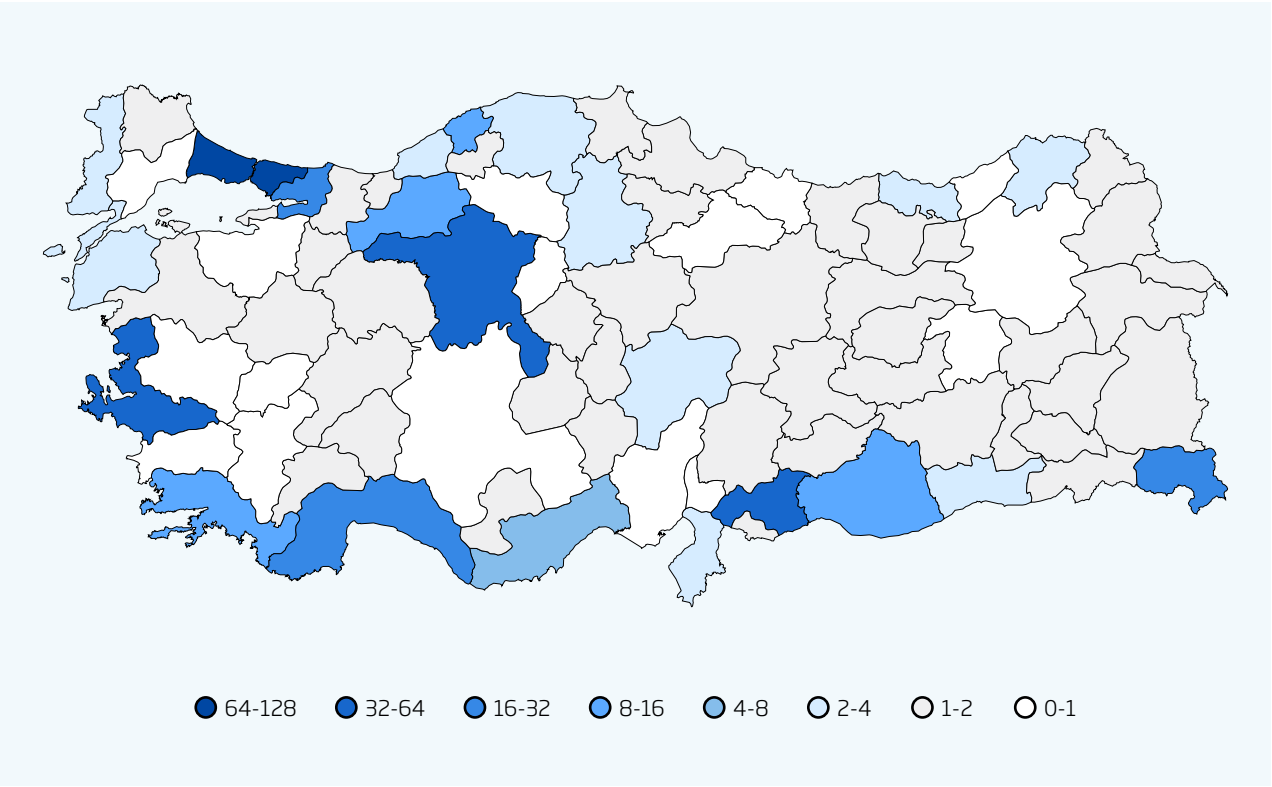
2. Strategy

Scenario 1: Physical Risk - Extreme Precipitation Affecting Istanbul and Surrounding Provinces

Istanbul is at high risk for short duration but intense rainfall events, which are projected to increase with climate change. Under the RCP and NGFS scenarios, it is anticipated that in the period from 2030 onwards, the combined effect of accelerated urbanization in major coastal cities like Istanbul and the increasing frequency of climatic anomalies will amplify the impact of precipitation-induced disasters.

An examination of extreme precipitation events causing temporary operational disruptions at the Bank between 2013 and 2024 shows that Istanbul stands out significantly from other provinces in terms of the number of branch-level incidents (Figure - 1). This divergence is driven not only by the large number of branches operating within the city borders, but also by the frequency of severe rainfall events observed in the province. For these reasons, an abrupt and extreme precipitation event–likely to impact Istanbul and surrounding provinces–is of material significance for the Bank due to the concentration of its operational network in the region, existing climate projections, the state of urban infrastructure, and potential impacts on the financial system.

Provincial Distribution of Precipitation Events Causing Temporary Service Interruptions, 2013-2024 (Number of Events)



In the scenario analysis, various assumptions have been employed, including the proportion of branches, ATMs, and employees that could be affected by the event; the extent of physical damage; the scale of service disruptions; and the expenditure required to ensure employee safety. These assumptions have been developed using current and historical data, as well as global climate scenario projections and expert judgment.

2. Strategy

Scenario 2: Physical Risk – Nationwide Heatwave Affecting Türkiye

The impacts of climate change are not limited to long-term increases in average temperatures; they also involve a rise in the frequency and severity of short-duration but high-intensity extreme weather events. In this context, heatwaves with broad geographic reach have begun to occur more frequently and with greater destructive force in countries located in the mid-latitudes, such as Türkiye. Under high-emission scenarios such as RCP8.5 and NGFS Current Policies, it is projected that in the period following 2040, average temperatures across Türkiye will increase significantly, with extreme temperatures above 40°C occurring more frequently in various regions. This scenario considers the nationwide systemic impact of intense heat zones that may simultaneously affect different regions of Türkiye, particularly during summer.

The impact analysis considered factors such as:

- Adverse effects on employee productivity and continuity of customer services,
- Strain on energy infrastructure, causing power outages and disruptions in cooling systems,
- Emergence of operational risks such as branch service interruptions, ATM malfunctions, and IT system outages.

Scenario 3: Transition Risk – Carbon Taxation Mechanism

Carbon taxation mechanisms are market-based climate policy instruments designed to reduce greenhouse gas emissions by imposing a cost on the use of carbon-containing fossil fuels (coal, oil, natural gas). Under this system, businesses or individuals pay a set amount of tax for each ton of carbon dioxide (CO_2) equivalent they emit into the atmosphere. The objective is to make emissions economically deterrent, thereby encouraging a shift towards cleaner technologies.

In Türkiye, a carbon tax scheme, which is likely to be implemented gradually soon, would have its greatest impact on the Bank through the potential deterioration of asset quality. This would stem from the increased default probabilities of credit customers operating in carbon-intensive sectors due to the additional financial burden created by such taxation. As carbon taxes may negatively affect customers' cash flows and debt repayment capacities, the Expected Credit Loss (ECL) provisions allocated by the Bank could increase for customers unprepared for such a regulatory change.

One of the most significant emerging regulatory examples is CBAM, introduced by the EU and scheduled to come into effect in 2026. The Bank expects to be exposed to the impacts of CBAM through customers operating in sectors covered by the regulation whose revenues depend on exports to the EU. Non-compliance with the legislation may lead to a deterioration in the revenues and repayment capacities of exporter customers, increasing their risk of default and, consequently, resulting in a decline in the Bank's asset quality.

Given that CBAM will apply to certain sectors and is expected to affect a relatively limited group of customers–specifically those exporting solely to the EU, unable to reduce their emission levels, and with limited capacity to pivot towards alternative markets–it is not anticipated to have a critical impact on the Bank's asset quality at the initial stage. On the other hand, a material impact is expected to occur as a result of the gradual implementation of a similar national carbon pricing mechanism in Türkiye that complements CBAM. Indeed, the Climate Law, which sets out the basic principles regarding the Emissions Trading System (ETS), was published in the Official Gazette on 9 July 2025 and entered into force on the same date.

The greatest uncertainties in this scenario are when, in which sectors, and at what price level the carbon taxation mechanism will be applied. To address these uncertainties, alternative scenarios have been developed based on different timing horizons, varying sectoral scopes, and carbon pricing projections for Türkiye under different NGFS global scenarios[4]. In the carbon tax scenario analysis, the potential impacts on the Bank's financials were tested for five distinct carbon-intensive sectors, using carbon price levels expected to prevail in Türkiye in alignment with the selected NGFS scenarios.

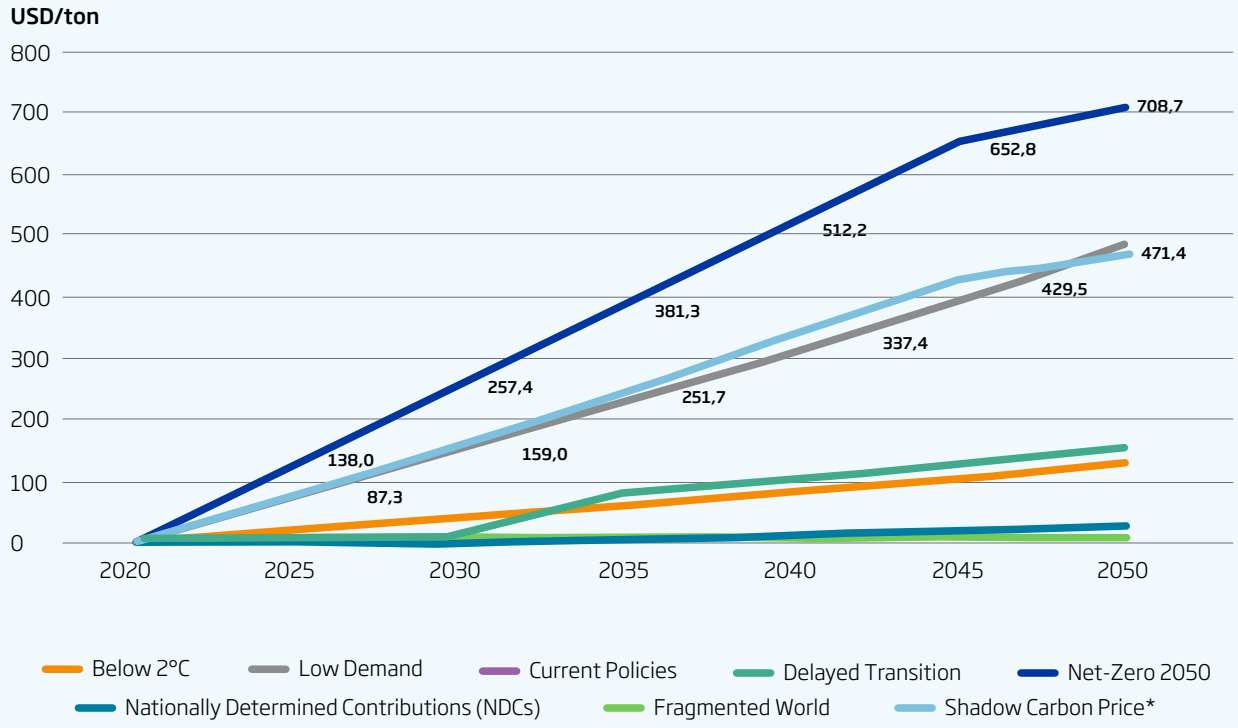
[4] *https://www.ngfs.net/ngfs-scenarios-portal/explore*

2. Strategy

The carbon taxation scenario analysis applied by the Bank was implemented using a methodology consisting of the following steps:

- *Identifying the sector to which the scenario will be applied:* In the first step, emission-intensive sectors that are likely to be most affected by the taxation are identified, and it is aimed to model a significant portion of these sectors within the scenario analysis. The Bank's Climate Change Heat Map is taken into consideration when determining the sectors to be included in the study.
- *Creating the sample:* If sampling is to be used, it is constructed in a way that accurately reflects the customer portfolio.
- *Defining the scenario design and assumptions:* By examining international examples and best practices, different carbon price levels and assumptions to be tested under the scenario are determined, and the scenario is designed accordingly.
- *Calculating the impact of taxation on supply and demand:* The additional costs generated by the tested tax level within the scenario are determined, and the impact of these costs on the supply-demand curves is assessed to identify new price and volume values for the sector and companies.
- *Calculating the financial impact at the company level:* Using the new price and volume values determined for the sector and companies, along with the additional costs resulting from the risk event, the company's financial statements are subjected to stress testing.
- *Calculating new probability of default (PD) values:* Using the stressed financial data from the previous step, customers' PD values are recalculated. These calculations use a probability of default model specifically designed for climate change risk measurement, which consists of financial parameters.
- *Calculating the impact of the climate change event on the portfolio's asset quality:* The PD values in the current state are compared with the PD values calculated using the stressed financials. In addition to the difference between the two, the company's exposure at default is used to calculate the expected additional credit loss for each company within the relevant segment. These are then aggregated to determine the total expected additional credit loss balance for the portfolio due to taxation[5].

