

C0. Introduction

C0.1

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

Heading towards celebrating its 100th anniversary in 2024, İşbank has been operating as the symbol of trust and stability in all segments of the society with all the values it has created. Established as the 1st national bank of the Republic, İşbank has been one of the prominent economic actors in the country with its support for economic development. İşbank leads the banking sector in Turkey with its products and services offered in the corporate, commercial, retail and private banking segments. İşbank Group is an integrated group with its subsidiaries operating in many sectors. As of the end of 2022, İşbank has direct partnership in 29 companies. The number of companies controlled directly/indirectly by Bank is 136. With its wide shareholder base, the number of İşbank shareholders is nearly 240 thousand. İşbank Member's Supplementary Pension Fund, an institution that has the membership of nearly 49 thousand employees and retirees, holds 37.31% of the Bank's capital. Representing trust and prestige in the eyes of society, İşbank's 23,309 employees serve approximately 22.8 million customers as of 2022 year-end. With its total asset size of TRY 1,408.3 billion along with 1,110 domestic branches & 6,169 ATMs in total, İşbank is the largest private bank in Turkey. With its 21 overseas branches in total, the Bank provides services in 14 branches in the Turkish Republic of Northern Cyprus, two each in the UK, Iraq, Kosovo, and one in Bahrain. Alongside its widespread branch network, İşbank expands its digital service channels day to day. Global trends, social risks imposed by population growth and inequality, environmental factors related to climate change, and increasing transparency expectations from all stakeholders have been redesigning ways of doing business in the banking sector as well as in many others. This transformation process, offering opportunities if well managed in addition to a number of threats it brings along, obliges banks which are among the key elements of sustainable development, to implement new approaches in business models. We fulfill the commitments of the Principles of the UNGC, and thus contribute to the SDGs with a responsible financing approach, which handles economic, social & environmental effects as a whole. In 2022, the material topics reviewed with a "double materiality" approach were divided into 3 groups. Our performance and targets on topics identified as "highly important" have been shared in detail in the Integrated Annual Report. Sustainability priorities were defined in accordance with the AA1000 Stakeholder Engagement Standard in such a way that it reflected the opinions of İşbank employees and external stakeholder expectations. Sustainability has been placed among the strategic priorities, and it has been integrated into core business by embedding ESG considerations into risk management processes, product & service development and long-term strategies at İşbank. As a financial institution, we are aware of our responsibility in transitioning to carbon neutral economy. İşbank has determined its emission reduction strategy and targets to become a carbon-neutral bank in terms of environmental impacts arising directly from its operations in 2020. We have further strengthened our commitment to supporting the transition to a net-zero economy by joining the industry-led, UN-convened Net-Zero Banking Alliance (NZBA) in 2022. The Alliance brings together banks worldwide committed to aligning their portfolios with net-zero emissions by 2050 in line with the most ambitious targets set by the Paris Climate Agreement. İşbank provides financial support for renewable energy projects and diversifies the portfolio of environment-friendly products. As of the end of 2022, renewable energy projects accounted for 78% of the total energy generation projects portfolio. While the financing for renewable energy increases, İşbank continues to reduce financing share of energy generation from coal and natural gas fired power plants in the energy portfolio. "Loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation" have been added to the Exclusion list in 2020, İşbank has taken another step and decided not to finance "new coal mining investments" and "gold mining conducted by using cyanide" in 2021. Subsequently in 2022, activities prohibited by national legislation and international conventions regarding the protection of biodiversity resources and cultural heritage were also added to the activities not financed. Moreover, the Bank develops collaborations with international financial institutions to finance renewable energy and energy efficiency. The weight of products that support the green economy, such as sustainability-linked syndicated loans, sustainability-linked loans, Solar Loan by İşbank, Energy Efficiency Loan, Green Mortgage, Green Vehicle Loan, in the Bank's product portfolio is increasing day by day.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data and indicate whether you will be providing emissions data for past reporting years.

Reporting year

Start date

January 1 2022

End date

December 31 2022

Indicate if you are providing emissions data for past reporting years

Yes

Select the number of past reporting years you will be providing Scope 1 emissions data for

2 years

Select the number of past reporting years you will be providing Scope 2 emissions data for

2 years

Select the number of past reporting years you will be providing Scope 3 emissions data for

2 years

C0.3

(C0.3) Select the countries/areas in which you operate.

Turkey

C0.4

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

TRY

C0.5

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

Operational control

C-FS0.7

(C-FS0.7) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

	Does your organization undertake this activity?	Insurance types underwritten	Industry sectors your organization lends to, invests in, and/or insures
Banking (Bank)	Yes	<Not Applicable>	Agricultural products wholesale Animal processing Animal products wholesale Apparel design & manufacturing Aquaculture Basic plastics Biofuels Cattle farming Cocoa bean farming Cotton farming Dairy & egg products Electronic components manufacturing Fast food Fruit farming Grain & corn farming Grain & corn milling Hypermarkets & superstores Inorganic base chemicals Logging Metal smelting, refining & forming Metallic mineral mining Natural gas extraction Nitrogenous fertilizers Oil & gas extraction initial Other base chemicals Other crop farming Other oilseed farming Palm oil processing Paper products Personal care & household products Pharmaceuticals Poultry & hog farming Print publishing Rubber farming Semiconductors manufacturing Sugarcane farming Textiles Vegetable farming Wood & paper materials Wood & paper products wholesale
Investing (Asset manager)	No	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	No	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	No	<Not Applicable>	<Not Applicable>

C0.8

(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	TRAISTR91N2 (for Group C shares)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual or committee	Responsibilities for climate-related issues
Board-level committee	<p>The Board of Directors has ultimate oversight of the Bank's work to identify, assess and integrate climate-related risks and opportunities throughout the organization. The Board of Directors has also tasked a sub-committee, the Sustainability Committee, to focus on sustainability & climate-related issues. One expression of the importance of sustainability & climate related matters at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as ten Deputy Chief Executives. By the leadership of the Chairperson, the Board of Directors considers climate-related issues when reviewing & guiding our business strategy, major plans of action, risk management policies, and budget plans as well as, setting our performance objectives, monitoring implementation and performance. The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. In 2022, the Sustainability Committee met once with the full participation of the members and took 3 decisions. Of the 3 decisions taken, 2 were directly related to the climate. One of the decisions taken by the Committee was about becoming a member of the the industry-led, UN-convened Net-Zero Banking Alliance (NZBA). Thanks to this decision, İşbank globally disclosed its commitment to align its portfolio with net-zero emissions by 2050 in line with the most ambitious targets set by the Paris Climate Agreement. According to the portfolio impact analysis İşbank has conducted via UNEP FI Tool, Climate Mitigation emerges as one of the two most important impact areas. For climate mitigation, in line with İşbank's NZBA commitment, the Bank will announce interim 2030 decarbonization targets in at least one carbon intensive sector in October 2023. In April 2025, in line with the NZBA guidelines İşbank will disclose interim targets in most of the carbon intensive sectors which are defined by NZBA. Action plans will be formed in line with decarbonization targets set. In this way, the Bank will have taken another step towards managing the climate mitigation domain. Another decision was to integrate the data collection process of supplier-sourced emissions, which is an important part of the Bank's Scope 3 emissions, into the Bank's sustainability platform .</p>
Board-level committee	<p>Risk Committee is responsible for articulating risk management strategies (including climate risk) and policies İşbank will adhere to on both bank-only and consolidated basis, presenting them to Board of Directors for approval and monitoring compliance with them. Committee is the common communication platform for the Bank's executive divisions in terms of assessing the risks the Bank is exposed to, making suggestions about the actions to be taken and approaches to be followed. Committee Chairman is a Board member and elected by the Board. Members of the Audit Committee, CEO, Deputy CEO who is in charge of Internal Systems Divisions, Heads of Risk Management Division, Compliance Division and Internal Control Division are fundamental members of the Risk Committee. In addition to these members, a Board Member appointed by the Committee Chairman and three Deputy Executives appointed by the CEO also serve as Committee members. In terms of climate risk, Risk Committee has oversight responsibility and is appointed as "Accountable" on the following activities regarding climate risk management and governance:</p> <ul style="list-style-type: none"> - Reporting of climate risk indicators included in the bank's risk appetite framework, - Establishing and reviewing climate risk policies, - Creating, developing, periodically reviewing and updating the climate risk questionnaire, - Designing, monitoring and updating the climate risk heat map, - Designing, monitoring and updating climate risk scenario analyses, - Periodic review and calibration of models used in the measurement of climate risk, - Monitoring climate risk indicators and reporting to relevant committees, - Periodic review and updating (if necessary) of climate risk indicators. <p>"Share of Sectors With High Climate Risk Within Total Commercial Portfolio" risk indicator was added to İşbank's solo risk appetite framework in 2021 with the approval of the Board. The purpose of the indicator is to prevent credit risk concentration within the bank's commercial loan portfolio on the sectors that are highly exposed to climate risks and to provide guidance for a lower-carbon loan portfolio composition in subsequent periods. This indicator is monitored monthly and reported to the Board and the Risk Committee quarterly.</p>

C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	<p>Reviewing and guiding annual budgets</p> <p>Overseeing major capital expenditures</p> <p>Overseeing acquisitions, mergers, and divestitures</p> <p>Overseeing and guiding employee incentives</p> <p>Reviewing and guiding strategy</p> <p>Overseeing and guiding the development of a transition plan</p> <p>Monitoring the implementation of a transition plan</p> <p>Overseeing the setting of corporate targets</p> <p>Monitoring progress towards corporate targets</p> <p>Reviewing and guiding the risk management process</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our banking activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our banking activities on the climate</p>	<p>Climate-related issues are raised to the agenda of the board by our board level Sustainability Committee with scheduled meetings and embedded in the most material decisions, such as reviewing and guiding strategy, major plans of action, risk management policies, business plans and sustainability policies. The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors sustainability issues in a holistic way. Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) who's responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication. Apart from board-level Sustainability Committee and the CSO, there is Sustainability Coordinator and Sustainability Working Group (WG). Head of Investor Relations & Sustainability Division serves as the Sustainability Coordinator to ensure sustainability issues are embedded in the Bank's executive bodies. To this end, the Sustainability WG is convened regularly, which contains representatives from all key areas of the Bank. Our Sustainability Coordinator is able to raise any related issue, progress or proposal anytime as important matters arise, on the agenda of the Board of Directors through the Sustainability Committee. As the Carbon Border Adjustment Mechanism was announced by the European Commission which aims to charge a certain carbon price on the goods imported into the EU, Turkey is expected to be one of the most impacted countries since it is one of the largest trading partner of the EU. Türkiye had 103,1 Billion Euro export which is 40,6 percentage of the total volume and 93 Billion Euro import which is 25,6 percentage of the total volume with EU in 2022. The Sustainability Coordinator raised the issue of possible effects of CBAM on İşbank's exporting customers to the agenda of the Sustainability Committee. The committee decided to follow the issue with a dedicated working group in order to seize opportunities and manage risks that will arise from the new mechanism. Upon the decision, a dedicated working group is convened on a weekly basis to develop alternatives on providing financial assistance to our exporter customers, especially SMEs who will be affected by the regulation. Going beyond financing, we are working on consulting our customers in their transition to low carbon economy as well. This working group is organizing online and face-to-face meetings for the SMEs to enhance their awareness on the issue. as an advisory service we organize various meetings (Green Transformation Meetings at SMEs) in 2022 organized in Organized Industrial Zones with our exporter customers to raise awareness, to increase their know-how on risks and opportunities related to carbon border adjustment mechanism, and to support and advise them to adjust to low-carbon incentives.</p>
Scheduled – some meetings	<p>Overseeing and guiding scenario analysis</p> <p>Overseeing the setting of corporate targets</p> <p>Monitoring progress towards corporate targets</p> <p>Reviewing and guiding the risk management process</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our banking activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our banking activities on the climate</p>	<p>Board of Directors is the ultimate responsible body on reviewing and guiding the climate risk management process of the Bank. Second-line risk management activities of the Bank (including climate) are conducted by the Risk Management Division, which is reporting to the Risk Committee and the Board of Directors. Financial & non-financial risks are reported to the Risk Committee on a monthly basis and, through the Audit Committee to the Board of Directors respectively. İşbank's Climate Risk Taxonomy, Climate Risk Policy, Methodology and Principles Regarding the Measurement and Management of Climate Risk and Climate Risk RACI Matrix have been established by Risk Committee, approved by the Board and came into effect in March 2021. These policies/documents are reviewed at least annually by Risk Management Division and Risk Committee and any changes made come into effect by Board's approval. Risks related to climate change were classified under strategic risks of the Risk Catalogue of the Bank by the approval of the Board of Directors. Any changes related to climate risk management framework are presented and raised to the agenda of the Board by the outlined governance structure. In 2022, climate risk policies and methodologies (including climate heatmap and scenario analysis) have been comprehensively updated to capture major developments in the continuously developing climate framework. Board of Directors is the ultimate authority to approve climate risk indicators to be included in the İşbank's risk appetite framework. Bank has integrated climate risk into its risk appetite framework in September 2021, by defining lending limits for high climate risk sectors, such as non-renewable energy generation, land transportation, cement production, etc. Bank's risk profile of climate related risks and any breaches in the risk appetite or risk tolerance are monitored by Risk Management Division/Risk Committee and escalated to the Board for further actions. No breaches occurred in 2022. In addition, İşbank discloses its climate risk management framework, objectives and measurement approaches in its ICAAP reports since 2020. Issues related to climate risk were included in the meeting agenda of the Board 6 times (months) in 2022.</p>

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues	Primary reason for no board-level competence on climate-related issues	Explain why your organization does not have at least one board member with competence on climate-related issues and any plans to address board-level competence in the future
Row 1	Yes	<p>At İsbank, the Board of Directors has ultimate oversight of considering, evaluating, and integrating climate-related issues into the risk management structure and strategy. All the members of the Board have sufficient awareness and understanding of the ways in which climate change may affect the way of doing business. In our Integrated Annual Report 2022, we used Glass Lewis's boards skills matrix, valuable tool designed to show Board's mix of skills and experience. Four members of our Board of Directors with competencies in environmental and social issues, including climate change, are given in the matrix which is available at https://www.isbank.com.tr/contentmanagement/IsbankSurdurulebilirlikEN/pdf/2022IntegratedReport.pdf. (page 134) Also as sustainability has become a strategic priority for İsbank, the climate competence of the Board has increased considerably. One of the Board members is enrolled in a PhD program in Banking and his research focuses on climate change risks in terms of capital requirements in the banking sector. Moreover since 2020 when a project about the management of climate change risks was launched at İsbank, the Board and more specifically the Sustainability and Risk Committees are provided information about climate related issues on a regular basis. In 2020, various informative presentations were made by the consultant firm Oliver Wyman to the Risk Committee which includes Board members, in order to enhance the awareness about the importance of climate action.</p> <p>Sustainability Committee, come into being by two Board directors who are also informed on the committee meetings about the latest developments about climate change. For example in a committee meeting held in 2022, the members were informed about the Net Zero Banking Alliance. Within the scope of our commitment to NZBA, İsbank's going to disclose its target at least one of the carbon-intensive sectors until October 2023. Emission reduction roadmaps that will enable to reach net zero in 2050 for priority sectors will be determined under different scenarios, and the effects of these scenarios are studied through financial modeling. It is foreseen that the roadmaps to be determined and the transition financing opportunities shaped accordingly will have reflections on the credit and funding policies of our Bank in the upcoming period.</p>	<Not Applicable>	<Not Applicable>

