

I. OBJECT AND SCOPE

This policy aims to set forth the principles to be considered by İşbank (the Bank) concerning its activities that have an environmental and social impact.

II. FOUNDING PRINCIPLES

1. The Bank follows up the changes in the national legislation concerning environmental and social issues and ensures that the required measures are taken.
2. The Bank supports national and international initiatives and follows up the latest developments in Turkey and the world in communication with various stakeholders including civil society organizations, universities and public institutions.
3. The Bank maintains effective communication by taking into account the opinions, needs, demands and expectations of its stakeholders on environmental and social issues.
4. The Bank develops and implements long-lasting, far-reaching and widespread social responsibility projects that foster social development, that are aligned with the needs of the country, mainly in the fields of education, environment and arts and culture.
5. The Bank takes measures for the prevention and/or minimization of negative environmental and social impacts arising from its operational activities, ensures that its resource and energy efficiency is increased and supports projects for improvement in this field.
6. The Bank commits to reduce its negative impacts on environment. Within this context, the Bank aims to improve its performance on the practices of energy efficiency, efficient use of water, reducing greenhouse gas emissions and waste generation and recycling. The Bank manages its activities within this scope regarding the environmental management system established in international standards. It transparently shares its activities and goals in this field with its stakeholders in its sustainability reports.
7. The Bank reviews its activities to increase the efficient use of water, improve water quality, protect and preserve water resources at its service locations and aims to reduce water consumption per employee.
8. The potential environmental and social impacts arising from the investment projects that are financially supported by the Bank are evaluated within the contexts of national and international law, regulations and good practices, and new investment, refinancing/capacity expansion and acquisition projects that exceed a certain limit of investment cost are subjected to Environmental and Social Risk Assessment Tool. In line with the risk category determined as a result of comprehensive environmental and social assessments including biodiversity, cultural heritage and OHS issues, it is ensured that investment companies take measures to reduce these impacts by preparing "Environmental and Social Management Plan", "Environmental and Social Action Plan" and "Biodiversity Action Plan" when considered necessary. In this framework, the projects are regularly monitored in order to check whether they have taken the necessary actions.
9. The Bank sets objectives to regularly measure its greenhouse gas emissions, which are the main reason of climate change, and to engage in activities to reduce those in line with its commitments for reduction, and undertakes to share the obtained results with all the stakeholders.
10. The Bank informs its clients on the issues of climate change and sustainability, and supports them in the development of environmental and/or sustainability practices.
11. Within the scope of the struggle against the climate change, the Bank supports environmental investments for renewable energy, energy efficiency, recycling and waste reduction as well as the protection and recovery of environmental conditions, all of which have an important role in the sustainable development of our country. It aims to mediate the green transformation of its customers by developing environment friendly products and lending activities.
12. By taking into account the risks related to climate and water arising from both its direct operations and lending activities the Bank works to manage these risks.
13. Within the scope of Net Zero Banking Alliance commitments, the Bank shares its emission reduction targets in the agriculture, aluminum, cement, iron and steel, oil and gas, power generation, real estate and freight transport sectors and its status against the targets with the public.

14. The Bank continuously improves its processes by providing healthy and safe working environment with preventive, corrective and protective approaches within the scope of the related legislation and practices concerning occupational health and safety. In the projects financed after being subject to environmental and social risk evaluation, the Bank also supports its clients in reducing the risks that may arise with regard to occupational health and safety and in complying with the effective legislation.
15. The Bank ensures that required actions are taken on projects which are funded and exceed the Bank's threshold on risk scale and which require implementation of stakeholder engagement and grievance mechanism processes within the context of the risk analysis in terms of the environmental and social impacts.
16. The Bank monitors the activities that are prohibited or restricted by the national legislation and the international agreements, to which Turkey is a party, within the scope of its "Exclusion List" set in the appendix of this policy. The Bank does not finance these activities, regardless of their size and any environmental and social impact assessments.
17. In order to reduce inequalities and increase financial inclusion, the Bank carries out efforts focusing on disadvantaged groups within the scope of its business activities. Based on feedback from its customers and market research, the Bank innovatively develops financial services to address the needs of these groups.
18. In parallel with the Bank's phase out commitment of coal, the Bank will phase out the financing (excluding receivables transferred to NPL accounts) of the following areas of activity defined as coal and coal-related by 2040:
 - coal mining,
 - activities related to the logistics of coal and subcontracting activities,
 - infrastructure services allocated/reserved to support coal-related activities.