NGFS Scenario Carbon Price Projections (Türkiye)



**The shadow carbon price refers to the Bank's internal carbon pricing and is based on NGFS scenario projections for Türkiye's carbon price. The price level is determined using scenario weightings of 60% Net-Zero 2050, 30% Delayed Transition, and 10% Current Policies. These weightings reflect the current situation probabilities of the respective global scenarios based on expert opinion and may vary in the future depending on actual developments over time.*

[5] *For simplification purposes, it has been assumed that customers' loss given default (LGD) ratios will remain constant.*

2. Strategy

Carbon Taxation Scenario Analysis Implementation Steps

1. Identification of the sector in which the scenario will be applied
2. Determination of the sample
3. Definition of the scenario design and assumptions
4. Calculation of the impact on supply and demand
5. Calculation of the financial impact at the company level
6. Calculation of the change in default rate and Expected Credit Loss (ECL) at the company level
7. Aggregation of sample results and extension to the portfolio
8. Evaluation of results

The most critical input for the scenario analysis study is the carbon emission value, expressed as the equivalent in metric tons of carbon dioxide (tCO_2e), representing the total greenhouse gas emissions released into the atmosphere due to a company's operations and energy consumption. Indeed, in determining the potential impact of a direct carbon tax or an ETS implementation on a company, the most significant factor is the company's carbon emissions.

However, the difficulties in obtaining this data are considered the primary barrier to implementing the scenario analysis approach. For companies where this data cannot be directly obtained, emission values are estimated based on information such as production composition, fleet data, and fuel types used. Nevertheless, as these estimates rely on multiple assumptions and the quality of the collected data cannot be fully verified, the margin of error is deemed to be high.

The sectors included within the scope of the carbon tax scenario analysis are presented below. In the Bank's Climate Change Risk Heat Map, all these sectors are classified under the "High" risk category, with their prioritisation primarily based on their emission intensity. In addition, the electricity generation, metal production and cement sectors are also among those covered by the CBAM.

Sector	NACE[6]
Electricity Generation	D.35.11
Metal Production	C.24.10; C.24.20; C.24.31; C.24.32; C.24.33; C.24.34; C.24.42; C.24.51; C.24.52; C.24.53
Cement Production	C.23.51
Road Freight Transport	H.49.41
Air Passenger Transport	H.51.10

[6] *Not all sub-sectors under the relevant NACE code may be included in the scope of analysis. For example, for H.49.41, only sub-categories involving road freight transport have been included in the scope of the scenario analysis.*

2. Strategy

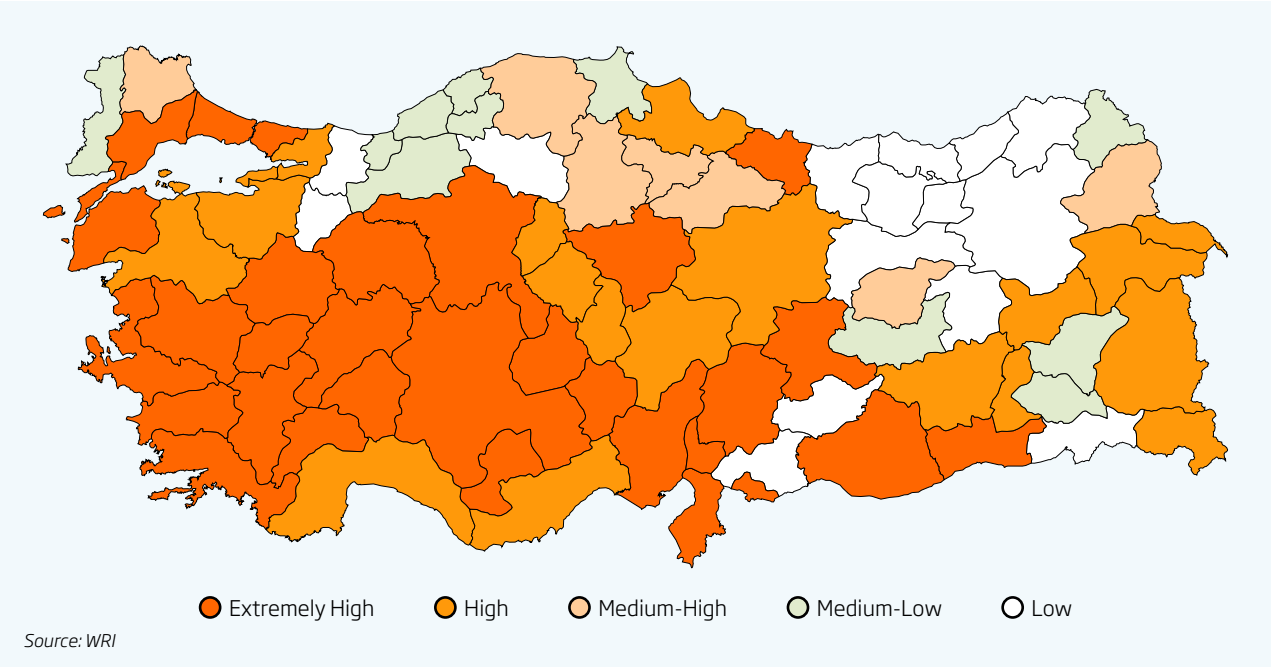
Scenario 4: Physical Risk – Drought/Water Stress – Agricultural Sector

As of year-end 2024, the Bank's cash loan balance to agricultural customers stands at approximately TL 52 billion. According to WRI Aqueduct data, 61% of the Bank's agricultural loan portfolio is concentrated in regions experiencing high water stress. Under a pessimistic scenario and assuming the current portfolio composition, this ratio is projected to rise to 65% by 2050. Within this context, the agricultural loans portfolio has been prioritised in the Bank's scenario analysis studies.

The depletion of water resources can lead to reduced soil fertility, decreased production efficiency, and increased costs, thereby posing a threat to food security. Since customers in the agricultural sector meet their financial obligations directly through production, any decline in output could weaken their debt repayment capacity.

Historically, periods have been observed in which drought and water stress have had visible impacts on agriculture. For example, in 2023, nationwide sunflower production is estimated to have declined by 13.8% due to these factors[7]. The most pronounced effect was recorded in the Thrace region, which accounts for 4% of the Bank's agricultural portfolio. In this region, significant yield losses were observed, and the default rates of customers operating there increased by approximately 50 basis points in a single year.

Türkiye Water Stress Map (2024)



Source: WRI

This analysis is based on a scenario in which a nationwide water stress event reduces the production levels of agricultural customers, thereby weakening their debt repayment capacity and increasing their probability of default, ultimately leading to higher expected credit loss provisions for the Bank. As water stress is a chronic physical risk, its material impact is expected to manifest over the long term. It is anticipated that water stress will become one of the most significant factors contributing to agricultural loan defaults in the long run.

To determine the long-term impacts of water stress risk, the scenario analysis module of the WRI Aqueduct tool was utilized. In line with the "pessimistic scenario" projections for 2050 under the RCP8.5 pathway, the portion of the Bank's portfolio that could be exposed to high water stress risk in the long term was identified. Due to the very limited availability of resources linking the level of water stress to default probability, the scenario analysis assumed that the drought-induced increase in default probability would be twice the level observed in the referenced historical event (i.e., 100 basis points).

[7] *Sunflower Status Forecast Report 2024, Republic of Türkiye Ministry of Agriculture and Forestry*

2. Strategy

Scenario 5: Physical Risk – Drought/Water Stress – Energy Sector

Semi-arid climate conditions prevail across 37.3% of Türkiye. This means that a significant portion of the country faces limited water resources and, at times, uneven water distribution. Water-dependent sectors—particularly hydroelectric power plants (HEPPs)—are directly affected by changes in water quantity and distribution. Increasing drought, declining water resources, and irregular precipitation patterns—especially in the central and southeastern regions of Türkiye—can significantly threaten the efficiency of HEPPs. In the event of severe and prolonged drought, declining water levels and water scarcity can severely restrict the electricity generation capacity of HEPPs. This situation may lead to lower capacity utilization rates and annual energy production falling below targeted levels.

Drought risk can directly impact the operational performance of HEPPs, resulting in revenue declines. Reduced reservoir water levels, fluctuations in water flow, and seasonal imbalances affect the continuity of electricity generation, thereby negatively impacting the cash flows of these facilities. Production losses can impair the plants' ability to meet their financial obligations, potentially leading to delays in loan repayments, loan restructurings, increased expected credit loss provisions, and—under worst-case conditions—defaults.

As of year-end 2024, the Bank's outstanding cash loan balance to HEPPs stands at approximately TL 19.7 billion, with the HEPP portfolio accounting for 37% of the Bank's renewable energy portfolio. According to the WRI Aqueduct tool[8], 45% of the Bank's HEPP portfolio is in basins with medium-to-high drought risk, while the remaining 55% is in basins with medium drought risk. Over the long term, drought risk is expected to increasingly and more severely affect the production capacity of HEPPs. Publicly available data on HEPPs operating in high drought risk regions indicate that annual production can decline by as much as 39% in areas experiencing prolonged drought.

The scenario analysis was implemented by applying a stress test to the expected credit loss provisions allocated for loans extended to hydroelectric power plants likely to be affected by drought risk, based on the potential production losses in such facilities.

[8] WRI Aqueduct is a mapping and analysis tool developed by the World Resources Institute (WRI). The platform aims to assess global water risks based on indicators such as water scarcity, flood risk, and water management.

2. Strategy

Results

The results of the Bank's scenario analysis study are presented below.

Scenario Analysis Results

Risk Factor	Climate Risk Type	Impact Channel	Expected Time Horizon	RCP4.5	RCP8.5	NGFS Current Policies	NGFS Net-Zero 2050	NGFS Delayed Transition
Heavy Precipitation	Physical	Direct Operations	Long	D	D	D	D	D
Severe Heatwave				D	OD	D	D	D
Carbon Taxation	Transition	Credit Portfolio	Medium			D	O	D
			Long			D	OY	O
Water Stress/Drought	Physical				OD			

Rating Scale	Low	Medium-Low	Medium	Medium-High	High
Financial Impact Scale (TL)	< 400 million	< 800 million	< 1.6 billion	< 3.2 billion	≥ 3.2 billion

Under the financial impact analysis, risks with an impact exceeding the higher of "5% of the average pre-tax profit for the last three years" or "1% of equity" are classified as "High."

Within the scope of the scenario analysis, it has been concluded that the maximum potential financial impact of the assessed climate change risk factors on the Bank could materialize at a "Medium-High" level. Furthermore, the potential long-term impact of a possible carbon pricing mechanism–under the NGFS Net-Zero scenario assumptions–has also been assessed as "Medium-High."

Details of these risk factors and the related strategic actions are presented in the **"Risk and Opportunity Inventory"** section. In addition, there are no climate-related risks or opportunities that would pose a material risk of requiring a significant adjustment to the carrying amounts of assets and liabilities reported in the relevant financial statements in the next financial reporting period.

3. Risk Management

3. Risk Management

The Climate Risk Management Framework, developed by İşbank in 2021, supports an approach aimed at guiding customers in complying with new regulations such as the European Green Deal and the CBAM, increasing the share of sustainability-themed loans and funding in the balance sheet, and reducing the Bank's greenhouse gas emissions. This framework continues to evolve in parallel with the Bank's climate strategies and the growing importance given to climate change-related matters.