C1.2

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

Position or committee

Chief Sustainability Officer (CSO)

Climate-related responsibilities of this position

- Developing a climate transition plan
- Implementing a climate transition plan
- Integrating climate-related issues into the strategy
- Setting climate-related corporate targets
- Monitoring progress against climate-related corporate targets
- Assessing climate-related risks and opportunities
- Managing climate-related risks and opportunities

Coverage of responsibilities

- Risks and opportunities related to our banking
- Risks and opportunities related to our own operations

Reporting line

CEO reporting line

Frequency of reporting to the board on climate-related issues via this reporting line

Quarterly

Please explain

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

C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	<p>All C-Suite executives at İsbank have cost optimization targets, which include the energy costs of their respective units. These targets are included in their performance cards which affects their annual remuneration. The CSO has an additional target of taking part in BIST Sustainability Index assured via performance card which affects annual remuneration.</p> <p>In 2022, we've established a personalized goal setting and bonus system consisting of individual and team-based goals, for all employees in order to evaluate the employees' performance. In this regard, we implement an incentive-based remuneration system for all employees including senior managers that incorporates specific KPIs related to sustainability including environmental and social issues in line with the Bank's strategic priorities.</p>

C1.3a

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

Entitled to incentive

Chief Sustainability Officer (CSO)

Type of incentive

Monetary reward

Incentive(s)

Bonus - % of salary

Performance indicator(s)

Achievement of climate transition plan KPI

Progress towards a climate-related target

Company performance against a climate-related sustainability index (e.g., DJSI, CDP Climate Change score etc.)

Incentive plan(s) this incentive is linked to

Both Short-Term and Long-Term Incentive Plan

Further details of incentive(s)

All C-Suite Executives, including CSO, have cost optimization targets including the energy costs of units inside İşbank. The C-Suite executives who are responsible for credit underwriting and marketing as well as CSO have increasing sustainable finance targets. In addition to these, the CSO has an annual target of taking part in BIST Sustainability Index, which affects annual remuneration. Taking part in the mentioned Index requires fulfilment of several climate-related tasks and getting an ESG score above predefined threshold from Refinitiv. This targets are assured via performance cards which affects their annual remuneration.

Explain how this incentive contributes to the implementation of your organization’s climate commitments and/or climate transition plan

İşbank made a commitment to the NZBA in April 2022. In this context, in order to reach net-zero targets by 2050, our Bank commits to supporting our customers' transition processes to a net-zero economy by focusing its 2030 targets on carbon-intensive sectors and reporting and publishing its progress in emission targets on an annual basis. Achieving the net zero target, like other sustainability and climate related targets of our Bank, is followed by the CSO, and thanks to the Bank's incentive process, it becomes a motivating factor for the realization of the targets. The incentive in question is a driving force for employees who benefit directly from the income they will generate in parallel with the Bank's realization of the Bank's sustainability targets.

C-FS1.4

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

	Employment-based retirement scheme that incorporates ESG criteria, including climate change	Describe how funds within the retirement scheme are selected and how your organization ensures that ESG criteria are incorporated	Provide reasons for not incorporating ESG criteria into your organization's employment-based retirement scheme and your plans for the future
Row 1	No, due to a compulsory national scheme	<Not Applicable>	<Not Applicable>

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

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

C2.1b

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

İşbank's definition of substantive financial impact (or strategic impact) relies on its four-point-scale risk assessment methodology, which is based on the comparison of the magnitude of the expected loss (or a decrease in profits) from a risk factor (or types of risks with the same underlying root cause) with Bank's average yearly expected operational income, and its likelihood. Impact categories are identified as "low", "mid-low", "mid-high" and "high" and their impact components are determined as a specific proportion (%0,01, %0,1 and %1) of yearly average of last two fiscal year's realized and following year's expected (calculated in ICAAP) Net Operating Income (NOI = Gross Operating Income – Expected Credit Loss – Other Provision Expenses – Personnel Expense – Other Operating Expenses). For instance, average of 2021, 2022 realized and 2023 expected NOI is calculated as approximately 37 billion TRY. Correspondingly, financial impact magnitude up to 3.7 million TRY was defined as "low", between 3.7 million and 37 million TRY as "medium-low", between 37 million TRY and 370 million TRY as "medium-high", above 370 million TRY as "high". Any risks with an expected loss amount above 37 million TRY (high and mid-high categories) are by definition considered to have a substantive financial impact on our business. Combining the potential impact of a risk with its likelihood (low, mid-low, mid-high and high) gives us the Expected Gross Loss Matrix. By adding control efficiency to the picture, we reach to the Net Risk Matrix.

For any risks that might have financial and strategic impact on our business, such as climate risk, definition of substantive impact and its thresholds does not differ from the methodology explained above. For example, in case of a minimum \$30/tCO₂e orderly carbon tax enforcement scenario in a 3-years horizon on energy generation sector severely affects financials of 3 coal-based power plants, and almost certainly leads to default of these companies. This scenario is expected to have a "mid-high" likelihood, and leads to approximately 5.9 billion TRY loan loss provisions increase in total for the Bank, which indicates a highly critical risk and a substantive impact on financials and asset quality. In order to mitigate transition risks stemming from these exposures, "loans for financing greenfield investments of coal-and natural gas-fired thermal power plants to be established for electricity generation" has been added to the Exclusion List of İşbank and future funding of this type of projects are prohibited. Activities of these SPVs in the portfolio are closely monitored and any decrease in the payment capability is reflected on ECL to prepare for the possibility of these facilities becoming stranded.

C2.2

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

Value chain stage(s) covered

Direct operations
Upstream

Risk management process

A specific climate-related risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

Although İşbank's most important climate-related risks are related to financing, upstream and operational climate risks are also taken into account in the Bank's risk management processes. Upstream and operational risks are managed in two main areas at the Bank. The first is upstream risks, which are managed by ensuring that our suppliers compliance with the Bank's minimum environmental and social assessment criteria. In accordance with the Sustainability Policy, İşbank endeavors to minimize the negative environmental and social impacts caused by suppliers, and to raise the positive effects to maximum levels. In this context, the Bank respect environmental and social criteria in its supplier selection. The requirement to take environmental impacts into consideration during procurement activities is set out in the İşbank's Supplier Code of Conduct. Supplier Code outlines a responsible way for suppliers to conduct their business and operation environmentally. In line with the the Supplier Code, suppliers are expected to

- have a written environmental / sustainability policy in line with the size and nature of their activities to prevent, reduce and control adverse environmental impacts arising from their activities,
- have competent and trained staff responsible for managing environmental performance and reporting internal and external data on key environmental indicators and an effective internal environment management system established in line with international standards
- comply with all laws and regulations concerning the protection of the environment and the transportation of dangerous goods.
- make plans in cooperation with the Bank in order to reduce the negative impact of production processes on the environment,
- prefer raw materials and materials with minimal impact on the environment during their procurement activities,
- try to minimize the environmental impact associated with their production and logistic processes, and
- prefer packaging materials with minimal environmental impact.

In parallel with these, during the supplier evaluation various criteria are taken into consideration such as whether the legal requirements for the disposal of waste generated from the activities carried out for the Bank are met, whether recycled materials are used, and the frequency of environmental emergencies. In procurements with high environmental impact, suppliers are expected to submit the required documents related to the subject. No goods or services are purchased from those suppliers who fail to meet the expectations. Also the Bank can audit the suppliers when considers it is necessary.

Also risks related to our direct operations are mainly associated with our head office buildings, data center and branches. Paperless banking activities are carried out and performance indicators of waste generation, water and energy consumption and carbon emission in the head office, technology and operations centres as well as data centre and branches are monitored. Environment friendly buildings play a key role in reducing the environmental impact of İşbank's activities. İşbank's big buildings such as the head office, operations center and data center were designed to minimize their environmental impact. İşbank head office building in Levent, Istanbul has a BREEAM In-use Excellent certificate. Tuzla Technology and Operations Center (TUTOM) received the LEED Gold certificate. The Bank's Tuzla Data Center (Atlas) building has been certified with LEED v4 Gold for Data Centers. Atlas is the first data center in Turkey that meets such high standards. At İşbank, an ISO 14001 Environmental Management System Project has been in place since 2018 in order to reduce its environmental impact and build an environmental management system that complies with international standards. As of 2022, İşbank has ISO 14001 Environmental Management System Certificates for 1,178 locations. Efforts are underway to obtain zero waste certification in line with the Zero Waste Legislation at the covered locations. At the end of 2022, the ratio of certified locations to the Bank's total locations was 100%, and efforts are underway to include newly opened branches in the certification process. With the newly launched Sustainability Platform, data collection from branches is carried out through an online application. İşbank aims to maintain its environmental management system which complies with international standards in the coming years.

C2.2a

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

	Relevance & Inclusion	Please explain
Current regulation	Relevant, always included	İşbank's climate risk assessments are based on its climate risk taxonomy, which is reviewed regularly and upgraded to reflect the latest recommendations from reputable sources such as TCFD and publications of international supervisors. Therefore, the Bank considers both transition and physical risks and their sub-categories in climate risk assessments. İşbank categorizes current policy/regulatory risks under transition risks. Examples of the regulation considered include regulations for carbon emission disclosures (The Bank itself has to calculate and report its scope 1 and 2 emissions as a requirement of Capital Markets Board of Turkey, if not it has to explain) and the filtration/carbon emission requirements (regulated by "Ministry of Environment, Urbanization and Climate Change's "Environmental Law" and "Communique on Monitoring and Reporting of Greenhouse Gas Emissions") for companies that operate in carbon intense sectors such as energy generation. Bank not only monitors, reports and verifies these types of regulation, but also expects its customers to comply and in case of non-compliance, it factors in developments into its periodic credit reviews and provision calculations. Examples of the regulation considered include i) the monitoring, reporting and verification regulation for energy intensive industries, and ii) the filtration requirements for energy generation companies.
Emerging regulation	Relevant, always included	İşbank considers emerging regulation under transition risks. For bank-related and customer-related regulations the Bank's business lines, underwriting, E&S, legal and compliance teams monitor regulations that are under consideration and relevant. A significant risk driver in terms of emerging regulation is Carbon Border Adjustment Mechanism (CBAM). İşbank expects to face the largest impact related to CBAM through its customers, which operate in the sectors that fall into the scope of the regulation and whose revenues are dependent on the exports to EU. Any non-compliance with the regulation may cause a deterioration in its exporter clients' revenues and payment capacity which leads to an increase of the default risk for customers, in turn a decreased asset quality for the Bank. Banking Authority in Turkey (BRSA) mandated Banks under its jurisdiction to conduct an impact analysis on the effects of CABM on their asset quality and published its results on early 2023. The evaluation results indicate that the increase in the NPL ratio of the sector in the first stage of the CBAM implementation will be limited to 94 bps for the loans that fall in the scope of CBAM and 9 bps for the total loan portfolio. On the other hand, it was noted that due to the rapid expansion of the scope of CBAM and similar carbon pricing mechanisms implemented or planned to be implemented in many countries, including Turkey, it is considered that the said effects may increase significantly in the medium and long term. As BRSA implied, another example of the emerging climate regulation includes the evolution of existing GHG emission monitoring, reporting and verification regulation towards a Carbon Tax or Emission Trading Scheme, which leads to an increased cost of GHG emissions. For carbon pricing/tax, İşbank is running scenario analysis to understand its exposure to high-risk sectors in terms of climate risks. Also, BRSA's "Sustainable Banking Action Plan" aims to establish a financial sector that can effectively manage climate-related risks and opportunities and provide the necessary financing for sustainable investments and projects in order to effectively implement the commitments made by our country within the scope of the Paris Climate Agreement. The Plan includes actions for banks to measure, analyze and manage transition and physical risks related to climate change. In this regard, new regulations and guidance on climate risk management is expected to be legislated in the short-run.
Technology	Relevant, always included	As part of İşbank's risk taxonomy, the Bank considers technology risk under transition risks. The transition to a low-carbon economy will result in displacement of existing technologies and therefore lead to additional cost or loss of competitive advantage for some companies, which in turn lead to increased credit risk for the Bank. One powerful example of technology risk is the technological development in the area of renewable energy. The price of wind turbines and solar panels have fallen so steeply in the last decade, they are now cost competitive and even cheaper than traditional power generation technologies that are reliant on fossil fuels. That creates an important transition risk for older assets that are reliant on older technologies, making them less economical and even stranded. Another example of a technology risk could be the displacement of existing combustion engine vehicles by electric vehicles. Continuing cheapening and improvement of battery technology constitutes a huge threat to transportation sector, which is increasingly prone to technology risks and assets stranding. This could materially affect Automotive OEMs' financials due to the requirement for additional investment. Another example is that new climate-friendly ventilation and cooling technologies create additional investment needs in the Bank's service buildings by rendering old technologies idle. We are closely monitoring and taking into account the evolution of the technological and digital transformations in the economy that might create additional transition risk, as well as other risks that are not intuitively fall in the scope of climate change.
Legal	Relevant, always included	As part of İşbank's risk taxonomy, the Bank considers legal risks under transition risks. Examples of legal risks include risks that may result from clients' non-compliance to regulations and protocols associated to climate change. Lawsuits, compensation requests or suspension of operations that İşbank customers may face can cause deterioration of financial performance and an increase in the PD (probability of default). In this context, the Bank is closely monitoring developments on potential litigation, and "suspension of activity" cases in energy and cement sectors and takes firm-level business decisions considering implications of such developments. One particular risk realization took place in early 2020, in which several conventional energy generation plants operating in Turkey faced legal fines and suspension of their operations because of non-compliance with filtration requirements and lack of necessary environmental investments. Suspension of operations resulted in the loss of income due to a reduction in the electricity generation capacity for some of İşbank's customers. Changes in generation capacity caused a deterioration of the customers' payment capacity and consequently increased credit provisions allocated for these facilities. In our scenario analysis framework, we closely monitor these facilities' compliance with regulatory requirements and estimate the financial impact of a potential re-suspension in the future.
Market	Relevant, always included	As part of İşbank's risk taxonomy, the Bank considers market risk under transition risks. Market risks arising from changes in supply and demand dynamics of products and services are a type of transition risks for the Bank. Examples of market risk include abrupt and unexpected shifts in input (e.g. oil price), electricity costs or changes in consumer behavior (e.g. favoring "green" products). Such changes may impact heavy industries or the transportation sector which account for a sizable portion of the credit portfolio. Similarly, the Bank's direct operations might be exposed to market risks since an increase in input price (electricity price) due to climate-related events or regulations will have an impact on Bank's operational expenses.
Reputation	Relevant, always included	As part of İşbank's risk taxonomy, the bank considers reputation risk as a type of transition risk. Examples of reputation risk include loss of investor appetite, loss of access to green facilities or inability to meet customer expectations related to climate change or non-compliance to certain commitments that İşbank makes publicly or non-publicly (e.g. commitments to International Finance Institutions-IFIs when sourcing green funds). In such cases, İşBank may be penalized by brand damage and loss of stakeholder trust, and even be exposed to substantial liquidity risk if its fund raising capacity gets severely damaged. In this regard, in April 2022, İşbank made a commitment to Net-Zero Banking Alliance (NZBA) by taking a very important step to manage the impacts arising from its loan portfolio and set reduction targets. In order to reach net-zero targets by 2050, the Bank committed to supporting its customers' transition processes to a net-zero economy by focusing its 2030 targets on carbon-intensive sectors and reporting and publishing its progress in emission targets on an annual basis. Similarly, the Bank's customers may be exposed to reputation risk due to their carbon-intensive or unsustainable activities. Examples include misconduct in terms of reporting emissions or damages to environment due to their activities. Aligned with its ambition to manage these risks, the Bank does not finance certain sectors (such as greenfield investments of coal- and natural gas-fired thermal power plants, coal mine investments, production of materials that may damage the ozone layer, activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources) to mitigate potential risks.
Acute physical	Relevant, always included	Acute physical risks such as increased frequency or severity of weather events, may affect both Bank's customers and its direct operations. Examples of acute physical risks include damage to the Bank's facilities and damage to collateral the Bank has in relation to its lending activities. Similarly, Bank's customers are exposed to acute physical risks, for example agriculture companies may lose their income due to acute wildfires, heat waves, hail, storms, hurricanes or floods. In addition, acute extreme weather events may trigger liquidity risk for the Bank, due to the damages and uncertainty that may be caused by the weather events. Specifically, food and health products shortages, as well as repair costs, might create a high demand for deposit withdrawals.
Chronic physical	Relevant, always included	İşbank considers the impact from long-term "chronic" changes in climate. Given governments are taking major action to mitigate the impacts of climate change, the Bank expects chronic risks to materialize in considerably longer term compared to transition risks. Nonetheless, chronic physical risks such as droughts, changing sunshine, wind and rainfall patterns, rising sea levels, decrease in soil productivity are considered important and taken into account. An example of chronic physical risk would be a long-term drop in precipitation levels, which could threaten the productivity of hydropower generation plants, and thus affect the payment capacity of customers operating such plants. Another chronic physical risk example can be decreased production in agriculture sector due to the combined effects of reduced rainfall and soil productivity, adversely affecting the overall volume and payment capabilities of the firms in that sector.