Coal-related activities that the Bank does not finance are included in the annex of the Policy.

III. SUPERVISION/AUDIT

This policy is executed by the related Head Office divisions under the supervision of the Sustainability Committee. Compliance with the provisions of this policy is audited within the context of internal audit. Principles to perform the action plans that are required for the elimination of findings detected during the aforementioned audits are determined by the Sustainability Committee.

IV. REVISION

At least once in a year, this policy is reviewed by the Sustainability Committee in accordance with the requirements and changing operating conditions. Required revisions and amendments, which are submitted to the Board of Directors by the Sustainability Committee, go into effect with the approval of the Board.

This policy is available on the corporate website of İşbank.

V. EFFECTIVENESS

This policy, has been approved by the Board of Directors and gone into effect on the date of 31.12.2014.

Appendix: İşbank Exclusion List

İşbank, to the best of its knowledge, does not provide financing to the activities of companies that operate in the following fields and/or in the following manner:

- Production or trade of products and activities that are prohibited pursuant to the effective local legislation and/or international agreements.
The related prohibitions include but not limited to the following areas of activity:
 - Production and/ or trade of drugs, pesticides, herbicides and materials that damage the ozone layer, which are prohibited pursuant to international agreements.
 - Trade of wild life elements and products governed by CITES Agreement⁽¹⁾.
 - Cross-border trade of waste and waste products that do not comply with Basel Agreement⁽²⁾ and related international agreements, to which Turkey is a party.
 - Production and/or trade of PCB⁽³⁾ or prohibited types of asbestos or products containing those.
- Activities, in which forced labour⁽⁴⁾ and hazardous child labour⁽⁵⁾ are used, and activities where child labour are used in which employment of child labour is prohibited in scope of national and international regulations.
- Activities against human rights.
- Activities that result in a significant change, damage or eradication of cultural assets included in UNESCO World Heritage List and UNESCO World Heritage Provisional List.
- Production of weapons of mass destruction and land mines.
- Activities that are carried out in wetlands that are identified as RAMSAR Zones in scope of the Convention on Wetlands of International Importance especially as Waterfowl Habitats (RAMSAR Convention).
- Diamond mining and diamond trade in the countries that are not involved in "Kimberley" process.
- Activities where drift-nets are used in the hunting of fisheries.
- Affairs which are related with pornography or prostitution.
- Transportation of oil and other hazardous substances via tankers that do not comply with the requirements of International Maritime Organization (IMO).
- Loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation.
- New coal mining investments.
- Capacity increase of existing coal mines and coal-fired power plants.
- New coal mines using the Mountain Top Removal Mining (MTR/MTM)⁽⁶⁾ method.
- Gold mining conducted by using cyanide.
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.
- Companies that engage in or are found to be involved with the production and/or trading of radioactive substances (excluding power plants that meet the highest international standards built to meet the essential energy needs of a country and are essential for the national economy, medical equipment, quality control devices, and other cases where the radioactive substances are used in a limited manner, in negligible quantities and with appropriate protection in place).
- Trade in goods without the required export/import licenses or other evidence of transit authorization.

⁽¹⁾ CITES: Convention on the International Trade in Endangered Species of Wild Fauna and Flora.

⁽²⁾ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

⁽³⁾ PCB (Polycarbonate Biphenyl): A highly poisonous group of chemicals that exist in the oiled transformers, capacitors and switch-gears, the production of which particularly dates back to years 1950-1985.

⁽⁴⁾ As defined in ILO (International Labour Organization) Conventions, forced labor refers to businesses and services, which are not voluntarily performed and which are performed by a person with the use of force or threat of punishment.

⁽⁵⁾ The minimum age limit of child labor must be in line with the definitions made in ILO Conventions on Basic Human Rights and international regulations.

⁽⁶⁾ Mountaintop Removal Mining/Mountaintop Mining.