The Climate Risk Management Framework is implemented across five main areas: identification, assessment, measurement, control, and monitoring of risks. The potential of climate change to adversely impact İşbank and its subsidiaries' business model, operations, assets, and activities is defined under the **"Climate Change Risk"** category in the Risk Catalogue. Climate risks are classified into two main categories: physical risks and transition risks. Physical risks are further divided into acute physical and chronic physical risks.

Transition risks are defined as risks related to current regulations, emerging regulations, technological risks, legal and regulatory risks, market risks, and reputational risks. The Bank's definitions for climate-related risks are provided in the **"Climate Change Risk Categories"** table in the Strategy section of the report.

Processes for managing climate change risks are defined in the **Climate Change Risk Policy**. Approved and enacted by the Board of Directors, the Policy sets out the principles and procedures for identifying, defining, assessing and/or measuring, monitoring, controlling, reporting, and managing climate-related risks to which the Bank may be exposed as a result of its activities. The Policy is reviewed at least once a year by the Risk Management Division and, where necessary, updated and submitted to the Board of Directors for approval through the Risk Committee and the Audit Committee. Oversight and monitoring of Bank-wide compliance with the Climate Change Risk Policy are ensured by the Audit Committee.

To ensure effective risk management at İşbank, policies established are monitored through a holistic approach. In this context, the risk policies used across the Bank within corporate risk management processes are listed below:

> Capital Adequacy Policy
> Operational Risk Policy
> Credit Risk Policy
> Asset-Liability Management Risk Policy
> Stress Testing Policy
> Climate Change Risk Policy
> Reputational Risk Policy
> Information Systems Risk Management Policy
> Model Risk Management Policy
> Compliance Risk Management Policy
> Consolidated Risk Policies

3. Risk Management

Climate Change Risk Management Framework

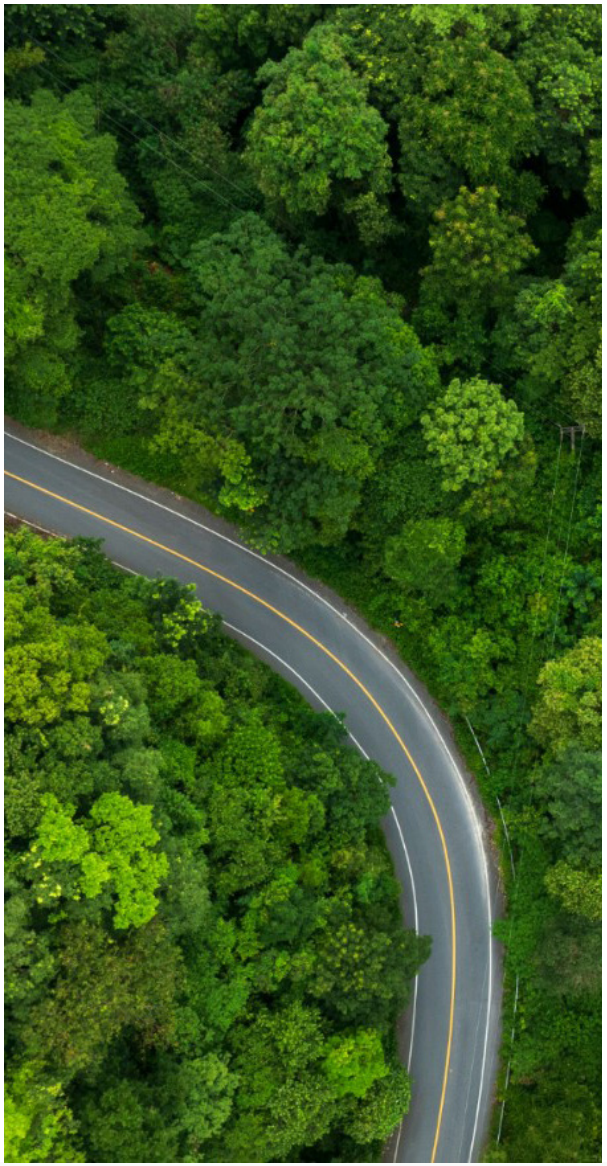
3. Risk Management

İşbank manages its financial and non-financial risks within the framework of the three lines of defense. The roles and responsibilities of the three lines of defense are defined as follows:

- The **first line** consists of the operational units and is responsible for identifying and assessing risks in line with the Bank's risk appetite, rules and procedures, as well as its control and risk strategies; for the continuous implementation of risk management; for the design and execution of process controls; and for reporting the results.
- The **second line** comprises the Risk Management Division, the Corporate Compliance Division, and the Internal Control Division, all reporting to the Board of Directors. The Risk Management Division is responsible for establishing and maintaining risk policies and the Risk Catalogue, setting and updating control objectives related to risks, measuring, monitoring, and reporting risks, and enhancing the risk management framework. The Internal Control Division is tasked with testing the effectiveness of controls, while the Corporate Compliance Division establishes the principles relating to policies and control objectives for compliance risks.
- The **third line** is the Board of Inspectors, which is responsible for independently auditing the effectiveness and adequacy of the risk management framework and control systems. The Board of Inspectors conducts an annual internal audit of the activities of the Risk Management Division.

3.1 Risk Management Processes

İşbank's risk management practices contribute to establishing a shared risk culture encompassing the Bank and its subsidiaries. The management of climate-related risks is an integral part of İşbank's overall risk management activities. While the Board of Directors is the highest authority for the Bank's overall risk governance, including climate-related matters, the Risk Committee, which operates under the Board of Directors, has been designated as the responsible body in this regard. The responsibilities of governance bodies in relation to risk management are explained in the **"Governance"** section of the report.



3. Risk Management

3.1.1 Risk Catalogue

Risks that may be encountered during operations are identified and classified through the Risk Catalogue. In addition to financial risks, the Risk Catalogue also defines non-financial risks such as climate change-related risks, environmental management risk, internal conduct/culture and ethical risks, employee practices and employee relations risks, and operational risk, all of which are considered within the scope of risk management activities. Both financial and non-financial risks are reported to the Risk Committee and, via the Audit Committee, to the Board of Directors monthly. Climate change-related risks are positioned as a strategic risk within the Risk Catalogue and are integrated into the Bank's overall risk management system.

This approach is based on the understanding that climate change-related transition risks and physical risks have an integrated impact on the Bank's business model, operations, assets, and activities. The adjacent diagram illustrates how climate change risk is positioned under non-financial risks.

Risk Classification

3. Risk Management

3.2 Assessment of Risk Impacts

In identifying the potential impacts of climate change-related risks on the Bank's business model and value chain, TSRS 1, TSRS 2, and the Guidance on the Application of Sector-Based Metrics under TSRS 2 are taken into consideration. The impacts of risks on the business model and value chain are addressed through a holistic approach covering financial, operational, strategic, and reputational dimensions.

When determining whether the impact of a risk is significant, reputational aspects are also qualitatively considered. A significant reputational impact arises when prolonged negative media coverage leads to reputational loss in the eyes of both customers and regulatory authorities, resulting in substantial customer attrition, significant administrative fines, and a material decline in the Bank's share price. A risk event's total impact is classified as "significant" if at least one of the financial or reputational impacts is assessed as "significant."

In assessing climate change-related risks, İşbank's commercial loan portfolio is classified by sector, and these sectors' exposure to climate change-related risks is analysed to support credit decision-making processes. In measuring risk, a mixed approach combining qualitative and quantitative analyses is adopted, using the Environmental Dependency and Impact Assessment, the Climate Risk Heat Map, and scenario analyses.

3.2.1 Environmental Dependency and Impact Assessment

İşbank uses the Environmental Dependency and Impact Assessment tool to identify and evaluate both the impacts of its own operations and credit portfolio on nature, and their dependencies on natural factors. In conducting this assessment, the Bank applies the latest version of the Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) tool and database, in conjunction with the Taskforce on Nature-related Financial Disclosures (TNFD)'s LEAP approach.

The TNFD defines the concepts of environmental dependency and environmental impact as follows:

- **Dependencies (environmental):** The elements of environmental assets and ecosystem services required for an organization to operate.
- **Impacts (on the environment):** Qualitative or quantitative changes in the state of nature that may alter its capacity to provide social and economic functions.

Within this scope, the Bank has analysed the environmental dependencies and impacts of its direct operations and its loan portfolio. If, for a sector or an International Standard Industrial Classification (ISIC) code, at least one environmental dependency or impact is assessed as being of "high" or "very high" significance, it is assumed that the sector is significantly exposed to the environmental risks associated with those dependencies and/or impacts.

- **Operations:** The environmental dependencies and impacts related to the Bank's daily operations are relatively low and are predominantly associated with its headquarters buildings, data centres, and branches.
- **Suppliers:** Suppliers operating in the construction, paper, plastics, and transportation sectors have a greater environmental impact. Environmental dependencies among service providers are higher in the food and construction sectors.

3. Risk Management

It is assessed that most significant environmental risks originate from the Bank's commercial loan portfolio. Similar to the analysis of direct operations, the assessment of the loan portfolio is based on ENCORE[9] data, mapping sectoral activities' dependencies and impacts to their share within the Bank's portfolio. This approach aims to identify sectors that are exposed to higher levels of environmental risk and therefore should be prioritised. In this context, a sectoral environmental risk assessment matrix has been developed. The analysis covers climate- and water-related transition and physical risks within the scope of environmental risks. The same approach is also applied to the Bank's suppliers. The key findings of the analysis are presented in the adjacent section.

Climate Risks:

- GHG emissions intensity stands out as the primary determinant of a sector's exposure to climate transition risks. Due to their high GHG intensities, sectors such as iron and steel production, building construction, fossil fuel-based energy generation, agriculture, forestry and fishing, manufacture of non-metallic mineral products, maritime and coastal water transport, mining and quarrying, and air transport are more exposed to climate change-related transition risks. These data align closely with the results of the Climate Change Risk Heat Map utilised by the Bank.
- Dependence on global and local climate regulations creates significant transition risks and/or physical risks for industries such as agriculture, forestry and fishing, mining and quarrying, as well as solar and wind energy generation.
- Dependence on storm mitigation measures is considered an important determinant of a sector's exposure to physical risks associated with climate change. Most subsectors within hospital activities, road and railway construction, maritime and coastal water transport, and agriculture, forestry and fishing are exposed to climate change-related physical risks due to this dependence.

Water Risks:

- Dependence on water resources and a stable precipitation regime stands out as one of the main factors influencing a sector's exposure to physical water risks. Due to their water dependency, sectors such as electricity generation, transmission and distribution; construction; basic iron and steel manufacturing; other manufacturing; agriculture, forestry and fishing; and mining and quarrying are more exposed to physical water risks.
- Sectors that cause significant water pollution because of their production processes constitute the primary components of water-related transition risks within the Bank's portfolio. Manufacturing; construction; agriculture, forestry and fishing; and mining and quarrying are more exposed to water transition risks due to their high levels of water-polluting waste.
- Dependence on water treatment is another key factor affecting a sector's exposure to water-related transition risks. Food and beverage manufacturing, human health activities, accommodation, agriculture, forestry and fishing, and food and beverage service activities are more likely to be affected by water-related transition risks due to their need for clean water.