C-FS2.2b

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

	We assess the portfolio's exposure	Explain why your portfolio's exposure is not assessed and your plans to address this in the future
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS2.2c

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

	Type of risk management process	Proportion of portfolio covered by risk management process	Type of assessment	Time horizon(s) covered	Tools and methods used	Provide the rationale for implementing this process to assess your portfolio's exposure to climate-related risks and opportunities
Banking (Bank)	A specific climate-related risk management process	77	Qualitative and quantitative	Short-term Medium-term Long-term	UNEP FI Portfolio Impact Analysis Tool for Banks Scenario analysis Internal tools/methods	<p>In line with its commitment to the Principles of Responsible Banking, İşbank has been conducting the impact analysis of its loan portfolio by utilizing the Portfolio Impact Analysis Tool (Tool) which has been developed by Principles for Responsible Banking Signatories and UNEP FI Member Banks. The Tool focuses on maximizing the positive impacts and reducing the negative impacts by identifying the positive and negative impact areas resulting from the banking activities which creates valuable data and insight for target setting. Since the Tool is specifically designed to enable Banks to comply with the reporting and self-assessment requirements under Principle 2 on Impact Analysis and Target-setting of the Principles for Responsible Banking (PRB), it is widely accepted and fit for purpose. Currently, non-retail loans portfolio (corporate, commercial, SME segments), which constitutes 77% of İşbank's total loan portfolio, is included in the impact analysis process. Retail portfolio is aimed to be included in the upcoming years. The banking activities covered by the tool have been categorized into four main categories: Consumer Banking, Business Banking, Corporate Banking and Investment Banking. İşbank's business segmentation is different from the tool's. Because of that reason the Bank adapted its internal loan segmentation while using the tool rather than the tool's breakdown in order to reach meaningful results. With respect to İşbank's definition of loan categories the Bank analyzed Corporate and Commercial segments in Corporate Banking category; SME segments in Business Banking category respectively. As the vast majority of the operations of the Bank originate from Turkey, activities in other countries were not considered in the impact analysis. Results of the tool indicate that "Climate", "Inclusive and Healthy Economies" and "Waste" emerge as three significant areas of impact.</p> <p>In addition to the Portfolio Impact Analysis Tool of PRB İşbank uses a sectoral "Climate Risk Heatmap" to identify sectors that should be prioritized in climate risk assessment and risk appetite framework. The rationale behind using a heatmap is its relativistic simplicity due to its qualitative nature. It is helpful in determining: 1) to what extent each sector may be affected by the risks of climate change, 2) to what risk types and risk events these sectors may be exposed to and 3) the current exposure of the Bank's portfolio on high climate risk sectors. We combine topical climate risk related literature, external studies and expert input to assess sectoral climate risk level. The qualitative assessment is translated into a 5-grade risk scale (high, high-mid, mid, mid-low, low) to assess vulnerability of each sector to climate risks. For high-risk sectors that are prioritized via heatmap, scenario analysis is carried out. Also, in order to prevent the credit risk concentration within bank's commercial loan portfolio on the sectors that are highly exposed to climate risks and to provide guidance for a lower carbon portfolio composition for the future, İşbank defined Board approved risk tolerance limits for the sectors with a high climate risk in the heatmap, in the form of a percentage share in total commercial loans outstanding. These limits are monitored monthly by the Risk Management Department and reported to the Risk Committee and the Board on a quarterly basis.</p> <p>Climate risk impact quantification for the determined sector and risk events is conducted by Bank's "Scenario Analysis" approach which incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology. The scenario analysis aims to calculate the projected effects of a climate related risk event (such as an emerging Carbon Tax or Emission Trading Scheme regulation) on client firms' PD rates and corresponding ECL, as these factors are likely to have a direct substantive financial impact on Bank's financials. The scenario analysis focuses on sectors where climate risk is determined as high risk in the heat map. The rationale behind choosing the scenario analysis method for measuring climate risk: 1) Quantification requirement: Climate risk has an expected credit loss (ECL) effect on the portfolio. Scenario analysis is used to quantify this effect. 2) Lack of statistical data: Data sources that can be used for statistical purposes in bank systems or external sources related to climate risk are limited. This situation creates the need for scenario analysis for climate risks. 3) Uncertainties about how the risks will emerge: Risk events that can be handled within the framework of climate change may differ significantly from each other in terms of their impact patterns and mechanisms. This structural differentiation between risk events prevents traditional models from dealing with all risks together and creates the need for scenario analysis for each risk event.</p>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?

	We consider climate-related information	Explain why you do not consider climate-related information and your plans to address this in the future
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS2.2e

(C-FS2.2e) Indicate the climate-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision-making.

Portfolio

Banking (Bank)

Type of climate-related information considered

Emissions data
Energy usage data
Emissions reduction targets
Climate transition plans
Other, please specify (CDP disclosures)

Process through which information is obtained

Directly from the client/investee
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process

Energy
Materials
Transportation
Automobiles & Components
Utilities

State how this climate-related information influences your decision-making

Various climate related information is used as an input in heatmap and scenario analysis to support firm and portfolio-level decisions. For instance, if the results of the scenario analysis indicate a substantive risk for the Bank, the results are escalated to related committees to be taken into account in over-viewing Bank's lending strategy. For ex., a carbon intensive sector such as non-renewable energy implies a substantive credit risk in case of a disorderly carbon tax implementation. Parallel to this, at the end of the 2021, "greenfield investments of coal- and natural gas-fired thermal power plants" and "new coal mining investments" are included in the Bank's exclusion list with the proposal of Sustainability Committee and the approval of the Board. To give a recent example on the influence of climate emission intensity on lending decisions, financing request for a cement production facility was declined by upper management since high emission intensity of the client was not in line with Bank's sustainable financing principles. Moreover, as a part of our Client Sustainability Assessment Process, commercial firms with credit limits above 1 million USD and operate in specific sectors with "High" or "Medium-High" climate risk levels are evaluated through a "Climate Risk Questionnaire". Firms are engaged and asked to answer this questionnaire. The questionnaire includes questions, to determine customers' level of climate risk awareness and preparedness of transitioning to a 1.5°C world such as; - Does the company assess climate risks and did it establish written risk management policies/processes in this regard? - Does the company regularly measure carbon emissions? If yes, carbon emissions data is collected. - Provide details of company's transition strategies and action plans, such as emission reduction targets. - Does the company need to reduce its carbon emissions to comply with regulations (such as CBAM) on climate? If so, required investment level to reduce emissions is requested. The questionnaire provides a climate due-diligence for the borrower to be used in the lending decision. A loan officer may decide to decline a loan proposal if the borrower has a carbon intensive production process that is non-compliant with CBAM requirements and does not have any type of transition/mitigation strategy. On the other hand, sufficient data accumulation is a core requirement for integrating this questionnaire into PD calculation.

C2.3

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

Yes

C2.3a

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

Identifier

Risk 8

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

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

Primary potential financial impact

Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification

Reputational risk

Company-specific description

As the peer pressure and sensitivity on environmental and climate concerns surges in the banking sector, reputation related several major risks may arise for İsbank if it fails to fulfill its commitments and maintain sufficient level of ESG and climate-related efforts aligned with a 1.5°C temperature increase. In this scenario, İsbank may be penalized by brand damage and loss of stakeholder trust, and even be exposed to substantial liquidity risk if its fund raising capacity gets severely impaired. As an example; although it is the largest privately owned commercial bank of Türkiye in terms of asset (TR 1,408.3 billion) and cash loans (TL 759.3 billion) size, İsbank's ability to increase capital largely depends on generating steady and sustainable revenues from its operations due to its unique shareholding structure. As the value of capital for İsbank is significantly more important than its peers, collaboration with International Financial Institutions (IFIs) such as EIB, EBRD, PROPARCO, and IFC is critical in terms generating funding sources. By 2022YE, total outstanding amount of funding received from these institutions is approximately 39 billion TRY, 19 billion TRY of which was directly funded for financing energy efficiency, green mortgages and renewable energy projects. As the surge of environmental and sustainability concerns grow exponentially, requirements to access the funds provided by IFIs are becoming much more competitive. Compared to the past, lending requirements mandated by IFIs are tightened noticeably. Amongst their requirements are; 1) fully complying with their environmental and social standards, 2) conducting deep-dive environmental and climate due-diligence and risk assessment on clients, 3) demonstrating solid strategies to support the transition to a carbon neutral economy 4) participating to environmental

initiatives by committing science-based net-zero targets. As being one of İsbank's major stakeholders, IFIs may choose to terminate their relatively low-cost funding to İsbank in case of a raising concern on the impact of İsbank on climate. Losing funding from these institutions may aggravate the reputation damage further and cause an irreversible loss in competitive power, market share and overall value of the Bank. Overall; the effects of these risks has the potential to drastically affect stakeholder trust, market/brand value and profitability of İsbank if left uncontrolled without any action.

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

31924904225

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Quantifying reputational risk is a major challenge since there is no consensus on the literature that is pointing towards a common methodology. Studies from Deloitte, Reputation Dividend and Weber Shandwick show that reputation on average can worth between 25% and %38 of a firm's market capitalization or annual turnover. Although in some extremely scandalous cases the impact on reputation is much severe and instant, in this scenario reputational decay is not necessarily an immediate issue as it may take place in a wider period of time as the response of İsbank on climate-related matters do not satisfy its stakeholders. Thus, using the lower estimation 25% loss of market capitalization makes more sense in the calculation of a wider-period climate-related reputational decrease. At 2022YE, total market capitalization of İsbank was 127,699,616,900 TRY. By multiplying this figure with 25%, we calculate the estimated possible market value loss due to reputational decay is approximately 32 billion TRY.

Cost of response to risk

5980311

Description of response and explanation of cost calculation

Although the magnitude of financial impact and likelihood of climate-related reputational decay risk in a control-free environment is estimated to be extremely high, when controls added to the picture these estimates are expected to decrease drastically. In order to mitigate this risk, İsbank took several actions to improve quality of climate risk assessments for its clients and increase the overall risk and opportunity awareness among its employees. To be more precise; 1) The ERET model, which İsbank had used since 2013 to calculate the Environmental and Social Risk Score of investments, was replaced in 2021 by ÇESMOD (Environmental and Social Model), which is an Environmental and Social Risk Evaluation Model that is more closely aligned with the global standards of risk measurement and can be tailored according to the type of investment. In 2022, transition process from ERET to ÇESMOD was completed, and the new model was put into use. Total implementation cost of ÇESMOD is calculated as 99,120 TRY. 2) İsbank had developed the "Sustainability Assessment System (SÜRAS)", a process for assessing environmental, social and climate risks across the commercial loan portfolio, which was designed and put into operation in 2022. SÜRAS includes, a) "Environmental and Social Question Set", which enables the Bank to determine the environmental and social risks of its clients and b) "Climate Change Question Set", which enables to determine awareness and resilience levels of its customers on climate risks. Total production cost of SÜRAS is calculated as 1.9 million TRY. 3) İsbank joined the United Nations Net-Zero Banking Alliance (NZBA) and committed internationally to increase its support for the transition to a carbon neutral economy. In order to fulfill its commitments in this scope, in 2022, İsbank received external support from an advisory firm that specialized in this area. Total cost of the advisory services is calculated as 3.8 mio TRY. 4) Increasing employee awareness is a powerful mitigant for any risk. Thus, İsbank produced 5 digital training courses on sustainability related subjects. A total number of 2,251 employees have participated in these digital courses. Total production cost for the trainings is 194,8 thousand TRY. Total cost of response to risk is calculated as the sum of the costs of these enhancements: 6 million TRY.