[9] *ENCORE (Environmental Change and Organizational Risk Evaluation) is an environmental risk analysis tool developed through the collaboration of the United Nations Environment Programme Finance Initiative (UNEP FI) and the Natural Capital Finance Alliance (NCFA). Designed to help financial institutions assess environmental risks, the tool analyses the potential impacts of nature-related environmental changes (such as water stress, biodiversity loss, and climate change) on sectors and business activities.*

3. Risk Management

3.2.2 Climate Change Risk Heat Map

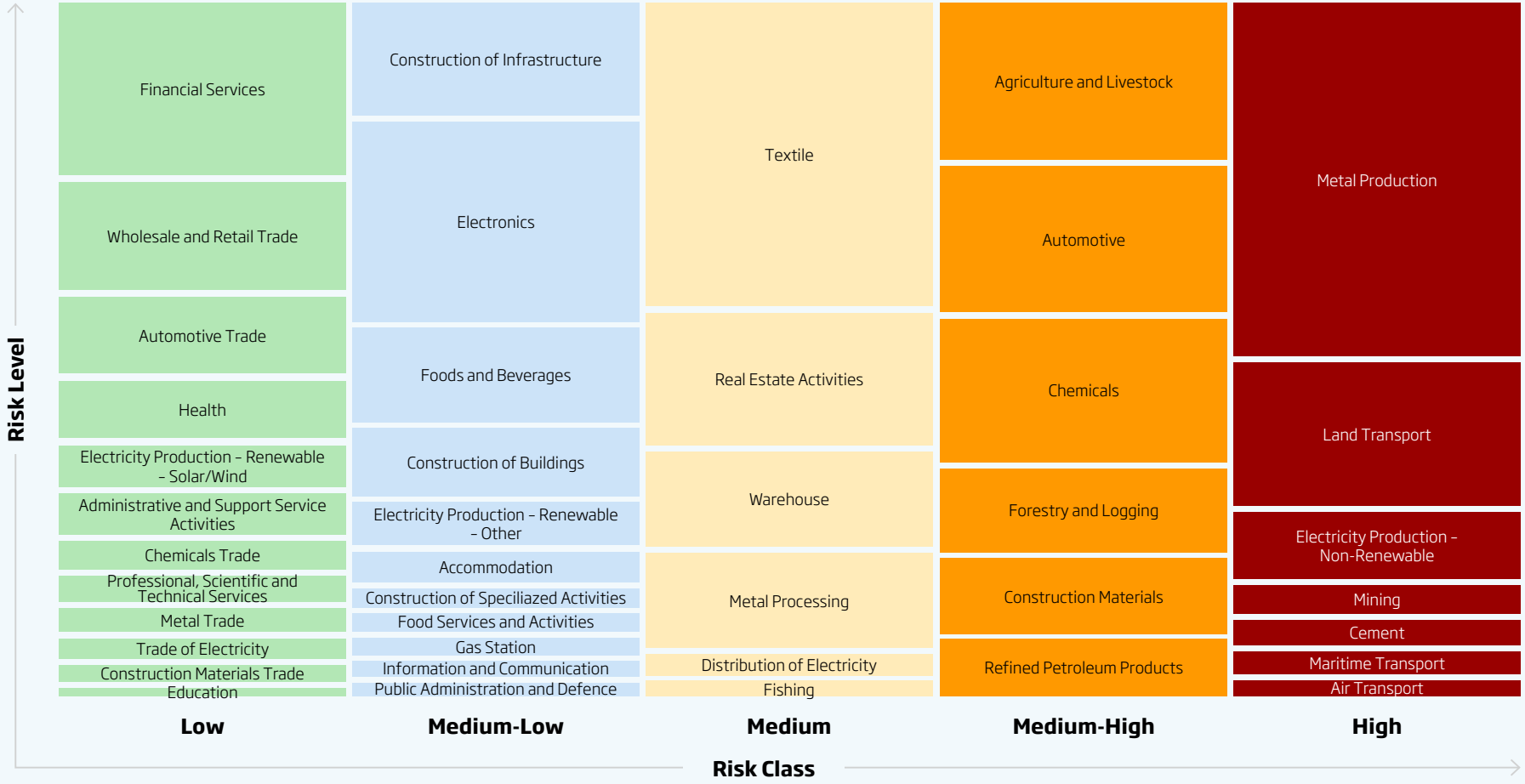
İşbank evaluates the exposure levels of the sectors to which it provides loans to climate change-related risks through the Climate Change Risk Heat Map. The Heat Map is used to identify the sectors that should be prioritised in risk assessment and to calculate exposure rates in high-risk sectors. The Bank's customer portfolio is analysed by sector and, when necessary, by sub-sector; qualitative and quantitative assessments are carried out within the scope of both transition risks and physical risks. These assessments draw on reports from international rating and assessment organizations, sectoral studies, and evaluations from relevant internal departments of the Bank. In the Heat Map, a five level risk scale is used to determine the extent to which each sector is exposed to climate change-related risks. Based on evaluations according to risk level and risk class, sectors' exposure to climate change-related risks are categorized as "Low," "Medium-Low," "Medium," "Medium-High," and "High."

- The Climate Change Risk Heat Map is prepared considering the Bank's commercial loan portfolio. The total balance of on-balance sheet and off-balance sheet loans at the reporting date is used as an indicator of the size of credit risk.
- Appropriate sector breakdowns are created to best identify and manage the types of risks that may arise from climate change on a sectoral basis. Within this approach, the aim is to establish sector and sub-sector breakdowns at the most detailed level possible, focusing on sectors that differ significantly in their exposure to climate change-related risks.
- The share of sectors with determined risk levels in the Bank's loan portfolio is calculated by aggregating the outstanding loan balances to companies operating in those sectors.

3. Risk Management

Climate Change Risk Heat Map (31.12.2024)

As of December 2024 - Climate Change Risk Heat Map of the Bank's Commercial Loan Portfolio by Sector



3. Risk Management

As of 31 December 2024, the sectors identified as being exposed to high levels of climate change-related risks on the heat map are as follows:

> Metal Production
> Mining
> Electricity Production – Non-renewable
> Land Transport
> Air Transport
> Cement
> Maritime Transport

3.2.3 Environmental and Social Risk Assessment Model

İşbank and TSKB consider not only environmental impacts but also social impacts in their investment and lending activities. İşbank evaluates the investments it finances by first conducting an initial assessment using question sets prepared according to the type of investment, followed by sector-specific question sets relevant to the sector in which the investment operates. In this evaluation, the Bank uses the Environmental and Social Risk Assessment Model (ESRA), which determines the environmental and social risk score of the investments.

When determining the environmental and social risk score of investments, İşbank applies a model that is tailored to the type of investment and sector and is aligned with global standards for risk measurement. The Bank evaluates all new projects with an investment value exceeding USD 10 million using the ESRA framework.

Under the ESRA framework, all assessed projects are evaluated against the following criteria:

> Whether a social impact assessment has been conducted for the project, including aspects such as gender equality, prevention of sexual harassment, non-discrimination, prohibition of child labour, and human rights risk assessment.
> Whether there is any ongoing or closed lawsuit filed against the project, or a strong community objection to it.
> Whether the loan to be provided will be used in areas that will reduce the environmental and social impacts of the company.
> Whether there is an occupational health and safety, environmental, and social management system in place at the project site, along with relevant procedures.
> Whether the project will cause physical or economic displacement.

Under the ESRA framework, financed investments–such as new facility development, capacity expansion and/or additional facilities, as well as refinancing or acquisition projects–are first subjected to a preliminary assessment using question sets tailored to their scope, followed by additional sector-specific question sets to deepen the analysis. These question sets cover risk areas defined by regulations, including environmental impact assessment, natural resource use, waste management, air-soil-water quality, noise and dust emissions, occupational health and safety, and community health and safety.

Based on the evaluations, projects are classified into four main categories according to their environmental and social risk levels: High (A), Medium-High (B+), Medium-Low (B-), and Low (C). For projects classified as high risk, reports containing various measures and action plans are required. These analyses are conducted in greater detail for investment amounts exceeding the quantitative threshold, and monitoring frequency is increased in line with the magnitude of risks. During the reporting period, 97 projects underwent environmental and social risk assessment.

3. Risk Management

İşbank assigns an independent environmental consultant, not limited to high-risk (A category) projects, whenever deemed necessary. The independent consultant conducts site visits and desk research to identify the status and potential environmental and social impacts of the project. Following this work, the consultant prepares and submits to the Bank both an Environmental and Social Due Diligence (ESDD) report–which includes the status of all permits/approvals related to environmental obligations, their compliance and consultant remarks–and an Environmental and Social Action Plan (ESAP) outlining measures to mitigate, eliminate, and manage the identified impacts. If deemed necessary, the consultant is also tasked with monitoring the ESAP items at specified intervals throughout the loan term.

At TSKB, the management of environmental, social and climate-related risks and opportunities integrated into credit processes is monitored through the internally developed ERET, IRDA and SDG Mapping Models, with evaluations presented to senior management in the credit committee.

The ERET model analyses the environmental and social risks of projects, providing inputs to the Bank's credit rating system, while the IRDA model evaluates climate risks in financed projects at an early stage to facilitate their integration into credit decision processes. The TSKB Risk Catalogue addresses climate risks alongside other risk types, ensuring ongoing alignment with corporate processes in their management. Additionally, TSKB monitors the alignment of its financing structure with SBTi and NZBA targets by analysing the impact of each loan on these targets. Loans are also assessed within the framework of long-term sustainable finance objectives and the Sustainable Development Goals (SDG) Mapping Model.

When analysing the status of climate risks and opportunities, IRDA scores, Heat Map analyses, and SBTi targets are considered to assess how the portfolio may be affected by these factors in the future, within the set targets. In line with climate risk assessments, sectors with high exposure are closely monitored and sector-specific stress tests are applied. Through these efforts, TSKB aims to manage the environmental and social impacts of its portfolio and enhance climate resilience.

3.2.4 Assessment of Water-Related Risks

At İşbank, water-related risks are addressed holistically within the framework of corporate risk management. In terms of the Bank's own operations, water-related risks are evaluated under the "Physical Damage Risk" category within operational and climate change-related risk classifications. Potential risks such as flooding, damage to assets caused by heavy rainfall, and/or service interruptions are assessed using the "Top-Down Risk Assessment" methodology–an approach employed to identify and prioritise operational risks that may be encountered during business activities.

For its direct operations, the Bank also conducts an annual "Environmental Risk Assessment" that covers water risks related to water use, waste management, compliance with legal obligations, employee health and safety, and other water-related risks associated with suppliers.

3. Risk Management

3.3 Prioritisation of Risks

İşbank determines its priorities through prioritisation analyses conducted across its value chain and reviewed periodically. These dynamic, top-down analyses consider evolving regulations and standards, corporate strategies, and prominent topics on the global agenda. During the analysis process, performance indicators linked to strategic issues, risks and opportunities related to priorities, and stakeholder expectations are considered.

Climate change-related risks are regarded not only as a direct risk to which the Bank may be exposed but also as risks that may arise due to other risks encountered during business operations. These risks primarily manifest through their impact on conventional risks, most notably credit risk. İşbank evaluates climate change-related risks as an overarching risk category capable of influencing various other risk types, including credit risk, operational risk, liquidity risk, and reputational risk.

In assessing climate change-related risks, the Bank considers their effects on conventional risk types through specific transmission channels.

Potential risks for each subcomponent are illustrated with examples, and possible interactions with other risk types are presented in the Examples of Indirect Impacts of Climate Risk on Other Risks table.

Examples of the Indirect Impacts of Climate Risk on Other Risks

Sub-Risk Type	Affected Risk Type	Example
Regulatory Risk	Credit Risk	The introduction of new emission standards is expected to exert downward pressure on the cash flows of coal producers, which may, in turn, elevate their default risk
Technology Risk	Credit Risk	Emerging technology requirements in production processes driven by climate change may adversely impact certain customers in the Bank's portfolio, leading to a deterioration in their financial performance
Supply-Demand Risk	Credit Risk	Rising demand for electric vehicles is expected to place pressure on the cash flows of conventional vehicle manufacturers, thereby elevating their default risk
Reputation Risk	Liquidity Risk – Funding Risk	Failure to meet investor expectations on climate change and a potential decline in ESG ratings may restrict the Bank's access to various funding channels
Acute Physical Risks	Operational Risk – Natural Disasters	Flood events driven by climate change may cause physical damage to the Bank's service buildings
Chronic Physical Risks	Credit Risk	Permanent temperature increases may weaken the financial performance of agricultural sector borrowers and reduce their debt repayment capacity

Climate change-related transition and physical risks are prioritised internally based on the strategic significance of each risk type. In this context, transition risks are considered high priority for the Bank due to Türkiye's 2053 net-zero target and the associated regulatory developments, such as carbon taxes, CBAM and green finance regulations.

In its risk assessment process, the Bank particularly considers factors such as the carbon intensity of financed sectors and their level of preparedness for the transition. Physical risks are prioritised according to their potential for direct impacts on branch operations, infrastructure investments, IT systems, and customer activities, as well as the magnitude of such impacts.

3. Risk Management

When prioritising physical and transition risks, criteria such as the likelihood of occurrence, potential financial impact, effect on the customer portfolio, geographical distribution and impact on corporate strategy are considered. A structured approach has been adopted under the Climate Risk Management Framework to ensure the systematic evaluation of risks.

İşbank bases its prioritisation of climate change-related risks on its sustainable finance approach. During the reporting period, the Bank initiated improvements aimed at integrating the calculation of the Green Asset Ratio (GAR)–aligned with Türkiye's 2053 net-zero target and designed to assess the banking sector's exposure to climate-related risks and the alignment of economic activities with green criteria–into its sustainability strategy. Developed in line with the EU Taxonomy, this framework enables analysis of the share of sustainable activities within the credit portfolio and classification of climate-related risks by sector and activity. These enhancements are consolidated under the Sustainability Analysis System (SÜRAS).

3.4 Monitoring of Risks

İşbank monitors climate change-related risks through the Risk and Opportunity Inventory, which is developed from a value chain perspective and consolidates the risks and opportunities of the Bank's subsidiaries. Within this inventory, a total of 36 climate change-related risks–comprising 19 physical risks and 17 transition risks–as well as 20 climate-related opportunities have been examined.

3.4.1 Risk Appetite Framework

In line with the decision of the Bank's Board of Directors dated 30 September 2021, the indicator "The Share of Sectors with High Climate Change Risk within the Total Commercial Portfolio" has been incorporated into the Bank's solo risk appetite framework. This aims to prevent an increase in the concentration of sectors highly exposed to climate change risks in the portfolio and to guide the shaping of the portfolio composition in future periods. This indicator–reported to the Risk Committee and the Board of Directors at least quarterly–reveals the portfolio's risk level together with the Bank's defined risk appetite and tolerance levels. It also supports aligning the portfolio composition with the Bank's decarbonization strategy.

Any breaches of these limits, as well as the Bank's overall climate change-related risk profile, are regularly monitored by the Risk Management Division and the Risk Committee and escalated to the Board of Directors when necessary. In 2024, no limit breaches were recorded.

Indicator Risk Profile – "The Share of Sectors with High Climate Change Risk within the Total Commercial Portfolio"

Indicator	Data Date	Calculation Frequency	Risk Profile
The Share of High Climate Change Risk within the Total Commercial Portfolio*	31.12.2024	Quarterly	12.7%

**Calculated based on the total of on-balance sheet and off-balance sheet loan balances.*

3. Risk Management

As of 31 December 2024, the share of sectors with high climate change risk in the total commercial loan portfolio was calculated at 12.7%. Since the inception date of the the indicator, no breaches have occurred in the risk appetite or risk tolerance limit.

The results of the Climate Change Risk Heat Map and the indicator derived from this analysis–reflecting the share of high climate change risk sectors in the total commercial portfolio–are updated monthly by the Risk Management Division for monitoring purposes. In addition, these are reported on a quarterly basis to the Risk Committee and, via the Audit Committee, to the Board of Directors.

Climate change risk appetite and tolerance levels are periodically reviewed to reflect İşbank's long-term strategy for decarbonising its loan portfolio. Any changes, when deemed necessary, are approved by the Board of Directors before implementation.

Furthermore, since 2020, İşbank has disclosed information on its Climate Change Risk Management Framework, objectives, and measurement approaches in its Internal Capital Adequacy Assessment Process (ISEDES) reports.

3.5 Opportunity Management Processes

Strategic decisions related to climate change are approached through an integrated assessment of both risks and opportunities. The processes used for risk management are also applied–consistently and coherently–to identify, evaluate, prioritise, and monitor climate-related opportunities. In this context, sustainability and climate-related opportunities are assessed across the entire value chain.

İşbank shapes its sustainability strategy towards building an inclusive and resilient economy, identifying, evaluating, prioritising, and tracking a wide range of opportunities in line with this approach. With its robust financial structure and proactive business strategy, the Bank can capitalise on emerging opportunities quickly, leveraging strong synergies with its subsidiaries to access new business areas. Products developed specifically for disadvantaged groups not only enhance social inclusion but also strengthen customer penetration.

Supporting customers in their green transition and accelerating their decarbonization processes is identified as one of the Bank's key levers. Analyses in this area are carried out in alignment with the PCAF methodology to prioritise the financing of sustainability-themed projects, while close collaboration with customers ensures a deeper understanding of their current and future decarbonization efforts. Through products and services that contribute to combating climate change and support the transition to a net-zero economy, the Bank finances projects with high environmental and social impact potential. Prioritisation is based on criteria such as financial return potential, environmental and social impact level, and investor demand, with products containing use-of-proceeds conditions in areas like renewable energy and resource efficiency taking precedence. This strategy facilitates the capture of growth opportunities in sectors such as renewable energy investments.

Looking ahead, İşbank aims to continue issuing sustainable bonds, considering future funding needs and market conditions. In line with this objective, the Bank prioritises establishing new partnerships to expand access to sustainable finance. Monitoring of these opportunities is carried out under the Sustainable Finance Framework, established in 2021, with annual allocation and impact reports tracking performance.

The impact of climate change on water resources and the resulting increase in water stress pose business continuity risks for many sectors. This drives demand for water-related products and services. Businesses focusing on water efficiency, greywater recycling, wastewater treatment, and sustainable agriculture face a growing need for financing, which the Bank seeks to address through tailored opportunities. By financing customers active in these areas, İşbank both generates environmental benefits and capitalises on the long-term opportunities arising from sustainable products and services.

4. Metrics and Targets

4. Metrics and Targets

4.1 Climate-related Metrics

Cross-sector Metric Mapping

Metrics	Relevant Report Pages
Greenhouse Gas Emissions	Page 67
Climate-related Transition Risks	Pages 24, 28
Climate-related Physical Risks	Pages 25, 26, 27
Climate-related Opportunities	Page 29
Capital Allocation	Page 36
Internal Carbon Pricing	Page 67
Remuneration	Page 16

Greenhouse Gas Emissions

İşbank has adopted the financial control approach in determining its organisational boundaries. Accordingly, the scope includes all service points based on its operations, as well as the subsidiaries listed in the **"Annexes"** section of the report.

Greenhouse Gases and Emission Sources

Within the framework of calculations conducted in accordance with the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, the scopes of Scope 1 and Scope 2 greenhouse gas emissions are classified as follows:

Direct Greenhouse Gas Emissions (Scope 1)

> Emissions from all owned/leased vehicles
> Emissions from fuels used for heating in owned/leased buildings
> Refrigerant gases (air conditioning gases)
> CO_2 fire extinguishers and systems
> Use of diesel generators

Energy-Indirect Emissions (Scope 2)

> Electricity consumption

Greenhouse Gas Calculation Methodology

The calculations were based on IPCC emission factors, which are the most widely used and reliable source in this field. No country-specific emission factors have been established for Türkiye. For the 2024 greenhouse gas inventory, values published in the 6th Assessment Report (2021) were used. In line with the intended use of the greenhouse gas inventory, country-specific net calorific values and fuel density data were also applied in the calculations.

Within the boundries defined for İşbank, IPCC Tier 1 methodology was used for general calculations, while Tier 2 methodology was applied for activity data containing national information. For Scope 2 emissions calculations, the electricity emission factor published in 2022 by the Ministry of Energy and Natural Resources of the Republic of Türkiye was applied (0.442 $kgCO_2e$/kWh).

The reporting covers electricity consumption not only for İşbank but also for its subsidiaries. Accordingly, the Group's total electricity consumption in 2024 was 47,808,308.58 kWh. Greenhouse gas emissions from electricity consumption were calculated separately under both the location-based and market-based approaches.

Under the market-based approach, the Bank and certain subsidiaries have utilized I-REC (International Renewable Energy Certificate) certificates, thereby certifying that all or part of the electricity consumed was sourced from renewable energy. Through I-REC certificates, a reduction of 136,830 tCO_2e in Scope 2 emissions has been achieved. Information regarding, I-REC usage has been evaluated based on declarations and emissions data provided by the relevant entities. Accordingly, the market-based Scope 2 emissions of İşbank and its I-REC-certified subsidiaries[10] are calculated as zero.

[10] *Anadolu Hayat Emeklilik A.Ş.*
Anadolu Anonim Türk Sigorta Şirketi A.Ş.
İşbank AG
İş Gayrimenkul Yatırım Ortaklığı A.Ş.
İş Faktoring A.Ş.
Moka Ödeme ve Elektronik Para Kuruluşu A.Ş.
İş Kültür Yayınları A.Ş.
İş Merkezleri Yönetim ve İşletim A.Ş.
İş Net Bilgi Üretim Dağıtım Tic. Ve İletişim Hizm. A.Ş.
Arap Türk Bankası A.Ş.

4. Metrics and Targets

For certain other subsidiaries, no I-REC certified electricity consumption is available. Accordingly, electricity consumption within this scope has been evaluated in market-based calculations by considering local grid emission factors.

Greenhouse Gas Emissions

	Scope 1 (Gross) (tCO_2e)	Scope 2 Location-Based (Gross) (tCO_2e)	Scope 2 Market-Based (Gross) (tCO_2e)	Total Emissions (Gross) (tCO_2e)
İşbank	20,040	51,020	-	20,040
Consolidated Subsidiaries*	7,199,410	1,074,400	988,979	8,188,389
Total	**7,219,450**	**1,125,420**	**988,979**	**8,208,429**

**99.6% of the total emissions from subsidiaries are attributable to Şişecam.*

As part of this reporting, Scope 1 and Scope 2 emissions of associates that are not consolidated by İşbank through financial control but are considered under Category 15 "Investments" of Scope 3 emissions, have also been included. These emissions, as declared by the relevant associates, are reported collectively within İşbank's Scope 3 (Category 15) emissions under investment activities. In this context:

> Scope 1 emissions: 611 tCO_2e
> Scope 2 (location-based): 6,847 tCO_2e
> Scope 2 (market-based): 6,471 tCO_2e

Climate-Related Risks and Opportunities

> Percentage of assets or business activities vulnerable to climate-related transition risks[11]: 8.3%
> Percentage of assets or business activities aligned with climate-related opportunities: 4.44%

[11] *The calculation includes İşbank and TSKB.*

Internal Carbon Pricing

The EU CBAM, among other climate-focused policies, has initiated a transformation process in the financial systems of many countries. In this context, integrating internal carbon pricing into analysis processes supports banks in aligning with future regulations and is increasingly being implemented, particularly in sectors that will be directly affected by CBAM. Accordingly, internal carbon pricing serves not only as a tool for assessing environmental risks but also as a practice of strategic and financial importance.

Internal carbon pricing is a risk management tool that assigns a monetary value to the carbon emissions generated by the activities of İşbank's customers assessed within the scope of project finance. This enables these emissions to be incorporated into decision-making processes and allows for a more effective evaluation of the financial impacts of carbon-intensive investments. Under this approach, the price determined for each ton of CO emitted is reflected as a cost component in customers' credit assessment and financial analysis processes. Although there is currently no cash outflow or tax liability, this method enables the Bank to systematically assess climate impacts in its decision-making processes.

Within the Shadow Pricing Model, internal carbon pricing is used solely as a scenario analysis tool for projects falling under the scope of CBAM; while emissions are assigned a price, no actual payment is made. In this framework, to assess the costs of greenhouse gas emissions, the Bank monitors market conditions and the assumptions outlined in the NGFS Net-Zero scenario for unit carbon pricing.