Comment

No additional comments.

Identifier

Risk 9

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

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

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

A major risk driver in terms of emerging regulation is Carbon Border Adjustment Mechanism (CBAM). The main objectives of CBAM is implementing a carbon tariff on certain carbon intensive products to avoid carbon leakage and encouraging related countries to establish carbon-pricing policies to combat climate change. CBAM initially covers sectors of cement, electricity production, hydrogen, fertilizers, aluminum, iron and steel. On the other hand extension of scope with a large group of goods in categories of polymers and organic-basic chemicals is highly likely. The regulation is legislated as a part of the European Green Deal and expected to take effect in 2026, and reporting is expected to start in 2023. Since Türkiye has the 3rd highest export volume to the EU for the goods that are in the scope of CBAM, it is likely to face a substantial decrease in export volume due to additional costs that the tariff implies. As it is the largest privately owned commercial bank of Türkiye in terms of asset size and cash loans, İsbank is one of the most exposed banks to CABM's negative effects on asset quality. İsbank expects to face the largest impact related to CBAM through its commercial customers, which operate in the sectors that falls into the scope of the regulation and whose revenues are dependent on the exports to the EU. Any incompliance with the regulation may cause a deterioration in its exporter clients' revenues and payment capacity which leads to an increase of the default risk for related customers and in turn a decreased asset quality for the Bank. Moreover, CBAM substantially increased the priority and also the probability of the implementation of an alternative and complementary carbon tax/emissions trading mechanism in Türkiye. This mechanism is expected to include similar sectors with high emission intensities,

especially non-renewable power plants.

Time horizon

Medium-term

Likelihood

Virtually certain

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

8890079119

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Figure in "Potential financial impact figure" column is an estimation of the increase in İşbank's non-performing loans portfolio in case of the simultaneous implementation of CBAM and a complimentary carbon tax mechanism. Banking Authority in Turkey (BRSA) mandated Banks under its jurisdiction to conduct an impact analysis on the effects of CABM on their asset quality and published its results on early 2023. The evaluation results indicate that the increase in the NPL ratio of the banking sector in the first stage of the CBAM implementation will be limited to 94 bps for the loans that fall in the scope of CBAM and 9 bps for the total loan portfolio. When this rate is applied to İşbank's 2022YE loan portfolio, İşbank's 2022YE NPL ratio 3.0% is estimated to increase to 3.1% which implies an increase of 683 million TRY in non-performing loans. İşbank conducted its own risk assessment on its 51 largest volume EU exporter firms that operate in related sectors. Those firms are engaged and asked to answer a questionnaire to estimate the impact of CBAM on their probability of default. The main determinants of the assessment were the share of exports to EU in customer's total revenue, whether customer's current emission per unit of production exceeds EU thresholds and whether customer has a concrete started/projected investment or plan to reduce carbon emissions in the next 3 years. Answers were consolidated with a general methodology to calculate the aggregated effect on each client's financials. After that, current and after tariff financial stance of the firms are compared. Results of the assessment concluded that 5 customers with a total 2022YE outstanding cash loan amount of 1,029 million TRY, are expected to default as a result of CBAM regulation. As the potential financial impact figure, higher of these calculations, 1,029 million TRY, is taken into account. As for a carbon tax or ETS mechanism, in case of a minimum \$30/tCO₂e cost increase scenario in a 3-years horizon on energy generation sector, severely affects financials of 3 coal-based power plants, and almost certainly leads to default of these companies. Total cash loans outstanding on these power plants is 7.9 billion TRY at 2022YE. In total, simultaneous implementation of CBAM and a complementary carbon tax scheme is expected to increase İşbank's non-performing loans by approximately 8.9 billion TRY.

Cost of response to risk

5785525

Description of response and explanation of cost calculation

In 2022, İşBank responded to the potential risks of emerging regulation by improving its client risk assessment and monitoring capabilities. In this regard; 1) Implementation of ÇESMOD (Environmental and Social Model) is completed. ÇESMOD is an Environmental and Social Risk Evaluation Model that is more closely aligned with the global standards of risk measurement and can be tailored according to the type of investment. Total cost of this implementation is 99 thousand TRY. 2) Development of Sustainability Assessment System (SÜRAS) is completed. SÜRAS is a process for assessing environmental, social and climate risks across the commercial loan portfolio. SÜRAS includes, a) "Environmental and Social Question Set", which enables the Bank to determine the environmental and social risks of its clients and b) "Climate Change Question Set", which enables to determine awareness and resilience levels of its customers on climate risks. Total production cost of SÜRAS is calculated as 1.9 million TRY. 3) After joining United Nations Net-Zero Banking Alliance (NZBA) and committing internationally to increase its support for the transition to a carbon neutral economy, İşBank received external support from an advisory firm that specialized in this area in order to fulfill its commitments in this scope. Total cost of the advisory services is calculated as 3.8 million TRY. Aggregated costs of these enhancements calculated as 5.8 million TRY.

Comment

No additional comments.

C2.4

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

Yes

C2.4a

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

Identifier

Opp4

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Reduced water usage and consumption

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

We believe that the agriculture sector, in which we have a competitive advantage thanks to our country's geographical and natural conditions, should be developed. Given its added value in terms of the economy, we place agricultural banking among our strategic priorities. Considering our market share in the agricultural sector and %12 share of the loans we extended to the agricultural sector in our SME loan portfolio, agriculture takes on a place of serious importance and priority for İşbank. Our activities in this field are based on financing the transition of producers by sustainable solutions. We combine our sustainable finance solutions with our widespread agricultural banking practices through 24 Agriculture Specialization branches opened with the decision taken by our Executive Board. Within this framework, we offer innovative products and services like Irrigation Systems Loan.

Water/irrigation systems is the most important issue in agriculture, as agriculture is the largest user of water with almost 75 % of the total consumption in Turkey. The opportunity identified is providing a new credit facility namely Irrigation Systems Loan that serve to increase the quality and efficiency of water usage in agriculture. With the irrigation system loans that İşbank extended in 2022 in the amount of TRY 17.5 million, resource and product efficiency was achieved in an area of 16,032 decares. With the financing we aim to transform the existing irrigation systems into a more water efficient pressurized irrigation systems. According to our analysis, more efficient irrigation system makes double the productivity. Therefore, we aim to enlarge the impact by providing finance to increasing number of farmers. In this concept, during 2022 app. TRY 17,5 million credit has been used by the farmers and app. %1 commission has been profitted. Via those utilisations TRY 31 million economic benefit has been provided and %35 increase in efficiency has been calculated.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

5000000

Potential financial impact figure – maximum (currency)

8000000

Explanation of financial impact figure

Actual numbers of credits has been taken into consideration for the year 2022. We estimate 100% of increase per each year. Due to natural causes and economic conditions this could be revised in 2023. However, in the second half of the year, expectations are still at the same level.

In 5 years it is expected that amount of those credits could reach TRY 250 million (approximately) at minimum and TRY 400 million at maximum. Based on a conservative forecast, we considered net interest margin as approximately 2%; so for a minimum amount of loans of TRY 250 million net income is expected to be TRY 5 million in total. The maximum potential financial figure is calculated with the same assumption and accordingly maximum amount of loans of TRY 400 million net income is expected to be TRY 8 million.

Cost to realize opportunity

491625

Strategy to realize opportunity and explanation of cost calculation

İşbank's strategy to realize opportunity consists of carrying out activities to enhance awareness, coordinating marketing campaigns and engaging with NGOs. İşbank contributed to the production of a documentary called "Water in Agriculture" which is about the correct use of water in agriculture (modern irrigation techniques, drought, wrong product selection and faulty irrigation methods are discussed). The documentary was broadcasted on national TV channels 24 times in total. Besides it is viewed 128,000 times on Youtube. We held the first Imece Workshops, which aim to bring together different stakeholders of the ecosystem under agriculture-specific topics and develop solutions together to the problems identified, with the theme of "Water" in October and the 2nd one in December with the theme of "Wheat". In terms of engagement, we contacted Pressure Irrigation Industry Association (BASUSAD- a Turkish NGO) before designing the credit product to benefit from their expertise about irrigation systems. With the help of Pressurized Irrigation Systems Loans;

i. resource efficiency and 45% more product yield in an area of approximately 1,900 decares where dry farming is carried out,

ii. 24% increase in product yield and with 3.3 million m³ of water savings were achieved in an area of 3,175 decares where wild irrigation was applied.

In addition, with the renewal of Pressurized Irrigation Systems on an area of 10,597 decares, support was provided for resource and product efficiency .

We also consulted Frankfurt School of Business. We arranged online meetings with them, and we together put the criteria of eligibility for the credit product. We also conducted a marketing campaign so that the farmers can be informed about this product. Our sales teams tried to reach out the branches of the irrigation systems companies and conducted face-to-face marketing. We also made a marketing communication, like creative hand booklets about the campaign and sending sms texts to the customers. We didn't pay any extra fee for the consultancies we get from our engagement efforts. Marketing costs in addition to the broadcast cost of the documentary beared by İşbank amount to TRY 445,000. And TRY 46,625 was the amount of the consultancy expenses. Cost to realize the opportunity has been calculated by the sum of campaign budget and consultancy expenses.

Comment

No additional comments.

Identifier

Opp5

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type

Products and services

Primary climate-related opportunity driver

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

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

In the Turkish market, there is an increasing demand for electric vehicles. In 2022 the sale of electric cars increased by 188 percent compared to 2021 and reached 8,210, thereby increasing the need for financing electric car purchases. According to official projections conducted by the Ministry of Industry and Technology, by the end of 2030, it is assumed that there will be nearly 1,6 million electrical vehicles in the market and quarter of brand new cars will be electrical vehicles

(<https://sarjdestek.sanayi.gov.tr/turkiye-icin-elektrikli-arac-sarj-altyapisi>).

In an effort to seize this opportunity, İşbank introduced Green Vehicle Loan Campaigns for customers purchasing eco-friendly, brand new electric and hybrid vehicles as low/zero carbon vehicles are an important part of meeting global goals on climate change in line with the Paris Agreement's targets limiting warming to well below 2°C or 1.5°C. In accordance with prevailing market conditions, İşbank financially subsidizes its customer base in terms of the interest rates and/or fees charged for Green Vehicle Loan in order to support widespread use of environmentally friendly electric and hybrid vehicles with low energy costs, and to contribute to the development of the electric vehicle sector.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

100000000

Potential financial impact figure – maximum (currency)

150000000

Explanation of financial impact figure

It is projected that annual electric vehicle sales will reach 420 thousand in 2030. İşbank will be applying a gradual progression of the amount of the loans allocated, in accordance with the market share of İşbank on loans. We expect that 40 percent of these electric car purchases will be financed with bank loans, and İşbank will have approximately ten percent market share in these loans.

Assuming that the average loan size will be TRY 400,000 and net interest margin will be one percent, annual interest income will reach TRY 67,200,000 by 2030. In 7 years' time period the total potential financial impact figure is expected to reach TRY 100,000,000 minimum and TRY 150,000,000 maximum.

Cost to realize opportunity

5000000

Strategy to realize opportunity and explanation of cost calculation

In 2022, 8210 electric cars and 19,126 hybrid cars were sold in Turkey. The public authorities in Turkey foresee that the EV sector, which is still at the beginning of its development as of today, will become a large sector with an annual sales figure of approximately 420 thousand in 2030.

As there is an emerging market, İşbank's strategy to realize opportunity consists of carrying out marketing and engagement activities. In the following years, we are planning to attend trade fairs and conferences in order to sustain close contact with the emerging sector. Radio and social media campaigns are planned for the communication efforts.

Comment

No additional comments.

Identifier

Opp6

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type

Markets

Primary climate-related opportunity driver

Increased diversification of financial assets (e.g., green bonds and infrastructure)

Primary potential financial impact

Increased diversification of financial assets

Company-specific description

This opportunity is associated to the growing demand for green bonds and the parallel increase in the İşbank's green bond issuance. İşbank has established its Sustainability Bond Framework in 2020 and in 2021 expanded its scope by revising it into the Sustainable Finance Framework, which also covers green, social or sustainable loans in addition to eurobonds. Funds obtained under the framework will be allocated to projects with a positive environmental impact in the areas of renewable energy, energy efficiency, recycling, organic agriculture, clean transportation, green buildings and circular economy, and to finance loans with a positive social impact, such as financing SMEs in underdeveloped regions and women entrepreneurs. The second party opinion was obtained for the Framework prepared in accordance with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the International Capital Markets Association (ICMA) and the Green Loan Principles published by the Loan Market Association. The framework envisages the issuance of green bonds. İşbank has two outstanding green bond issuances with amounts of USD 50 million and USD 13 million and 10-year and 5-year maturity, respectively which forms 2,1% of the total eurobond portfolio issued by İşbank. Also within the scope of the "Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate Guidelines" published by the Capital Markets Board (CMB) in February 2022, İşbank obtained the necessary permission in June to issue green and/or sustainable bonds or commercial papers up to USD 1.5 billion abroad.

According to the analysis of Climate Bond Initiative to this date, green bond demand has far exceeded supply and this continued in 2022 too. In relation to that this demand presents itself as an opportunity for İşbank. This opportunity allows İşbank to generate more access to capital via the issuance of green bond and to diversify the scope of its investors.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1174950000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

In the reporting year, İsbank has two outstanding green bond issuances with amounts of USD 50 million and USD 13 million and 10-year and 5-year maturity respectively, with a TL equivalent of 1,174,950,000 TL in total. The proceeds of the bonds have been used to support projects related to renewable energy, which enables 66,919 tCO2e of avoided estimated GHG emissions.

Cost to realize opportunity

87855924

Strategy to realize opportunity and explanation of cost calculation

İsbank's main objective to issue green/social/sustainable bonds is to create positive environmental and social impact through the projects to be financed or refinanced with the proceeds of such issuances. In general green bonds can support issuers in mitigating the impacts of climate change, funding activities with environmental benefits and even initiating a transition to a greener business model by offering access to low cost debt capital via a well understood and standardised instrument. Proceeds of the two outstanding green bond issuances of İsbank have been used to finance/refinance the projects that fall under the green categories (mostly renewable energy projects) in İsbank's Sustainable Finance Framework. Target group for green/social/sustainable bond issuances are global institutional investors (such as mutual funds, impacts funds etc.) as well as financial institutions (including MDBs/IFIs etc.) that want to invest in these type of products with positive environmental and social impact. Within the scope of our two green bond issuances, a total of TRY 87,776,225 interest payments were made in 2022. At the same time in September 2022, İsbank engaged Sustainalytics to review the projects funded with proceeds from the issued green bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments in the İsbank Sustainability Bond Framework 2020 (the "Framework"). In this context, a payment of TRY 79,699 was made for the service provided by Sustainalytics. The cost of the opportunity gained with the green bond issuances is the sum of these two amounts which is TRY 87,855,924.

Comment

No additional comments.

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a climate transition plan that aligns with a 1.5°C world?

Row 1

Climate transition plan

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

Publicly available climate transition plan

Yes

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

Our climate transition plan is voted on at Annual General Meetings (AGMs)

Description of feedback mechanism

<Not Applicable>

Frequency of feedback collection

<Not Applicable>

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

Explain why your organization does not have a climate transition plan that aligns with a 1.5°C world and any plans to develop one in the future

<Not Applicable>

Explain why climate-related risks and opportunities have not influenced your strategy

<Not Applicable>

C3.2

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

	Use of climate-related scenario analysis to inform strategy	Primary reason why your organization does not use climate-related scenario analysis to inform its strategy	Explain why your organization does not use climate-related scenario analysis to inform its strategy and any plans to use it in the future
Row 1	Yes, qualitative and quantitative	<Not Applicable>	<Not Applicable>

C3.2a

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

Climate-related scenario		Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios	NGFS scenarios framework	Portfolio	<Not Applicable>	For the qualitative part, İşbank combines climate risk related literature, external studies and expert input to assess climate risk level on a sectoral heatmap. Assessment is translated into a 5-grade risk scale to evaluate vulnerability of each sector in the portfolio to climate risks. Non-renewable energy generation sector was prioritized for quantitative assessment since by the end of 2022, it accounts for 25% of Bank's total commercial-loan portfolio emissions and approximately 15 billion TRY outstanding cash loan amount, which makes it the most carbon intense sector in its portfolio. For the quantitative part, İşbank incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology. In the reporting year 2022, Bank carried out this study for non-renewable energy generation sector to assess the financial effect of a disorderly transition scenario to a 1.5°C temperature alignment which includes a sudden implementation (0 to 3 years) of a carbon tax. The potential impact of a carbon tax is assessed by stressing financial statements of firms operating in the target sector. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply-demand dynamics of the energy sector, as well as expected changes in macroeconomic outlook of the chosen pathway. Based on the firm based stressed financials, ECL calculation process is re-run to analyze impact for each firm. For the carbon tax, 4 different levels (20\$, 30\$, 50\$ and 85\$ per tCO2e) are tested. To calculate the effect of the carbon tax on the energy supply and demand, data such as current electricity price and production in the Turkish economy are gathered from EPIAS and TEIAS. For demand and supply elasticity, academic researches and Oliver Wyman's expert opinions are taken into account. For macroeconomic assumptions (inflation, FX rates, GDP growth, interest rates, etc.), calculations of Bank's Economic Research Department are used in order to be in line with Bank's overall strategy. For electricity and coal price assumptions we use a study conducted specifically for İşbank by one of our advisor firms. For emission parameters for each type of energy source, we use the emission parameters of IPCC and Ministry of Energy and Natural Resources. Firm based data such as financials are collected from customers' financial statements and lastly Turkey's energy generation mix and firm-level production mix are derived from EPIAS database.

C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

The main purpose of the scenario analysis (SA) is to answer the ultimate question of "How could climate risks plausibly affect our company in terms of financial performance, strategy, portfolio composition, etc.?" Some of the focal questions that we seek to address with SA are as follows: 1. Which climate risk types are the most relevant for İşbank? 2. Which sectors in İşbank's loan portfolio are most prone to climate risks and which ones should be prioritized? 3. Considering the slow moving pace of current policies on climate change, how could a likely disorderly transition scenario, including a sudden implementation of a carbon tax, plausibly affect İşbank? 4. What is the expected financial impact of a possible carbon tax on the energy sector on İşbank's financials? 5. Considering the high transition risk of non-renewable energy generation companies, what should İşbank's strategy and risk appetite be in order to mitigate potential losses in case these facilities becomes stranded or go default?

Results of the climate-related scenario analysis with respect to the focal questions

Scenario analysis (SA) helps İşbank to find answers for the focal questions raised and steer its strategy to align with possible future global projected emission trajectories and mitigate risks associated with these pathways. Considering the Bank's operations, qualitative part of SA helps us to understand which risks to focus on with an identification process and assess sectors in terms of identified risks in order to find out the sectors that will get the highest possible hit from climate risks. Considering a pathway of 1.5°C temperature alignment as a target, what we concluded is that, transition risk (mainly emerging regulation-a carbon tax) which can easily translate into credit risk through loan customers could be the main focus of the Bank. Next, considering the total of 15 billion TRY loan exposure amount, its carbon intensity and exposure to transition risks, non-renewable energy generation sector generates highest climate impact (%25 of portfolio emissions) in İşbank's loan portfolio and should be prioritized in terms of SA, since it will also possibly be the focus of the emerging policy implementations. Considering the current policy framework, in order to accomplish 1.5°C temperature alignment by 2050, a disorderly transition scenario, which includes a rapid implementation of policies, is accepted as plausible. For the quantitative part of the SA, we combined several assumptions and data with our ECL calculation methodology, in order to calculate the effect of a carbon tax for fossil-fuel fired power plants on Bank's financials. We observed that, as the carbon tax level increases the change in ECL increases exponentially. Applying different levels of carbon tax indicate that even a plausible 30\$/tCO2e (base scenario) level carbon pricing leads to the default of 3 financially stressed coal-fired power plants, resulting in an additional 5.8 billion TRY potential credit loss for İşBank. Since the output of the SA implies a substantial risk for the Bank, it had to align its loan allocation strategy and reduce the share of the non-renewable energy sector in its loan portfolio. For that matter, İşbank expanded its exclusion list by adding "Loans for financing greenfield investments of coal and natural gas-fired thermal power plants" and "new coal mining investments". In addition, since Sept. 2021 İşbank is monitoring KRI "Share of Sectors With High Climate Risk Within Total Commercial Portfolio" in its solo risk appetite framework. The motivation of the KRI is to prevent the credit risk concentration within bank's commercial loan portfolio on the sectors that are highly exposed to climate risks and to provide guidance for a lower-carbon aligned portfolio composition in subsequent periods. KRI followed a downwards trend throughout 2022, dropped by 260 bps from its 2021YE value %17 to %14.4 at 2022YE. Lastly, results of the SA used as an input to prioritize energy sector in the scope of NZBA target setting in 2022.

C3.3

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

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	We are proactively scanning the risk horizon considering climate-related risks & opportunities that have a substantive effect on our business strategy from products & services perspective. The majority of influence that climate-related risks and opportunities have on our business strategy is related to opportunities arising from products and services. To assess climate-related opportunities on our products and services, the bank first develops a long list of opportunities by reviewing literatures and market growth estimates for different products & services and by collaborating with leading external climate experts. After that, the bank prioritizes climate related opportunities based on strategic fitness and customer needs. Green opportunities have always been high on İşbank's agenda and the bank has done considerable amount of work in these areas across years. These opportunities include extending green financing provided by International Development Banks to its clients, financing of renewable energy investments, ESG investment products for retail customers and green loans. After 2015, 100% of the new project financing provided by İşbank for electricity generation investments were allocated to renewable energy projects. This is targeted for 2023 as well. In 2022, 162 renewable energy projects were financed by İşbank. As of the end of 2022, total installed power of renewable energy projects financed by İşbank was 2,059 MW while the total installed power to date reached 17,863 MW. The amount of clean energy generated by the projects financed by the Bank was 40.9 million MWh in the last reporting year. İşbank obtained two sustainability-linked syndication loans in 2022 and determined E&S performance indicators in the related loan agreements. İşbank has two outstanding green bond issuances with amounts of USD 50 million and USD 13 million and 10-year and 5-year maturity, respectively. İşbank Sustainability Bond Framework, which allows issuing Eurobonds as green bonds, social bonds or sustainability bonds, was updated in 2021 expanding its scope to also cover loan transactions and was renamed as "Sustainable Finance Framework".
Supply chain and/or value chain	Yes	İşbank drives sustainability initiatives throughout the supply chain in order to mitigate risks and to realize opportunities. The Board-approved Supplier Code of Conduct, based on the UN Global Compact and İşbank Human Rights and Human Resources Policy, determine the main principles in purchases of goods and services. Accordingly, the Bank strives to minimize the negative E&S impacts arising from suppliers. In this context, our suppliers are expected to - have a written environmental/sustainability policy in line with the size and nature of their activities to prevent, reduce and control adverse environmental impacts arising from their activities, - have competent and trained staff responsible for managing environmental performance and reporting internal and external data on key environmental indicators and an effective internal environment management system, - comply with all laws and regulations concerning the protection of the environment and the transportation of dangerous goods, - take care to use recycled materials as much as possible in production, keep hazardous substances to a minimum and record all hazardous substances that must be used, - ensure that all production facilities for waste disposal, air emissions, discharges, toxic substances and hazardous waste disposal comply with environmental laws, - verify that materials and components used in the manufacturing process are derived from non-prohibited chemicals consistent with international treaties and protocols, in addition to local laws and regulations. In 2022, İşbank conducted a survey designed to evaluate the performance of its suppliers, determined the suppliers' awareness under specific categories in order to actively manage the environmental and social impact of its supply chain. Survey included 38 questions in the main fields of environment, labor & human rights, ethics and sustainable procurement. This survey was intended to see the current status of suppliers in terms of sustainability and to raise awareness of sustainability among suppliers. As a result of the surveys we conducted with our suppliers, a total of 4 companies operating in related sectors started to calculate scope 1&2&3 emissions. We engage with suppliers to better understand their processes and to explore how any environmental risks may be mitigated.
Investment in R&D	Yes	As an actor of financial services sector, Investment in R&D from a climate change perspective does not directly influence our business strategy. Yet we are responding to the need of investment in R&D, targeting climate change mitigation & adaptation by the help of our lending activities. As R&D and Innovation are among the most effective tools of today's global economy against climate change, İşbank actively provides financing to different actors with its loan solutions. On the other hand our support in partnership programs is continuous. We have initiated the Impact Entrepreneurship Program along with the Koç University Entrepreneurship Research Center KWORKS. The program aims to support the scaling of technology-based initiatives that create an environmental and social impact on areas such as quality education, healthy and quality life, climate, accessible and clean energy, sustainable cities and communities. In this way, we will contribute to the sustainable solution-making process for environmental and social problems.
Operations	Yes	İşbank may suffer from operational losses due to climate change. The bank evaluates & manages risks & opportunities related to its operations, and informs its business strategy and financial planning. To mitigate the risks we have invested in various areas. Environment friendly buildings play a key role in reducing the environmental impact of İşbank's activities. İşbank's big buildings such as the head office, operations center and data center were designed to minimize their environmental impact. İşbank head office building in Levent, Istanbul has a BREEAM In-use Excellent certificate. Tuzla Technology and Operations Center (TUTOM) received the LEED Gold certificate. The Bank's Tuzla Data Center (Atlas) building has been certified with LEED v4 Gold for Data Centers. Atlas is the first data center in Turkey that meets such high standards. ISO 14001 Environmental Management System Project has been in place since 2018 in order to reduce its environmental impact and build an environmental management system that complies with international standards. As of 2022, İşbank has ISO 14001 Environmental Management System Certificates for 1,178 locations. Efforts are underway to obtain zero waste certification in line with the Zero Waste Legislation at the covered locations. At the end of 2022, the ratio of certified locations to the Bank's total locations was 100%, and efforts are underway to include newly opened branches in the certification process. İşbank aims to maintain its environmental management system which complies with international standards in the coming years. In addition in 2022, İşbank continued to use renewable energy in all of its service & operational points that can be supplied. Moreover; we continue to transform our operations into paperless. We ran a couple of initiatives in order to decrease the consumption of paper. With the option to digitally approve credit card and debit card agreements, the ability to use Registered Electronic Mail (KEP) throughout the Bank, and the implementation of digital signature, the Bank for formal correspondences achieved a total paper savings of 190 million sheet of pages, obtained a TL 22 million reduction in paper costs in 2022.

C3.4

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

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Access to capital Assets	Climate-related risks and opportunities influence our business strategy and financial planning as we take current & possible impacts of changing climate on our revenue streams, direct & indirect costs, ability to access capital and assets. From a risk & opportunity perspective, "revenues" component of our financial planning is influenced when we seize the climate-related opportunity, resulting as a revenue increase due to demand for products and services. The Bank sees the largest opportunities related to products and services. İşbank contributes to the green transformation of its customers with different and diverse portfolio of products it offers. While the Bank provides financial support for roof, facade and land type unlicensed solar power plant investments for self-consumption with the "Solar Loan", with the "Green Office Premises Loan" it provides advantageous conditions for the purchase of office premises from buildings with high energy efficiency. In addition to the "Green Vehicle Loan", which provides financing for electric and hybrid vehicles under certain terms, İşbank also offers "Electric Charging Station Installation Loan", which aims to contribute to the development of the electric vehicle industry and encourage vehicle owners to access common charging units easily. "Unlicensed Electricity Generation Loan" supports electricity generation based on solar, wind and other renewable energy sources with an installed capacity of 5 MW or less. "Marine Conservation Loan", which has been added to İşbank's sustainable products portfolio in 2021, offers financing on favourable terms for the businesses that want to invest in a waste water treatment and waste water recycling facility or improve their existing facilities. In contrast, when we cannot cope with today's changing climate reality our revenue streams may suffer badly because of inability to meet the demand, loss of market position & competitiveness. These particular issues highlight the influence of climate-related risks and opportunities on one of the most important components of our financial planning process: Revenues. Apart from revenues, direct & indirect costs arising from climate related risks and opportunities influence our financial planning, varying from costs of response to climate risks, costs to realize climate-related opportunities to possible costs of climate on our assets. Another important dimension of climate's influence on the Bank's financial planning is "Access to finance". In case the bank fails to provide enough focus on such investments, existing green financing facilities may be suspended. Such suspension and inability to obtain new green funding may result in the need to arrange for alternative funding, which may not be that favourable. That is why İşbank actively considers scenarios of "decreased access to finance" from a funding risk perspective and take into account its possible financial impact as we go through with our annual financial planning process.

C3.5

(C3.5) In your organization's financial accounting, do you identify spending/revenue that is aligned with your organization's climate transition?

	Identification of spending/revenue that is aligned with your organization's climate transition	Indicate the level at which you identify the alignment of your spending/revenue with a sustainable finance taxonomy
Row 1	Yes, we identify alignment with our climate transition plan	<Not Applicable>

C3.5a

(C3.5a) Quantify the percentage share of your spending/revenue that is aligned with your organization's climate transition.