4. Metrics and Targets

4.2 Sector-Spesific Metrics

İşbank

Based on evaluations conducted in line with SASB sector-specific metrics, indicators aligned with financially material climate-related risks and opportunities have been identified and are presented below:

Code	Metric	
FN-CB-410a.2	Description of the approach to incorporating ESG factors into credit analysis	Assessment of Risk Impacts – Environmental and Social Risk Assessment Model (p. 60)

Şişecam

Energy Management Metrics

Metric	Şişecam Consolidated 2024 Performance	Architectural Glass	Industrial Glass	Glass Packaging	Glassware	Chemicals	Energy	Other*
Total Energy Consumption (GJ)	**90,787,121**	**23,800,419**	**1,876,259**	**19,006,120**	**7,031,092**	**33,524,634**	**4,758,402**	**790,195**
Natural Gas	*65,540,005*	*21,456,982*	*722,953*	*15,892,138*	*5,896,641*	*16,468,677*	*4,752,459*	*350,155*
Coal	*13,469,527*	*-*	*-*	*-*	*-*	*13,469,527*	*-*	*-*
LPG	*357,541*	*286,969*	*1,828*	*22,821*	*45,923*	*-*	*-*	*-*
Diesel	*175,597*	*46,886*	*873*	*76*	*3,811*	*39,637*	*-*	*84,314*
Other	*39,100*	*-*	*-*	*-*	*39,100*	*-*	*-*	*-*
Electricity by Source (GJ)	**11,205,351**	**2,009,582**	**1,150,605**	**3,091,085**	**1,045,617**	**3,546,793**	**5,943**	**355,726**
Grid	*9,400,158*	*1,863,948*	*1,150,605*	*3,057,093*	*1,045,617*	*1,921,564*	*5,943*	*355,388*
Renewable	*18,610*	*18,272*	*-*	*-*	*-*	*-*	*-*	*338*
Recovered Energy	*1,786,584*	*127,362*	*-*	*33,992*	*-*	*1,625,229*	*-*	*-*
Renewable Energy Certificates	663,956	64,959	348,739	228,305	-	-	-	21,953
Specific Energy Consumption (GJ/gross ton)	**	**7.31**	**-**	**6.48**	**15.87**	**7.43**	**-**	**0.17**

** Includes companies operating in import, export, mining, environmental systems, packaging waste recovery, non-hazardous waste recovery, AZS refractory block production and sales for glass manufacturing, holding activities, and insurance brokerage services.*
*** Provided on an activity basis.*

4. Metrics and Targets

4.3 Climate-Related Targets

İşbank considers the sustainable use of natural resources and the minimization of environmental impacts as fundamental responsibilities of both individuals and institutions. Guided by this understanding, the Bank aims to conduct its operations in a manner that reduces its negative impacts on the environment and is firmly committed to fulfilling its responsibilities regarding climate action. The strategic targets and commitments set in this context are supported by concrete actions within the Bank.

4.3.1 Emission Reduction Targets

Scope 1 and Scope 2 Emission Reduction Targets

İşbank

As part of its efforts to combat climate change, İşbank has developed a strategy addressing climate-related risks and incorporated these risks into its corporate Risk Catalogue. In line with the GHG Protocol: A Corporate Accounting and Reporting Standard, the Bank initially set a target to reduce total gross Scope 1 and Scope 2 emissions by 38% by 2025 and 65% by 2030, compared to the 2018 baseline year, and to achieve carbon-neutral operations by 2035. However, as of 2023, the Bank had already reduced combined Scope 1 and Scope 2 emissions by 77% compared to the baseline year, leading the Bank to bring forward its carbon-neutral operations target date to 2026.

In 2020, İşbank's Scope 1 and Scope 2 emissions were approximately 78,000 tCO_2e. The Bank has been carrying out energy and resource efficiency initiatives aimed at reducing its Scope 1 emissions. Analyses have shown that around half of these emissions originate from energy consumption in service buildings. Accordingly, transformation plans prioritizing energy and resource efficiency have been developed, especially for branches where existing systems need to be maintained due to climate conditions. The installation of heat pumps and high-efficiency HVAC systems are among the most common improvement measures in branches.

Approximately one-quarter of branches are suitable for electrification, while another quarter already operates without fossil fuels. This necessitates a phased transformation approach that accounts for both technical and climatic constraints in reducing building-related emissions. Under the electrification program launched in 2024, the transformation of about 10% of eligible branches is expected to be completed by the end of 2025.

On the other hand, more than half of total emissions stem from fuel consumption for transportation. With 85% of İşbank's vehicle fleet comprising passenger cars, priority is given to transitioning this segment to electric vehicles. While most passenger vehicles in the fleet are hybrid, the gradual shift toward fully electric vehicles is aligned with vehicle lease renewal schedules. These renewal periods provide a key opportunity to transition the fleet to a low-carbon structure. The expansion of electric vehicle use is also creating the need for more EV charging stations, with the Bank targeting a fourfold increase in installed stations—a significant step towards achieving its 2026 carbon-neutral operations goal.

İşbank began procuring renewable energy in 2021 and, as of 2022, has sourced 100% of its electricity consumption from renewable sources, thereby fulfilling its Scope 2 reduction commitments. As a result of these initiatives, the Bank has reduced emissions from its own operations to around 20,000 tCO_2e by 2024.

4. Metrics and Targets

Şişecam

For Şişecam, 2024 has been designated as the baseline year for emission targets. Accordingly, progress toward these targets will be reported in future disclosure periods.

The Group's greenhouse gas emission target is based on a net emissions approach. In addition to direct emission reduction measures, the decarbonization strategy also integrates complementary mechanisms such as carbon offsetting and renewable energy certificates. This approach aims to mitigate the impact of local and sector-specific constraints in the regions where the Group operates.

Target-Setting and Review Process

At Şişecam, sustainability targets are treated as an integral part of the corporate strategy. The Group's sustainability and climate strategies are reviewed and updated in line with global megatrends, regulatory developments, sector expectations, and stakeholder feedback. Under the leadership of the Sustainability Directorate, the monitoring and development of climate targets are conducted in an integrated manner within the Group's strategic decision-making processes.

Şişecam reports its GHG emission reduction targets in a way that is consistent with its corporate GHG inventory, covering Scope 1, Scope 2, and Scope 3 emissions. These data are independently verified by third parties to ensure accuracy and reliability. Progress is monitored under senior management oversight, with performance indicators such as energy consumption, cullet utilization, and renewable energy share reported to the Board of Directors on a quarterly basis. This reporting framework enables regular monitoring of progress and timely strategic actions where necessary.

The process of setting and reviewing targets is periodically evaluated and updated in alignment with the Group's corporate strategy, international regulations, and sectoral decarbonization roadmaps.

Climate/ Sustainability	Target Type	Description	Metric	Metric Unit	Purpose of Target	Base Year	Target Year	Progress Towards Target
Climate	Quantitative	Carbon-Neutral (Scope 1, Scope 2, and Scope 3 emissions)	Scope 1, Scope 2, and Scope 3 emissions	tCO_2e	Reduction	2024	2050	-
Sustainability	Quantitative	Development of 53 MW Installed Renewable Energy Capacity	Installed Renewable Energy Capacity	MW	Alignment	2020	2030	10 MWp
Sustainability	Quantitative	15% Reduction in Freshwater Consumption	Freshwater Consumption Intensity	m^3/gross ton	Reduction	2020	2030	27.7%
Sustainability	Quantitative	35% Use of External Glass Cullet in Glass Packaging	Amount of External Glass Cullet in Glass Packaging	ton	Alignment	-	2030	10.4%

4. Metrics and Targets

Performance Towards Climate Targets

Despite a 3.2% increase in total production volume (gross tonnage) compared to the previous year, Scope 1 emissions increased by 7.4%. However, the stability of emissions per unit of production indicates that energy efficiency improvements and process optimization measures have helped limit the growth in emissions intensity.

In addition, waste heat recovery applications, renewable energy investments, and improvements in national grid emission factors have contributed to a 1.5% reduction in location-based Scope 2 emissions compared to the previous year. Including the impact of green electricity procurement certificates, market-based Scope 2 emissions decreased by 8.5%.

To achieve Scope 2 emission reductions, the Group uses renewable energy certificates such as I-REC and Guarantee of Origin (GO). Apart from these certificates, the Group currently does not utilize carbon credits from voluntary carbon markets.

Net-Zero Targets

In April 2022, within the scope of of its commitments as a signatory to the Net-Zero Banking Alliance (NZBA), İşbank completed gross emissions measurement and calculation for its entire lending portfolio in alignment with international standards. The Bank then expanded its work through customer-level analyses and sector-specific assessments in carbon-intensive industries, setting 2030 emission reduction targets for all sectors defined as carbon-intensive by NZBA. When determining these reduction targets, the Bank considered the reference pathways provided by leading international organizations, namely the International Energy Agency (IEA), the Science Based Targets initiative (SBTi), and the Transition Pathway Initiative (TPI).

IEA, SBTi, and TPI play critical role in shaping sector-based transition pathways critical to global climate action. The IEA provides data-driven scenarios for carbon reduction across multiple sectors, SBTi enables companies in these sectors to set science-based targets aligned with the Paris Agreement, and TPI complements these efforts with analyses assessing sectoral and company-level alignment with low-carbon goals.

Accordingly, in 2023, İşbank publicly disclosed its 2030 emission reduction targets for the power generation, cement, and iron & steel sectors. In 2024, the Bank completed target-setting for the remaining five carbon-intensive sectors identified by NZBA–aluminium, real estate, road freight transport, oil and gas, and agriculture. Following the completion of data collection for Scope 3 emission categories, including financed emissions, the Bank will carry out the relevant calculations once the transition relief period granted under TSRS concludes, and will disclose its Scope 3 emissions at the end of this period.

In 2020, İşbank announced that it would no longer finance new thermal power plant investments using coal or natural gas for electricity generation, and in 2021, it declared that it would cease financing new coal mining projects. In 2023, in line with NZBA commitments, the Bank announced that it would end all financing of coal-related activities by 2040. As part of its phased coal exit, İşbank will terminate financing for coal mining, coal-related logistics and subcontracting activities, and infrastructure services allocated to support coal-related operations by 2040.

4. Metrics and Targets

NZBA Sectoral Emission Reduction Targets (2021 Base Year)

Sector	Metric	Reference Scenario	Emission Scope	2030 Reduction Target
Power Generation	$kgCO_2e/MWh$	International Energy Agency (IEA – NZE 2050)	1+2	-61%
Cement	$kgCO_2e/t$ cement	Science Based Targets – 1.5°C (SBTi 1.5°C)	1+2	-21%
Iron & Steel	$kgCO_2e/t$ steel	Science Based Targets – 1.5°C (SBTi 1.5°C)	1+2	-10%
Coal	Phase-out by 2040			

NZBA Sectoral Emission Reduction Targets (2023 Base Year)

Sector	Metric	Reference Scenario	Emission Scope	2030 Reduction Target
Aluminium	$kgCO_2e/t$ Al	Transition Pathway Initiative (TPI)	1+2	-7%
Real Estate	$kgCO_2e/m^2$	International Energy Agency (IEA – NZE 2050)	1+2+3	-36%
Oil & Gas	$kgCO_2e/MJ$	Transition Pathway Initiative (TPI)	1+2+3	-15%
Road Freight Transport	gCO_2e/tkm	Network for Greening the Financial System (NGFS)	1+2	-20%
Agriculture – Wheat	$kgCO_2e$/ton wheat	Science Based Targets – 1.5°C (SBTi 1.5°C)	1+2	-14%
Agriculture – Maize	$kgCO_2e$/ton maize	Science Based Targets – 1.5°C (SBTi 1.5°C)	1+2	-15%
Agriculture – Rice	$kgCO_2e$/ton rice	Science Based Targets – 1.5°C (SBTi 1.5°C)	1+2	-16%

4.3.2 Sustainable Finance Target

At the beginning of 2023, İşbank committed to providing TL 300 billion in sustainable financing over three years and TL 100 billion in financing to women entrepreneurs over five years, with the aim of creating inclusive, sustainable, and shared economic value. As of the first quarter of 2025, both targets had already been met–reaching the TL 300 billion sustainable finance goal for the 2023–2026 period and the TL 100 billion women entrepreneurs financing goal for the 2023–2028 period. Both commitments have since been extended and expanded through to the end of 2028, with the sustainable finance target, which includes green loans, increased to TL 650 billion.