Financial Metric

OPEX

Type of alignment being reported for this financial metric

Alignment with our climate transition plan

Taxonomy under which information is being reported

<Not Applicable>

Objective under which alignment is being reported

<Not Applicable>

Amount of selected financial metric that is aligned in the reporting year (unit currency as selected in C0.4)

20921140

Percentage share of selected financial metric aligned in the reporting year (%)

0.2

Percentage share of selected financial metric planned to align in 2025 (%)

0.2

Percentage share of selected financial metric planned to align in 2030 (%)

0.2

Describe the methodology used to identify spending/revenue that is aligned

In line with our climate transition plan our Bank's spending on the implementation of emissions reduction initiatives and investments in low-carbon projects consists of multiple expenses. One and most important expenses of the Bank originates especially from consultancy service fees. In parallel with the Bank's net zero target within the scope of our commitment to the NZBA we are going to disclose our target at least one of the carbon-intensive sectors until October 2023. In order to analyse our portfolio and emission reduction road maps that will enable to reach net zero we worked with a consultancy firm. Another consultancy service was received for updating the climate scenario analysis framework used in the digitization of our Bank's climate change risks, within the scope of developments in the sector and climate change. Also expenditures for capacity development of employees by regular trainings and purchases (like hardware and equipment purchases) made to ensure energy efficiency in banking operations are considered as other items that constitute Bank's OPEX. The ratio of the sum of these expenses (20,921,140 TL) to the 2022 unconsolidated operating expenses (10,246 million TL) is 0.20%. Considering the conjuncture and economic uncertainty in our country, it is not possible to estimate the selected financial metric for 2025 and 2030 in the long term, and it is assumed that the said ratio will remain stable.

C-FS3.6

(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?

	Policy framework for portfolio activities that include climate-related requirements for clients/investees, and/or exclusion policies	Explain why the policy framework for your portfolio activities do not include climate-related requirements for clients/investees, and/or exclusion policies
Row 1	Yes, our framework includes both policies with climate-related client/investee requirements and climate-related exclusion policies	<Not Applicable>

C-FS3.6a

(C-FS3.6a) Provide details of the policies which include climate-related requirements that clients/investees need to meet.

Portfolio

Banking (Bank)

Type of policy

Credit/lending policy

Pricing policy

Other, please specify (Environmental and Social Impact Policy)

Portfolio coverage of policy

13.42

Policy availability

Publicly available

Attach documents relevant to your policy

environment-and-social-impact-policy.pdf

Criteria required of clients/investees

Disclosure of Scope 1 emissions

Disclosure of Scope 2 emissions

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Energy

Materials

Capital Goods

Commercial & Professional Services

Transportation

Telecommunication Services

Real Estate

Exceptions to policy based on

Industry sector

Line of Business

Products and services

Explain how criteria required, criteria coverage and/or exceptions have been determined

As we are in a unique position to encourage our clients to align their business strategies with global climate-benchmarks, we are evaluating the environmental and social risks of projects above a certain threshold in predefined sectors. We evaluate the potential E&S risks of all new investment projects worth more than USD 10 MM by the E&S Risk Evaluation Tool. The various criteria related to environmental and social performance ensure alignment in climate-related requirements for our clients. Besides, it gives us a chance to steer clients' business strategies with additional commitments to mitigate or compensate any environmental impact associated with climate change. Disclosure of Scope 1 emissions of clients are examined through our E&S risk evaluation model by Project Finance Sustainable Finance Section of İsbank. E&S Risk Evaluation Tool includes questions about greenhouse gas emission monitoring. These questions are:

- Does the project require climate change risk assessment and/or greenhouse gas emission monitoring?
- Does the project negatively affect air quality?
- Has it been stated by the official authorities that a modeling study should be carried out for the emissions released into the air?
- Is it a facility subject to the Regulation on the Monitoring of Greenhouse Gas Emissions?

If the answer is yes, the risk criteria of the project will increase and assessment of the project includes different actions rather than low risk projects. Since the below listed investments are liable for environmental damage such as their impact on water, soil and air quality, on endangered species, on deforestation and hazardous waste disposal practices, İsbank Environmental & Social Impact Policy clarified that we have exclusion policies for

- Loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation.
 - New coal mining investments
 - Gold mining conducted by using cyanide
-

C-FS3.6b

(C-FS3.6b) Provide details of your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Portfolio

Banking (Bank)

Type of exclusion policy

All Coal

Other, please specify (Natural gas-fired thermal power plants)

Year of exclusion implementation

2020

Timeframe for complete phase-out

Already phased out

Application

New business/investment for new projects

New business/investment for existing projects

Country/Area/Region the exclusion policy applies to

Turkey

Description

İşbank rejects any loan applications for activities on the İşbank Exclusion List, which the Bank names in the annex to its Environmental and Social Impacts Policy, without even taking them into consideration. İşbank Environmental and Social Impact Policy, which includes Exclusion List is an integral part of our Sustainability approach, which was accepted by our Board of Directors and entered into force on 31.12.2014

In 2020, we took an industry-leading decision; we announced that we would not finance "loans for financing greenfield (new) investments of coal- and natural gas-fired thermal power plants to be established for electricity generation". Subsequently, we added "loans for financing of new coal mine investments and gold mining using cyanide" and "activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage".

C-FS3.8

(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?

	Climate-related covenants in financing agreements	Primary reason for not including climate-related covenants in financing agreements	Explain why your organization does not include climate-related covenants in financing agreements and your plans for the future
Row 1	Yes	<Not Applicable>	<Not Applicable>

C-FS3.8a

(C-FS3.8a) Provide details of the covenants included in your organization's financing agreements to reflect and enforce your climate-related policies.

Types of covenants used	Asset class/product types	Coverage of covenants	Please explain
Purpose or use of proceeds clause refers to sustainable project Margin or pricing depends on sustainability criteria Legal mandate to obtain third party verification Covenants related to compliance with your policies	Corporate loans Project finance	New business/investment for all projects	<p>For the projects above USD 10 MM, E&S risk assessment is conducted by İşbank. Customers are required to comply with regulations and international standards that are confirmed by technical and environmental advisor reports, which are periodically presented to the bank during the tenor of the loans. Financing agreements cover these reports' requirements in line with loan conditions.</p> <p>İşbank requires investing companies to make commitments, as exemplified below, in line with assessments specific to projects, in order to eliminate/mitigate or compensate any environmental and social adverse impacts of such projects it financially supports.</p> <p>Eg.</p> <ul style="list-style-type: none"> - taking measures to preserve biodiversity in specific and protected areas, - forestation to reduce and offset carbon emissions, use of indigenous species suited to the area in forestation efforts, relocation of trees to spots matching with the project site as closely as possible, - conservation of endemic species, - increasing OHS practices, - prioritizing the purchases of lands through agreements, preparing resettlement plans <p>The compliance of investing companies with these commitments guaranteed by including in loan agreements and monitored as part of financing process throughout the facility tenor.</p> <p>Within the scope of sustainable projects, customers who have the motivation for lower interest rate, improvement in sustainability performance and reputation, better credit risk rating and higher attractiveness of the company towards investors and access to capital are primarily selected. Within the scope of SLL structure, customers are evaluated and various KPIs are sent to them. The main lines of these KPIs are; energy efficiency, reducing greenhouse gas emissions, transition to circular economy and efficient use of resources. KPIs are evaluated independently by Second Party Opinion and loan interest rates are determined accordingly. In terms of corporate loans, in SLL mechanisms, according to the ESG score of the project, interest rate or other fees differ both downward and upward during the loan repayment period. In sustainable projects, the documents prepared within the framework of Project Finance are referred to the document containing the sustainability KPIs and provisions, and the customer is provided to approve this document as well. The company that signs the relevant contract is obliged to comply with the sustainability policy and provisions of our Bank.</p>

C4. Targets and performance

C4.1

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

Absolute target

C4.1a

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

Target reference number

Abs 1

Is this a science-based target?

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

Target ambition

Well-below 2°C aligned

Year target was set

2019

Target coverage

Company-wide

Scope(s)

Scope 1

Scope 2

Scope 2 accounting method

Market-based

Scope 3 category(ies)

<Not Applicable>

Base year

2018

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

22647

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

64840

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 7: Employee commuting emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target (metric tons CO2e)

<Not Applicable>

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

<Not Applicable>

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

87487

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

100

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

100

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target as % of total base year emissions in Scope 3, Category 1: Purchased goods and services (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target as % of total base year emissions in Scope 3, Category 2: Capital goods (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target as % of total base year emissions in Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution covered by target as % of total base year emissions in Scope 3, Category 4: Upstream transportation and distribution (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target as % of total base year emissions in Scope 3, Category 5: Waste generated in operations (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target as % of total base year emissions in Scope 3, Category 6: Business travel (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 7: Employee commuting covered by target as % of total base year emissions in Scope 3, Category 7: Employee commuting (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 8: Upstream leased assets (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target as % of total base year emissions in Scope 3, Category 9: Downstream transportation and distribution (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 10: Processing of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 11: Use of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 12: End-of-life treatment of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 13: Downstream leased assets (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target as % of total base year emissions in Scope 3, Category 14: Franchises (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target as % of total base year emissions in Scope 3, Category 15: Investments (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target as % of total base year emissions in Scope 3, Other (upstream) (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target as % of total base year emissions in Scope 3, Other (downstream) (metric tons CO2e)

<Not Applicable>

Base year total Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

<Not Applicable>

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

100

Target year

2025

Targeted reduction from base year (%)

38

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

54241.94

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

22119

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

0

Scope 3, Category 1: Purchased goods and services emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 2: Capital goods emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 4: Upstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 5: Waste generated in operations emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 6: Business travel emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 7: Employee commuting emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 8: Upstream leased assets emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 9: Downstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 10: Processing of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 11: Use of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 12: End-of-life treatment of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 13: Downstream leased assets emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 14: Franchises emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 15: Investments emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Other (upstream) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Other (downstream) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Total Scope 3 emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

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

22119

Does this target cover any land-related emissions?

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

% of target achieved relative to base year [auto-calculated]

196.624701534604

Target status in reporting year

Achieved

Please explain target coverage and identify any exclusions

Our Scope 1 + 2 GHG emissions target for 2025 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year.

Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2025 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System)).
- Renewable energy installments for our self-consumption of electricity.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.

Considering the cumulative impact of the strategic pillars & sources mentioned above, our scope 1 + 2 emissions target for 2025 is set as 38% with respect to our baseline year.

We consider this as a science-based target, but this target has not been approved as science-based by the Science-Based Targets Initiative (SBTi) since the new SBTi guidance for financial institutions named as FI Net-Zero (FINZ) Standard is still being worked on. To further expand climate action among FIs and address recent

developments in climate accounting and net-zero platforms. SBTi is updating its recent framework and introducing a new FI Net-Zero (FINZ) Standard, both of which will include new fossil fuel criteria for financial institutions. New SBTi Standard is now in the phase of public consultation. After completing the public consultations, SBTi will launch the new versions of FI Near-Term and FINZ Standard for the implementation. The FINZ Standard is expected to be published in Q4 2023. In parallel with this development, the SBTi is allowing financial institutions that have publicly committed to setting SBT, to extend their submission deadline in order to file their validation application according to FINZ. This means that banks committed will be able to submit their targets around May 2024 under the new standard. As a financial institution, İşbank also waits for the publication of FINZ to finalize its validation process because the new standard facilitates the interoperability between NZBA and SBTi. Thanks to that İşbank could validate its net zero and Scope 1 & 2 targets together so that fulfil its NZBA commitment with SBTi approval.

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

<Not Applicable>

List the emissions reduction initiatives which contributed most to achieving this target

İşbank uses renewable energy in all of its service & operational points where can be supplied, and has already reached its targets for 2025 and 2030. In 2021, the amount of energy generated from renewable energy sources accounted for 84% of the total energy consumption of İşbank. Whereas in 2022 in line with its emission reduction target, the Bank procured 100% of its electricity consumption as renewable energy. Concerning the electricity procurement tender, renewable energy sources have been preferred for all electricity consumption for the next years.

Target reference number

Abs 2

Is this a science-based target?

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

Target ambition

Well-below 2°C aligned

Year target was set

2019

Target coverage

Company-wide

Scope(s)

Scope 1
Scope 2

Scope 2 accounting method

Market-based

Scope 3 category(ies)

<Not Applicable>

Base year

2018

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

22647

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

64840

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 7: Employee commuting emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target (metric tons CO2e)

<Not Applicable>

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

<Not Applicable>

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

87487

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

100

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

100

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target as % of total base year emissions in Scope 3, Category 1: Purchased goods and services (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target as % of total base year emissions in Scope 3, Category 2: Capital goods (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target as % of total base year emissions in Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution covered by target as % of total base year emissions in Scope 3, Category 4: Upstream transportation and distribution (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target as % of total base year emissions in Scope 3, Category 5: Waste generated in operations (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target as % of total base year emissions in Scope 3, Category 6: Business travel (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 7: Employee commuting covered by target as % of total base year emissions in Scope 3, Category 7: Employee commuting (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 8: Upstream leased assets (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target as % of total base year emissions in Scope 3, Category 9: Downstream transportation and distribution (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 10: Processing of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 11: Use of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 12: End-of-life treatment of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 13: Downstream leased assets (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target as % of total base year emissions in Scope 3, Category 14: Franchises (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target as % of total base year emissions in Scope 3, Category 15: Investments (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target as % of total base year emissions in Scope 3, Other (upstream) (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target as % of total base year emissions in Scope 3, Other (downstream) (metric tons CO2e)

<Not Applicable>

Base year total Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

<Not Applicable>

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

100

Target year

2030

Targeted reduction from base year (%)

65

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

30620.45

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

22119

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

0

Scope 3, Category 1: Purchased goods and services emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 2: Capital goods emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 4: Upstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 5: Waste generated in operations emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 6: Business travel emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 7: Employee commuting emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 8: Upstream leased assets emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 9: Downstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 10: Processing of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 11: Use of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 12: End-of-life treatment of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 13: Downstream leased assets emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 14: Franchises emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 15: Investments emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Other (upstream) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Other (downstream) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Total Scope 3 emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

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

22119

Does this target cover any land-related emissions?

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

% of target achieved relative to base year [auto-calculated]

114.949825512538

Target status in reporting year

Achieved

Please explain target coverage and identify any exclusions

Considering this particular strategic pillar & source mentioned above and by the help of our energy reduction efforts till 2025, our scope 1 + 2 emissions target for 2030 is set as 65% with respect to our baseline year.

Our Scope 1 + 2 GHG emissions target for 2030 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2030 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
 - Renewable energy installments for our self electricity consumption.
 - Procurement of renewable electricity.
 - Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.
 - Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035.
- Considering the cumulative impact of the strategic pillars & sources mentioned above, our scope 1 + 2 emissions target for 2030 is set as 65% with respect to our baseline year.

We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets Initiative (SBTi) since the new SBTi guidance for financial institutions named as FI Net-Zero (FINZ) Standard is still being worked on. To further expand climate action among FIs and address recent developments in climate accounting and net-zero platforms, SBTi is updating its recent framework and introducing a new FI Net-Zero (FINZ) Standard, both of which will include new fossil fuel criteria for financial institutions. New SBTi Standard is now in the phase of public consultation. After completing the public consultations, SBTi will launch the new versions of FI Near-Term and FINZ Standard for the implementation. The FINZ Standard is expected to be published in Q4 2023. In parallel with this development, the SBTi is allowing financial institutions that have publicly committed to setting SBT, to extend their submission deadline in order to file their validation application according to FINZ. This means that banks committed will be able to submit their targets around May 2024 under the new standard. As a financial institution, İşbank also waits for the publication of FINZ to finalize its validation process because the new standard facilitates the interoperability between NZBA and SBTi. Thanks to that İşbank could validate its net zero and Scope 1 & 2 targets together so that fulfil its NZBA commitment with SBTi approval.

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

<Not Applicable>

List the emissions reduction initiatives which contributed most to achieving this target

İşbank uses renewable energy in all of its service & operational points where can be supplied, and has already reached its targets for 2025 and 2030. In 2021, the amount of energy generated from renewable energy sources accounted for 84% of the total energy consumption of İşbank. Whereas in 2022 in line with its emission reduction target, the Bank procured 100% of its electricity consumption as renewable energy. Concerning the electricity procurement tender, renewable energy sources have been preferred for all electricity consumption for the next years.

Target reference number

Abs 3

Is this a science-based target?

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

Target ambition

Well-below 2°C aligned

Year target was set

2019

Target coverage

Company-wide

Scope(s)

Scope 1

Scope 2

Scope 2 accounting method

Market-based

Scope 3 category(ies)

<Not Applicable>

Base year

2018

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

22647

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

64840

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 7: Employee commuting emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target (metric tons CO2e)

<Not Applicable>

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

<Not Applicable>

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

87487

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

100

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

100

Base year Scope 3, Category 1: Purchased goods and services emissions covered by target as % of total base year emissions in Scope 3, Category 1:

Purchased goods and services (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 2: Capital goods emissions covered by target as % of total base year emissions in Scope 3, Category 2: Capital goods (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target as % of total base year emissions in Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 4: Upstream transportation and distribution covered by target as % of total base year emissions in Scope 3, Category 4: Upstream transportation and distribution (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 5: Waste generated in operations emissions covered by target as % of total base year emissions in Scope 3, Category 5: Waste generated in operations (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 6: Business travel emissions covered by target as % of total base year emissions in Scope 3, Category 6: Business travel (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 7: Employee commuting covered by target as % of total base year emissions in Scope 3, Category 7: Employee commuting (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 8: Upstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 8: Upstream leased assets (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 9: Downstream transportation and distribution emissions covered by target as % of total base year emissions in Scope 3, Category 9: Downstream transportation and distribution (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 10: Processing of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 10: Processing of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 11: Use of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 11: Use of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 12: End-of-life treatment of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 12: End-of-life treatment of sold products (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 13: Downstream leased assets emissions covered by target as % of total base year emissions in Scope 3, Category 13: Downstream leased assets (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 14: Franchises emissions covered by target as % of total base year emissions in Scope 3, Category 14: Franchises (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Category 15: Investments emissions covered by target as % of total base year emissions in Scope 3, Category 15: Investments (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (upstream) emissions covered by target as % of total base year emissions in Scope 3, Other (upstream) (metric tons CO2e)

<Not Applicable>

Base year Scope 3, Other (downstream) emissions covered by target as % of total base year emissions in Scope 3, Other (downstream) (metric tons CO2e)

<Not Applicable>

Base year total Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

<Not Applicable>

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

100

Target year

2035

Targeted reduction from base year (%)

100

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

0

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

22119

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

0

Scope 3, Category 1: Purchased goods and services emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 2: Capital goods emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 4: Upstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 5: Waste generated in operations emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 6: Business travel emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 7: Employee commuting emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 8: Upstream leased assets emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 9: Downstream transportation and distribution emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 10: Processing of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 11: Use of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 12: End-of-life treatment of sold products emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 13: Downstream leased assets emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 14: Franchises emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Category 15: Investments emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Other (upstream) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Scope 3, Other (downstream) emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

Total Scope 3 emissions in reporting year covered by target (metric tons CO2e)

<Not Applicable>

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

22119

Does this target cover any land-related emissions?

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

% of target achieved relative to base year [auto-calculated]

74.7173865831495

Target status in reporting year

Underway

Please explain target coverage and identify any exclusions

Our Scope 1 + 2 GHG emissions target for 2035 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year.

Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2035 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
- Renewable energy installments for our self-consumption electricity.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.
- Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035.

Considering the cumulative impact of the strategic pillars & sources mentioned above, we aim to be a "Carbon Neutral Bank" with a 100% scope 1 + 2 emissions reduction target for 2035.

We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets Initiative (SBTi) since the new SBTi guidance for financial institutions named as FI Net-Zero (FINZ) Standard is still being worked on. To further expand climate action among FIs and address recent developments in climate accounting and net-zero platforms, SBTi is updating its recent framework and introducing a new FI Net-Zero (FINZ) Standard, both of which will include new fossil fuel criteria for financial institutions. New SBTi Standard is now in the phase of public consultation. After completing the public consultations, SBTi will launch the new versions of FI Near-Term and FINZ Standard for the implementation. The FINZ Standard is expected to be published in Q4 2023.

In parallel with this development, the SBTi is allowing financial institutions that have publicly committed to setting SBT, to extend their submission deadline in order to file their validation application according to FINZ. This means that banks committed will be able to submit their targets around May 2024 under the new standard. As a financial institution, İşbank also waits for the publication of FINZ to finalize its validation process because the new standard facilitates the interoperability between NZBA and SBTi. Thanks to that İşbank could validate its net zero and Scope 1 & 2 targets together so that fulfil its NZBA commitment with SBTi approval.

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

This 100% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installments, digitalization of banking services, our procurement of renewable electricity and carbon offsetting efforts. These strategic steps for achieving our net zero target will be continuous while residual part of Scope 1 + 2 emissions will be offsetted. Also we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

List the emissions reduction initiatives which contributed most to achieving this target

<Not Applicable>

C4.2

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

Target(s) to increase low-carbon energy consumption or production

Net-zero target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number

Low 1

Year target was set

2021

Target coverage

Company-wide

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Base year

2021

Consumption or production of selected energy carrier in base year (MWh)

102179

% share of low-carbon or renewable energy in base year

84

Target year

2030

% share of low-carbon or renewable energy in target year

100

% share of low-carbon or renewable energy in reporting year

100

% of target achieved relative to base year [auto-calculated]

100

Target status in reporting year

Achieved

Is this target part of an emissions target?

Yes. It is part of Abs 1, 2 and 3 targets.

Is this target part of an overarching initiative?

Science Based Targets initiative

Please explain target coverage and identify any exclusions

Isbank has set a target to procure minimum 90 percent of its energy requirements from renewable sources by the year 2025. Furthermore, the Bank aims to escalate this target to %100 by 2035. Providing the Banks electric energy from renewable sources results with a dramatic decline in scope 2 emissions.

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

<Not Applicable>

List the actions which contributed most to achieving this target

In line with this goal, İşbank procured all of its electricity consumption as renewable energy in 2022.

C4.2c

(C4.2c) Provide details of your net-zero target(s).

Target reference number

NZ1

Target coverage

Company-wide

Absolute/intensity emission target(s) linked to this net-zero target

Abs1

Abs2

Target year for achieving net zero

2035

Is this a science-based target?

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

Please explain target coverage and identify any exclusions

Our Scope 1 + 2 GHG emissions target for 2035 covers 100% of our gross global Scope 1 + 2 emissions considering 2018 as the base year. Commencement of the target began as of the starting of 2020 financial year. Strategic pillars & sources for achieving our 2035 target are:

- Energy efficiency targets & their applications (Energy efficiency in our head office, technology and operations centres as well as data centre) and branches (LED Lighting transformation, HVAC transformation, Implementation of Building Energy Management System).
- Renewable energy installments for our self electricity consumption.
- Procurement of renewable electricity.
- Digital banking & digitalization of our banking services and its implications on the decrease of our branch quantity and cumulative energy demand.
- Carbon emissions offsetting for the remaining portion of our emissions between 2030 and 2035.

Considering the cumulative impact of the strategic pillars & sources mentioned above, we aim to be a "Carbon Neutral Bank" with a 100% scope 1 + 2 emissions reduction target for 2035.

This 100% reduction in our gross global Scope 1 + 2 emissions will be a cumulative result of the benefits of our energy efficiency initiatives, renewable energy installments, digitalization of banking services, our procurement of renewable electricity and carbon offsetting efforts. Following the actualization of our 2025 and 2030 targets, remaining portion of Scope 1 + 2 emissions will be offsetted. We consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative. We will follow the appropriate pathway for this target to be approved by SBTi.

Do you intend to neutralize any unabated emissions with permanent carbon removals at the target year?

Unsure

Planned milestones and/or near-term investments for neutralization at target year

<Not Applicable>

Planned actions to mitigate emissions beyond your value chain (optional)

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	
To be implemented*	2	57742.34
Implementation commenced*	1	579.44
Implemented*	2	58321.94
Not to be implemented	0	

C4.3b

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

Initiative category & Initiative type

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

Estimated annual CO2e savings (metric tonnes CO2e)

377.94

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

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

3002331

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

717227

Payback period

4-10 years

Estimated lifetime of the initiative

16-20 years

Comment

No additional comments.

Initiative category & Initiative type

Low-carbon energy consumption	Other, please specify (Renewable energy procurement)
-------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

57944

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

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

0

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

1097901

Payback period

No payback

Estimated lifetime of the initiative

<1 year

Comment

No monetary savings occur, since procurement of renewable energy brings additional costs, such as certification.

C4.3c

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

Method	Comment
Compliance with regulatory requirements/standards	Investments required by standards such as ISO14001 are supported by the Bank in order to engage employee environment awareness with classes, certification and audit processes. The budgets of systems such as automation, remote monitoring and LED conversion, which will contribute to environmental management systems with opportunities such as monitoring consumption and detecting losses, are provided within the framework of this understanding.
Internal incentives/recognition programs	One particular method we use to drive investment in emissions reduction activities is internal incentives/recognition programmes. As stated in detail also in C1.3a, under the leadership of CSO, all division heads have an energy reduction target which shall be sustained below the internally defined threshold. This efficiency threshold & target is assured via these division heads' performance card which drive his/her efforts in terms of designing & applying appropriate emissions reduction activities.
Dedicated budget for energy efficiency	Investments required by standards such as ISO14001 are supported by the Bank. The budgets of systems such as automation renovation, remote monitoring, pump renovation, energy efficient air conditioner renewals, solar panels and transformation of lighting luminaires (LED conversion), which will contribute to environmental management systems with opportunities such as monitoring consumption and detecting losses, are provided within the framework of this understanding.

C-FS4.5

(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?

Yes

(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to classify the product(s).

Product type/Asset class/Line of business

Banking	Debt and equity underwriting
---------	------------------------------

Taxonomy or methodology used to classify product

Green Bond Principles (ICMA)

Description of product

İşbank has established its Sustainability Bond Framework in 2020 and in 2021 expanded its scope by revising it into the Sustainable Finance Framework in 2021, which will also cover green, social or sustainable loans in addition to eurobonds. Funds obtained by debt instruments issued under the framework will be allocated to projects with a positive environmental impact in the areas of renewable energy, energy efficiency, recycling, organic agriculture, clean transportation, green buildings and circular economy, and to finance loans with a positive social impact, such as financing SMEs in underdeveloped regions and women entrepreneurs. To this date, İşbank has issued two green bonds in 2019 and 2021, with amounts USD 50 million and USD 13 million, respectively.

In 2022, İşbank obtained 2 sustainability-linked syndicated loans by determining several environmental and social performance indicators in the related loan agreements, including increasing the percentage of disabled friendly ATMs within the bank's ATM network and paper savings to be achieved through digitized processes.

In 2022, İşbank has obtained funding from international financial institutions with specific use of proceeds; specifically for the financing of energy/resource efficiency and renewable energy projects/loans, SMEs, firms managed by women and green mortgages .

İşbank's Sustainable Finance Framework, SPOs and the reports may be accessed via the link below:

<https://www.isbank.com.tr/en/about-us/sustainability-frameworks-and-reports>

As of end of 2021, we have two outstanding green bonds amounting to a total of USD 63,000,000, which forms 1,4% of the total eurobond portfolio issued by İşbank.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Adaptation

Portfolio value (unit currency – as specified in C0.4)

1174950000

% of total portfolio value

2.1

Type of activity financed/insured or provided

Green buildings and equipment

Low-emission transport

Renewable energy

Emerging climate technology, please specify

Carbon removal

Nature-based solutions

Fortified buildings

Sustainable agriculture

Product type/Asset class/Line of business

Banking	Project finance
---------	-----------------

Taxonomy or methodology used to classify product

The EU Taxonomy for environmentally sustainable economic activities

Description of product

In accordance with the Sustainable Finance Framework, our Bank offers Green Loan and Sustainability Linked Loan products to customers, while Sustainable Finance Team provides Environmental and Social Consulting Services for some investment projects with an investment amount of USD 10 million or more, within the scope of EBRD E&S Performance Requirements and IFC E&S Performance Standards. In this context, Environmental Social Due Diligence (ESDD) Report and Environmental Social Action Plan (ESAP) are being prepared. ESAPs are monitored periodically, so environmental and social risks of companies, including climate change, are reduced. In 2022, a total of 9 project loans were used within the scope of project finance, and 4 of these loans were marked as sustainable loans (%50,7 of Project Loans given in 2022) according to our Bank's sustainable finance framework.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

273220500

% of total portfolio value

50.7

Type of activity financed/insured or provided

Renewable energy

Product type/Asset class/Line of business

Banking	Corporate loans
---------	-----------------

Taxonomy or methodology used to classify product

LMA Sustainability Link Loans Principles

Description of product

Green loans ("GLs"), based on the GLPs, are generally structured in the same way as standard loans except that the loan proceeds are tracked and allocated to eligible green projects. The GLPs contain a non-exhaustive list of indicative categories. GLs also require: transparency about how the sustainable projects are selected and how the funds are allocated. As of 2022, our Bank's SLL loan amount is TRY 1.8 billion in cash and non-cash. The ratio of our bank's SLL loan balance to total cash and non-cash loan portfolio is %0.17.