Subsequent Events

From the end of the reporting period to the date on which this document was approved for publication, no material transaction or event has occurred that would require disclosure in this report.

Annexes

Annexes

Group Entities

As of 31 December 2024, the list of subsidiaries, associates and jointly controlled entities is presented below:

Subsidiaries
Camiş Ambalaj Sanayii A.Ş.
Camiş Egypt Mining Ltd Co
Camiş Elektrik Üretim A.Ş.
Camiş Madencilik A.Ş.
Cromital SPA
JSC Mina
Merefa Glass Company Ltd
OOO Energosystems
OOO Posuda
OOO Ruscam Glass Packaging Holding
OOO Ruscam Management Company
Oxyvit Kimya Sanayii ve Ticaret A.Ş.
Pacific Soda LLC
Paşabahçe Bulgaria EAD
Paşabahçe Egypt Glass Manufacturing SAE
Paşabahçe (Shanghai) Trading Co. Ltd.
Paşabahçe Glass Gmbh
Paşabahçe Mağazaları A.Ş.
Paşabahçe Spain SL
Paşabahçe SRL
Paşabahçe USA Inc
Refel SpA

Subsidiaries
Richard Fritz Prototype Spare Parts Gmbh
SC Glass Trading BV
Şişecam Automotive Bulgaria EAD
Şişecam Automotive Germany GmbH
Şişecam Automotive Hungary Kft
Şişecam Automotive Romania SA
Şişecam Automotive Rus JSC
Şişecam Automotive Rus Trading LLC
Şişecam Automotive Slovakia S.R.O.
Şişecam Chemicals Resources LLC
Şişecam Chemicals Wyoming LLC
Şişecam Flat Glass Italy SRL
Şişecam Flat Glass South Italy SRL
Şişecam Glasspackaging Hungary Kft
Şişecam Investment B.V.
Şişecam UK PLC
Şişecam USA Inc.
Şişecam Wyoming LLC
Şişecam Bulgaria EOOD
Şişecam Çevre Sistemleri A.Ş.
Şişecam Dış Ticaret A Ş
Şişecam Elyaf Sanayii A.Ş.

Subsidiaries
Şişecam Enerji A.Ş.
Şişecam Flat Glass India Private Limited
Şişecam Otomotiv A.Ş.
Şişecam Sigorta Aracılık Hizmetleri A.Ş.
Şişecam Soda Lukavac DOO
Şişecam Trading Co.
Trakya Glass Bulgaria Ead
Trakya Glass Rus AO
Trakya Glass Rus Trading OOO
Trakya Investment BV
TRSG Glass Holding BV
Türkiye Şişe ve Cam Fabrikaları A.Ş.
Anadolu Anonim Türk Sigorta Şirketi
Anadolu Hayat Emeklilik A.Ş.
Efes Varlık Yönetim A.Ş.
İş Faktoring A.Ş.
İş Finansal Kiralama A.Ş.
İş Gayrimenkul Yatırım Ortaklığı A.Ş.
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
İş Portföy Yönetimi A.Ş.
İş Yatırım Menkul Değerler A.Ş.
İş Yatırım Ortaklığı A.Ş.

Annexes

Subsidiaries
İşbank AG
JSC Isbank Georgia
JSC İşbank
Levent Varlık Kiralama A.Ş.
Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.
Maxis Investments Ltd
Milli Reasürans T A.Ş.
Moka Ödeme ve Elektronik Para Kuruluşu A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.
Türkiye Sınai Kalkınma Bankası A.Ş.
Yatırım Finansman Menkul Değerler AŞ
Yatırım Varlık Kiralama A.Ş.
Miltaş Turizm İnşaat Ticaret A.Ş.
Trakya Yatırım Holding A.Ş.
Bayek Tedavi Sağlık Hizmetleri Ve İşlet
Topkapı Danışmanlık Elektronik Hizmetler Pazarlama ve Ticaret A.Ş.
Pazarama Sigorta Aracılık Hizmetleri A.Ş.
Softtech Yazılım Teknolojileri A.Ş.
Softtech (Shanghai) Technology Co. Ltd.
TIBAS Ventures BV
Yüzüncü Yıl Teknoloji Girişimleri A.Ş.
Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş.
İş Sanat A.Ş.

Subsidiaries
Livewell Giyilebilir Sağlık Ürün Hizm. A.Ş.
Maksmarket Danışmanlık Elektronik Hizm Tic A.Ş.
MaxiTech Inc.
Ödesis Finansal Teknoloji Girişimleri A.Ş.
Is Technology Investments B.V.
İş Dijital Varlık Teknolojileri A.Ş.
Erişim Müşteri Hizmetleri AŞ
Gullseye Lojistik Teknolojileri A.Ş.
İmecemobil Tarım Platformu Elektronik Hizm Tic A.Ş.
İş Merkezleri Yönetim Ve İşletim A.Ş.
İş Net Elektronik Bilgi Üretim Dağ Tic A.Ş.
Kültür Yayınları İş Türk Anonim Şirketi
Şua Elektrik Üretim A.Ş.
Is Energy Investments BV
Is Energy Romania SRL
İş Enerji Yatırımları A.Ş.
Metafor Yenilenebilir Enerji ve Elektrik Üretim A.Ş.
Enaş Enerji Yatırımları A.Ş.
Inci Yenilenebilir Enerji Elektrik Üretim A.Ş.
İş Yenilenebilir Enerji Proje Yönetimi Danışmanlık A.Ş.
Jourma GmbH
Knot Enerji Elektrik Üretim A.Ş.

Associates
Arap Türk Bankası
Hamurlabs Elektronik Hizmetler Yazılım Tic. A.Ş.
Kredi Kayıt Bürosu A.Ş.
Radore Veri Merkezi Hizmetleri A.Ş.
Saint Gobain Glass Egypt SAE
Solvay Şişecam Holding AG
ICRON Teknoloji Bilişim Anonim Şirketi
Saint-Gobain Egypt For Glass Industries S.A.E.

Joint Control
Anavarza Otelcilik A.Ş.
Stockton Soda Ash Port LLC
IS United Payment Systems Limited
Kanyon Yönetim İşletim ve Pazarlama A.Ş.
Maxi Digital GmbH
Polat Enerji Yatırımları A.Ş.
Rudnik Krecnjaka Vijenac DOO
Soli SPP Enerji Sanayi ve Ticaret A.Ş.
Sportive Spor Malzemeleri Tic. A.Ş.

Annexes

Board of Directors Matrix

Competencies*	Adnan Bali	Güzide Meltem Kökden	Hakan Aran	Fazlı Bulut	Durmuş Öztekin	Recep Hakan Özyıldız	Mustafa Rıdvan Selçuk	Ahmet Gökhan Sungur	Sadrettin Yurtsever	Şebnem Aydın	Bahattin Özarslantürk
Independent		✓						✓	✓		
Audit / Corporate Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Banking / Investment / Insurance / Pensions / Stock Exchange / FOREX	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Technological Competence / Digitalization & Information Technologies (Cybersecurity)			✓					✓			
Mergers & Acquisitions (M&A) and/or Capital Markets		✓				✓					
Public Policy				✓	✓	✓	✓				
Environmental / Social	✓		✓						✓	✓	
Entrepreneurship / Innovation	✓	✓	✓								
Communication, Marketing / Customers Service	✓	✓	✓						✓	✓	✓
International	✓		✓								

** Prepared in accordance with the Glass Lewis Board Skills Matrix.*

Annexes

Calculation Principles Regarding Metrics

The information provided in this guide covers the financial year ended 31 December 2024 and includes the operations under the responsibility of Türkiye İşbank and its financial and non-financial subsidiaries, as detailed in the "Key Definitions and Reporting Scope" section.

Subsidiaries;
> Anadolu Anonim Türk Sigorta Şirketi
> Anadolu Hayat Emeklilik A.Ş.
> İş Faktoring A.Ş.
> İş Finansal Kiralama A.Ş.
> İş Gayrimenkul Yatırım Ortaklığı A.Ş.
> İş Merkezleri Yönetim ve İşletim A.Ş.
> İş Net Elektronik Bilgi Üretim Dağıtım Tic.ve İletişim Hizmetleri A.Ş.
> İş Yatırım Menkul Değerler A.Ş.
> İşbank AG
> Joint Stock Company İşbank (JSC İşbank)
> Kültür Yayınları İş Türk Anonim Şirketi
> Milli Reasürans T.A.Ş.
> Türkiye Sınai Kalkınma Bankası A.Ş.
> Trakya Yatırım Holding A.Ş.
> Yatırım Finansman Menkul Değerler A.Ş.
> Şişecam A.Ş.

General Reporting Principles

In preparing this guidance document, the following principles have been observed:
> In the preparation of information – emphasizing the fundamental principles of appropriateness and reliability of the information for its users.
> In the reporting of information – emphasizing the principles of comparability/consistency with other data, including the previous year, and the principles of clarity/transparency that provide users with a clear understanding.

Annexes

Key Definitions and Reporting Scope

For the purposes of this report, the Company provides the following definitions:

Capital	Indicator	Scope
Environmental	Türkiye İşbank and Subsidiaries Scope 1 Emissions (tCO_2e)	During the reporting period, this refers to the metric tons of carbon dioxide equivalent (tCO_2e) of direct greenhouse gas emissions resulting from stationary combustion sources at the specified locations of Türkiye İşbank and its subsidiaries, including natural gas consumption tracked via invoices, diesel and gasoline consumption in generators, diesel and gasoline consumption of leased and owned company vehicles, and refrigerant gas refills for fire extinguishers and cooling devices as tracked through the maintenance company's service forms. The Company calculates greenhouse gas emissions in accordance with the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (GHG Protocol, 2004). Biogenic emissions are not included in total Scope 1 emissions.
	Türkiye İşbank A.Ş. and Subsidiaries Scope 2 Emissions – Market-Based (tCO_2e)	During the reporting period, this refers to the metric tons of carbon dioxide equivalent (tCO_2e) of indirect greenhouse gas emissions from indirect energy consumption at the specified locations of Türkiye İşbank and its subsidiaries, calculated from electricity use tracked via invoices and the indirect emissions from energy systems used in branches and headquarters buildings, minus the amount of purchased renewable energy certificates (e.g., I-REC). The Bank calculates greenhouse gas emissions in accordance with the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (GHG Protocol, 2004).
	Türkiye İşbank A.Ş. and Subsidiaries Scope 2 Emissions – Location-Based (tCO_2e)	During the reporting period, this refers to the metric tons of carbon dioxide equivalent (tCO_2e) of indirect greenhouse gas emissions from indirect energy consumption at the specified locations of Türkiye İşbank and its subsidiaries, calculated from electricity use tracked via invoices and the indirect emissions from energy systems used in branches and headquarters buildings. The Bank calculates greenhouse gas emissions in accordance with the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (GHG Protocol, 2004).
	Total Energy Consumption (GJ)	During the reporting period, this refers to the value in gigajoules (GJ) obtained by converting the consumption of energy sources that make up Scope 1 and Scope 2, as described above, at the specified locations of Türkiye İşbank and its subsidiaries.

** Due to discrepancies between the office information and the electricity consumption data provided by Maxis Investment, the data was updated using an estimate based on the electricity consumption and number of employees of the İş Yatırım Menkul Değerler A.Ş. headquarters, which is consolidated under İş Yatırım.*

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Data Preparation

1. Environmental Indicators

Total Energy Consumption (GJ)

Within the scope of direct energy consumption of İşbank and its subsidiaries, primary fuel sources reported include natural gas, vehicle fuels (diesel and gasoline), and generator diesel consumption.

The energy conversions used were carried out based on the following calculations:

The references used in the calculation are provided in the table below:

Energy Source	Net Calorific Value	Unit	Reference
Fuel (diesel) consumption – company vehicles	10,200	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Fuel (gasoline) consumption – company vehicles	10,400	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Fuel (diesel) – off-road	10,200	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Fuel (gasoline) – off-road	10,400	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Fuel (natural gas)	8,250	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Fuel (fuel oil)	9,860	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Fuel (coal)	3,500	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2
Generator (diesel)	10,200	kcal	Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, Annex-2

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Scope 1 Greenhouse Gas Emissions (tCO_2e)

Scope 1 emissions have been calculated in compliance with the TSRS and within the framework of the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, applying the financial control principle.

In the calculations, CO_2, CH_4, and N_2O conversion factors to CO_2 equivalents were used. The emission factors applied were sourced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, while the Global Warming Potential (GWP) coefficients were obtained from the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report.

Formula: Emission Amount (tCO_2e) = Activity Data (lt-m^3-ton) x Emission Factor (CO_2-CH_4-N_2O) (Kg/TJ)

The energy sources constituting Scope 1 include natural gas consumption, fuel consumption, coal consumption, diesel consumption, vehicle fuel consumption, and the use of refrigerant gases and fire extinguishing systems.

Natural Gas

Natural gas consumption is monitored in cubic meters (m^3) through invoices obtained from service providers at the consumption locations.

Vehicle Fuels

For owned and leased vehicles, consumption of diesel and gasoline is monitored through invoices obtained from service providers at the respective consumption locations.

Refrigerant Gases and Fire Extinguishers

Consumption of fire extinguishing agents and refrigerant gases is tracked based on refill slips and equipment leakage rates.

Emission Source - Scope 1	CO_2 ($kgCO_2$/TJ)	CH_4 ($kgCH_4$/TJ)	N_2O (kgN_2O/TJ)	Reference
Fuel (diesel) consumption – company vehicles	74,100	3.9	3.9	IPCC 2006, Volume 2, Chapter 3
Fuel (gasoline) consumption – company vehicles	69,300	3.8	5.7	IPCC 2006, Volume 2, Chapter 3
Fuel (diesel) – off-road	74,100	4.15	28.6	IPCC 2006, Volume 2, Chapter 3
Fuel (gasoline) – off-road	69,300	50	2	IPCC 2006, Volume 2, Chapter 3
Fuel (natural gas)	56,100	1	0.1	IPCC 2006, Volume 2, Chapter 2
Fuel (fuel oil)	77,400	3	0.6	IPCC 2006, Volume 2, Chapter 2
Lignite (coal)	101,000	10	1.5	IPCC 2006, Volume 2, Chapter 2
Sub-bituminous coal	96,100	1	1.5	IPCC 2006, Volume 2, Chapter 2
Generator (diesel)	74,100	3	0.6	IPCC 2006, Volume 2, Chapter 2

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Emission Source - Scope 1 Refrigerant Gases	GWP ($kgCO_2e/kg$)	Reference
R32	771	IPCC 6th Assessment Report
R22	1,960	IPCC 6th Assessment Report
R410A	2,255.50	IPCC 6th Assessment Report
R411A	1,733.04	IPCC 6th Assessment Report
R412A	3,289	IPCC 6th Assessment Report
R413A	2,182.50	IPCC 6th Assessment Report
R414A	1,549.25	IPCC 6th Assessment Report
R415A	1,636.72	IPCC 6th Assessment Report
R416A	1,138.52	IPCC 6th Assessment Report
R417A	2,507.84	IPCC 6th Assessment Report
R418A	1,885.70	IPCC 6th Assessment Report
R419A	3,170.50	IPCC 6th Assessment Report
R404A	4,728	IPCC 6th Assessment Report
R407C	1,907.93	IPCC 6th Assessment Report
R134A	1,530	IPCC 6th Assessment Report
R290	3	IPCC 6th Assessment Report
R600A	0.06	IPCC 6th Assessment Report
CO_2	1	IPCC 6th Assessment Report
HFC 227	3,600	IPCC 6th Assessment Report
HFC 236	8,690	IPCC 6th Assessment Report
Halon 1301	7,200	IPCC 6th Assessment Report
SF	24,300	IPCC 6th Assessment Report

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Scope 2 Greenhouse Gas Emissions (tCO_2e)

Scope 2 emissions have been calculated in compliance with the TSRS and within the framework of the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, applying the financial control principle.

In the calculations, CO_2, CH_4, and N_2O conversion factors to CO_2 equivalents were used. For electricity, the emission factors applied are based on the 2022 national electricity emission factor published in 2024 by the Ministry of Energy and Natural Resources.

Formula: Emission Amount (tCO_2e) = Activity Data (kWh-h) x Emission Factor (CO_2-CH_4-N_2O) (Kg/TJ)

The energy source constituting Scope 2 is electricity consumption. Calculations are carried out using the following approach:

Electricity

Electricity consumption is monitored in kilowatt-hours (kWh) through invoices obtained from service providers at the respective consumption locations.

Emission Source - Scope 2	Emission Factor (tCO_2e/MWh)	Reference
Türkiye Electricity Energy (Grid-Sourced)	0.442	ETKB-EVÇED-FRM-042 Rev.01

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Significant Judgements and Measurement Uncertainties

The Bank's process for identifying financially material sustainability-related risks and opportunities, as well as determining the material information to be reported, is based on forecasts and forward-looking information. These include expectations regarding key sector-specific performance indicators such as profit before tax and equity over the short, medium, and long term. Such assessments require the use of estimates for certain amounts that cannot be directly measured. The assumptions regarding operational boundaries and emission calculations are provided under the section Data Preparation, while the metrics-related information is disclosed on page 67 of this Report.

To estimate the potential impacts of sustainability-related risks and opportunities, the Bank utilises global climate scenarios such as NGFS Current Policies, NGFS Net-Zero 2050, NGFS Delayed Transition, and IPCC RCP4.5 and RCP8.5. These scenarios aim to evaluate the frequency, intensity, and timing of events to which the Bank may be exposed in the context of physical and transition risks arising from climate change. However, the climate projections and assumptions used in these scenarios inherently contain uncertainties–particularly due to potential unforeseen changes in the nature and behaviour of weather events. Accordingly, the analyses involve significant management judgement and assumptions and may require consideration of alternative scenario pathways for estimating future physical and financial impacts.

The estimates and forward-looking information presented on pages 24 and 28 of this Report regarding the company's potential exposure to the transition to a lower-carbon economy, and the potential additional financial obligations arising therefrom, reflect expectations for the short, medium, and long term.

Similarly, the calculation steps for the financial impacts of global warming, as presented on pages 25, 26, and 27, and the potential changes in the company's financial performance in line with these impacts, are based on forecasts and forward-looking information for the short, medium, and long term.

The financial statement impacts disclosed on pages 24 and 25 represent expected credit loss provisions for loans. The Bank recognises expected credit loss provisions in accordance with the provisions of TFRS 9 Financial Instruments. TFRS 9 is a complex accounting standard that requires significant judgement and interpretation in practice. Such judgements and interpretations are critical in the development of financial models used to measure expected credit losses on loans measured at amortised cost. The accounting policies for calculating these provisions are disclosed in the audited financial statements.

Restatement Statement

The measurement and reporting of assured data inevitably involves a degree of estimation. At the Group level, a restatement may be considered if a change exceeding 5% is identified in the reported data.

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Independent Assurance Statement

CONVENIENCE TRANSLATION INTO ENGLISH OF PRACTITIONER'S LIMITED ASSURANCE REPORT ORIGINALLY ISSUED IN TURKISH
INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON TÜRKİYE İŞ BANKASI A.Ş. AND ITS SUBSIDIARIES SUSTAINABILITY INFORMATION IN ACCORDANCE WITH TURKISH SUSTAINABILITY REPORTING STANDARDS

To the General Assembly of Türkiye İş Bankası A.Ş.

We have undertaken a limited assurance engagement on Türkiye İş Bankası A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), sustainability information for the year ended 31 December 2024 in accordance with Turkish Sustainability Reporting Standards 1 "General Requirements for Disclosure of Sustainability-related Financial Information" and Turkish Sustainability Reporting Standards 2 "Climate Related Disclosures" ("Sustainability Information").

Our assurance engagement does not extend to information in respect of earlier periods or other information linked to the Sustainability Information (including any images, audio files, document embedded in a website or embedded videos).

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the 'Summary of the work we performed as the basis for our assurance conclusion' and the evidence we have obtained, nothing has come to our attention that causes us to believe that Group's Sustainability Information for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with Turkish Sustainability Reporting Standards published in the Official Gazette dated 29 December 2023, and numbered 32414(M) and issued by Public Oversight Accounting and Auditing Standards Authority (the "POA") . We do not express an assurance conclusion on information in respect of earlier periods.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Inherent Limitations in Preparing the Sustainability Information

As discussed in "Calculation Principles Regarding Metrics" on pages 77 to 83 the Sustainability Information is subject to inherent uncertainty because of incomplete scientific and economic knowledge. Greenhouse gas emission quantification is subject to inherent uncertainty because of incomplete scientific knowledge. Additionally, the Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts.

Responsibilities of Management and Those Charged with Governance for the Sustainability Information

Management of Türkiye İş Bankası A.Ş. are responsible for:

- The Group management is responsible for the preparation of the sustainability information in accordance with Turkish Sustainability Reporting Standards;
- Designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error;
- The Group Management is also responsible for the selection and implementation of appropriate sustainability reporting methods, as well as making reasonable assumptions and developing estimates in accordance with the conditions.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

Practitioner's Responsibilities for the Limited Assurance on Sustainability Information

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Directors of Türkiye İş Bankası A.Ş.
- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the Company's internal control.
- Design and perform procedures responsive to where material misstatements are likely to arise in the sustainability information. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of Sustainability Information.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Professional Standards Applied

We performed a limited assurance engagement in accordance with Standard on Assurance Engagements 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and, in respect of greenhouse gas emissions included in the Sustainability Information, in accordance with Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements, issued by POA.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") issued by the POA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent and multidisciplinary team including assurance practitioners, sustainability and risk experts. We used the work of experts, in particular, to assist with determining the reasonableness of Group's information and assumptions related to climate and sustainability risks and opportunities. We remain solely responsible for our assurance conclusion.

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Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise.

In carrying out our limited assurance engagement on the Sustainability Information, we:

- Inquiries were conducted with the Group's key senior personnel to understand the processes in place for obtaining the Sustainability Information for the reporting period
- The Group's internal documentation was used to assess and review the information related to sustainability;
- Considered the presentation and disclosure of the Sustainability Information.
- Through inquiries, obtained an understanding of Group's control environment, processes and information systems relevant to the preparation of the Sustainability Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- Evaluated whether Group's methods for developing estimates are appropriate and had been consistently applied, but our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Group's estimates;
- Obtained understanding of process for identifying risks and opportunities that are financially significant, along with the Group's sustainability reporting process.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ali Yörük, SMMM
Independent Auditor

İstanbul, 5 August 2025

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Company Information

Trade Name: Türkiye İş Bankası Anonim Şirketi

Trade Registry Number: 431112

Address: İş Kuleleri 34330 Levent/İstanbul

Website: www.isbank.com.tr

Company News and Financial Data

İşbank's financial statements, independent audit reports, annual reports, press releases, and material event disclosures are available in both Turkish and English on the Investor Relations page of the Bank's corporate website.

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Reporting Advisory

KPMG Yönetim Danışmanlığı A.Ş.


TÜRKİYE İŞ BANKASI