Sustainability-linked loans ("SLLs"), based on the SLLPs, deviate from the GL "use of proceeds" model. Unlike GLs, SLLs involve setting "sustainability performance targets" ("SPTs") for the borrower (e.g. if "internal", reduction in greenhouse gas emissions; improvements in energy efficiency; or if "external", attaining a certain sustainability rating from an external reviewer) and if these targets are met, the borrower is rewarded with a ratcheting down of the loan's interest rate. Further, SLL proceeds do not need to be allocated exclusively (or indeed at all) to green projects.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

1772384977

% of total portfolio value

0.17

Type of activity financed/insured or provided

Renewable energy

Other, please specify (defence industry)

Product type/Asset class/Line of business

Banking	Retail loans
---------	--------------

Taxonomy or methodology used to classify product

Externally classified using other taxonomy or methodology, please specify (National Energy Performance Regulation in Buildings)

Description of product

According to the TS 825 standard, housing loans extended in the purchase of immovables that have energy identity certificates indicating that they are subject to B or A energy class are classified as green housing loans. Half of the disbursement cost calculated by our Bank is deducted in the use of green housing loans. In this way, it is aimed to increase the awareness of the customers about the real estates with high energy efficiency and to increase the demand for these houses. However, in line with the legal regulations, the loan-collateral ratios applied in the loans to be used for the purchase of houses with high energy efficiency have been determined to be higher. In other words, it is possible to use higher amounts of loan for the purchase of a house with high energy efficiency. In this context, the total amount of green housing loans extended by our bank in 2022 is TL 1.2 billion.

Moreover, urban transformation loan is a type of loan that is used to provide the financing needed for the demolition and rebuilding of risky structures. The disbursement process of this product requires more detailed operational follow-up than a standard housing loan. For this reason, the use of the loan and the management of the post-disbursement process is a specialist job. Our bank is recognized in the market as an expert in urban transformation loans, and currently, one of every 2 urban transformation loans is provided by our Bank. Since urban transformation encourages the demolition of old buildings and the construction of buildings that comply with current building regulations, it also indirectly ensures that buildings that are not energy efficient are brought to the minimum required energy level. For this reason, we internally classify this loan product, which requires expertise to be used and followed, as an energy efficient product that mitigates the clients carbon emission practices. The total amount of green housing loans extended by our bank in 2022 is TL 259 million.

The total amount of green housing loans and urban transformation loans for houses subject to A and B energy classes is TL 1.4 billion.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

1439381249

% of total portfolio value

3.96

Type of activity financed/insured or provided

Green buildings and equipment

C5. Emissions methodology**C5.1****(C5.1) Is this your first year of reporting emissions data to CDP?**

No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?

No

Name of organization(s) acquired, divested from, or merged with

<Not Applicable>

Details of structural change(s), including completion dates

<Not Applicable>

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?	Details of methodology, boundary, and/or reporting year definition change(s)
Row 1	No	<Not Applicable>

C5.2

(C5.2) Provide your base year and base year emissions.

Scope 1

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

22647.2

Comment

Our Scope 1 Emissions cover emissions from our head office, technology and operations centres as well as data centre, ATMs and all branches in Turkey.

Scope 2 (location-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

64840.5

Comment

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

Scope 2 (market-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

64840.5

Comment

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

Scope 3 category 1: Purchased goods and services

Base year start

January 1 2020

Base year end

December 31 2020

Base year emissions (metric tons CO2e)

11231

Comment

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

Scope 3 category 2: Capital goods

Base year start

January 1 2020

Base year end

December 31 2020

Base year emissions (metric tons CO2e)

25173

Comment

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

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

Base year start

January 1 2020

Base year end

December 31 2020

Base year emissions (metric tons CO2e)

12210

Comment

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

Scope 3 category 4: Upstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 5: Waste generated in operations

Base year start

January 1 2020

Base year end

December 31 2020

Base year emissions (metric tons CO2e)

21.9

Comment

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

Scope 3 category 6: Business travel

Base year start

January 1 2020

Base year end

December 31 2020

Base year emissions (metric tons CO2e)

548.7

Comment

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

Scope 3 category 7: Employee commuting

Base year start

January 1 2020

Base year end

December 31 2020

Base year emissions (metric tons CO2e)

1458

Comment

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

Scope 3 category 8: Upstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 9: Downstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 10: Processing of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 11: Use of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 12: End of life treatment of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 13: Downstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 14: Franchises

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (upstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (downstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

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

The Greenhouse Gas Protocol: Scope 2 Guidance

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

22119

Start date

January 1 2022

End date

December 31 2022

Comment

Our Scope 1 Emissions cover emissions from our head office, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey.

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)

22528

Start date

January 1 2021

End date

December 31 2021

Comment

Our Scope 1 Emissions were covering emissions from our head office, technology and operations centres as well as data centre buildings, ATMs and branches in Turkey as of 2021 reporting year.

Past year 2

Gross global Scope 1 emissions (metric tons CO2e)

20629

Start date

January 1 2020

End date

December 31 2020

Comment

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

C6.2

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

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

No additional comments.

C6.3

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

Reporting year

Scope 2, location-based

57944

Scope 2, market-based (if applicable)

0

Start date

January 1 2022

End date

December 31 2022

Comment

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

Past year 1

Scope 2, location-based

55470

Scope 2, market-based (if applicable)

8784

Start date

January 1 2021

End date

December 31 2021

Comment

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

Past year 2

Scope 2, location-based

57193

Scope 2, market-based (if applicable)

57193

Start date

January 1 2020

End date

December 31 2020

Comment

İşbank purchases electricity from the main grid. Turkish Electricity Grid's RECs certification, - direct contracts (low-carbon, renewable, etc.) - residual mix totals attributes were not available and that's why our market-based Scope 2 emissions were same as our location-based Scope 2 emissions in 2020.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1, Scope 2 or Scope 3 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

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

Purchased goods and services

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

27519

Emissions calculation methodology

Supplier-specific method
Spend-based method

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

69

Please explain

Spend based and supplier specific method were used for İşbank Purchased Goods and Services emission calculations. Purchasing records and supplier lists, corresponding to 69% of total suppliers, were analyzed in detail. In supplier-specific calculations, scope 1 and 2 emission information was obtained from 4 main suppliers and emissions were shared at the rate of İşbank's share in the total supplier turnover. The remaining purchases are listed according to Tier 1 suppliers, purchase records and expenditure commodities using the Spend based method, and emissions are calculated using Life cycle (tCO2e) emissions, USEEIO v1.1 emission factors (tCO2e/\$ spent). Finally, the remaining 31% of the emissions originating from the purchasing expenditures were calculated by the extrapolation method at the rate of the average emission emissions of 69% and added to the total. Emissions resulting from paper usage within the organization are also added to the calculation. Environmental Paper Network emission factors were used for paper consumption calculation.

Capital goods

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

9597

Emissions calculation methodology

Average spend-based method

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

82

Please explain

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

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

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

4237

Emissions calculation methodology

Average data method

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

Please explain

DEFRA 2022 emission factors and loss & fugitive emissions due to distribution/transmission of fuel and energy consumption are calculated.

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

567.5

Emissions calculation methodology

Spend-based method
Distance-based method

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

Please explain

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

Waste generated in operations

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

36.6

Emissions calculation methodology

Waste-type-specific method

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

100

Please explain

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

Business travel

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

721

Emissions calculation methodology

Distance-based method

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

100

Please explain

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

Employee commuting

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1439

Emissions calculation methodology

Fuel-based method
Distance-based method

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

100

Please explain

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

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Emissions from the operation of assets that are leased by İşbank are already included in our scope 1 or scope 2 inventories. In order to prevent double accounting we do not give these emissions in scope 3. Because of that the evaluation status of this category in scope 3 is given as "not relevant".

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Since İşbank operates in the financial sector, the content of its main services is intangible i.e. especially loan allocation. Also İşbank is responsible for the costs associated with transportation and distribution in most cases if there is such cost. Therefore, downstream transportation and distribution category is considered as irrelevant for us.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

As a Bank we only provide financial services for our customers. We don't sell intermediate products that require processing into final products. It is therefore processing of sold products category is not included in our GHG Inventory.

Use of sold products

Evaluation status

Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Since İşbank operates in the financial sector, the content of its main services is intangible i.e. especially loan allocation. Because of the nature of the business of İşbank, use of sold products category is considered as not relevant.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

As a financial sector institution, İşbank's products and services do not require end of life treatment. Because of the nature of the business of İşbank, end of life treatment of sold products category is considered as not relevant.

Downstream leased assets

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO2e)

1400

Emissions calculation methodology

Spend-based method

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

Please explain

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

Franchises

Evaluation status

Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Since İşbank does not operate through franchises this category is not relevant for us.

Other (upstream)

Evaluation status

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

Other (downstream)

Evaluation status

Emissions in reporting year (metric tons CO2e)

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Please explain

C6.5a

(C6.5a) Disclose or restate your Scope 3 emissions data for previous years.

Past year 1

Start date

January 1 2021

End date

December 31 2021

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

39339

Scope 3: Capital goods (metric tons CO2e)

8296

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

12558

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

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

33.4

Scope 3: Business travel (metric tons CO2e)

418.1

Scope 3: Employee commuting (metric tons CO2e)

1490.6

Scope 3: Upstream leased assets (metric tons CO2e)

Scope 3: Downstream transportation and distribution (metric tons CO2e)

Scope 3: Processing of sold products (metric tons CO2e)

Scope 3: Use of sold products (metric tons CO2e)

Scope 3: End of life treatment of sold products (metric tons CO2e)

Scope 3: Downstream leased assets (metric tons CO2e)

Scope 3: Franchises (metric tons CO2e)

Scope 3: Investments (metric tons CO2e)

<Not Applicable>

Scope 3: Other (upstream) (metric tons CO2e)

Scope 3: Other (downstream) (metric tons CO2e)

Comment

Past year 2

Start date

January 1 2020

End date

December 31 2020

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

5459

Scope 3: Capital goods (metric tons CO2e)

25173

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

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

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

21.9

Scope 3: Business travel (metric tons CO2e)

283.3

Scope 3: Employee commuting (metric tons CO2e)

1458.2

Scope 3: Upstream leased assets (metric tons CO2e)

Scope 3: Downstream transportation and distribution (metric tons CO2e)

Scope 3: Processing of sold products (metric tons CO2e)

Scope 3: Use of sold products (metric tons CO2e)

Scope 3: End of life treatment of sold products (metric tons CO2e)

Scope 3: Downstream leased assets (metric tons CO2e)

Scope 3: Franchises (metric tons CO2e)

Scope 3: Investments (metric tons CO2e)

<Not Applicable>

Scope 3: Other (upstream) (metric tons CO2e)

Scope 3: Other (downstream) (metric tons CO2e)

5772.4

Comment

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

C6.10

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

Intensity figure

0.00002

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

21854

Metric denominator

unit total revenue

Metric denominator: Unit total

123782770000

Scope 2 figure used

Market-based

% change from previous year

74.2

Direction of change

Decreased

Reason(s) for change

Change in renewable energy consumption

Please explain

Intensity figures are calculated considering our unconsolidated unit total revenues (in TRYs) as of 2021 & 2022. Our unit total revenue values were 45.8 billion and 123.7 billion TRYs for 2021 and 2022 respectively. Our gross global combined Scope 1 & 2 emissions have decreased from 31,312 metric tons CO2e in 2021 to 21,854. An approximate 74.2% decrease is observed in our intensity figure compared to 2021 level. The main reason for this change in the ratio was the decrease in Scope 2 emission of our Bank compared to the previous year. In 2022, a great decrease was observed in Scope 2 emissions as all the Bank's electricity consumption was supplied from renewable energy.

C7. Emissions breakdowns

C7.7

(C7.7) Is your organization able to break down your emissions data for any of the subsidiaries included in your CDP response?

No

C7.9

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

Decreased

C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change in emissions	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	9193	Decreased	29.36	A: 2021 Scope 1 + Scope 2 emissions = 31,312 B: 2022 Scope 1 + Scope 2 emissions = 22,119 Calculation = $100 * [1 - (B/A)]$ Calculation = $100 * [1 - (22,119/31,312)] = \%29$
Other emissions reduction activities	377.94	Decreased	1.2	Due to LED lighting transformation a decrease of 377.94 tco2 in scope 2 emissions occurred. %Emission value calculation: A: 377.94 tCO2e (Emission reduction out of the LED lighting transformation) B: 2021 Scope 1 + Scope 2 emissions= 31,312 tCO2e %Emission value= $(A/B) * 100 = 100 * (377.94 / 31,312) = \%1.2$
Divestment		<Not Applicable>		
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output		<Not Applicable>		
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

C7.9b

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

Location-based

C8. Energy

C8.1

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

More than 70% but less than or equal to 75%

C8.2

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

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	45674.87	45674.87
Consumption of purchased or acquired electricity	<Not Applicable>	122651.48	0	122651.48
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	122651.48	45674.87	168326.35

C8.2g

(C8.2g) Provide a breakdown by country/area of your non-fuel energy consumption in the reporting year.

Country/area

Turkey

Consumption of purchased electricity (MWh)

122651.48

Consumption of self-generated electricity (MWh)

0

Is this electricity consumption excluded from your RE100 commitment?

<Not Applicable>

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

0

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

0

Total non-fuel energy consumption (MWh) [Auto-calculated]

122651.48

C9. Additional metrics

C9.1

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

Description

Waste

Metric value

1719

Metric numerator

Ton

Metric denominator (intensity metric only)

n/a

% change from previous year

9.5

Direction of change

Increased

Please explain

ISO14000 certification has been disseminated to the entire Company within last several years. This policy resulted in increased numbers in reporting and waste numbers. In upcoming years our main goal is to reach decreased numbers in waste.

C10. Verification

C10.1

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

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

C10.1a

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

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

İşbank - CDP Verification 2022.pdf

Verification from IntegratedAnnualReportofİsbank_2022.pdf

Page/ section reference

Page 2

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

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

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

İşbank - CDP Verification 2022.pdf

Verification from IntegratedAnnualReportofİsbank_2022.pdf

Page/ section reference

Page 2

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

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

Scope 3 category

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

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

İşbank - CDP Verification 2022.pdf
Verification from IntegratedAnnualReportofİşbank_2022.pdf

Page/section reference

Page 2

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.2

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

Yes

C10.2a

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C4. Targets and performance	Renewable energy products	ISAE3000	Amount of supplied renewable energy during the year was verified by KPMG as the accredited external third party, as reported in the Integrated Annual Report 2022 assurance statement of İşbank.
C3. Business strategy	Renewable energy products	ISAE3000	Number of renewable energy projects financed during the year, their installed capacity (MW) and the loan amount provided to these projects (million USD) were verified by KPMG as the accredited external third party, as reported in the Integrated Annual Report 2022 assurance statement of İşbank.

C11. Carbon pricing

C11.2

(C11.2) Has your organization canceled any project-based carbon credits within the reporting year?

No

C11.3

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

No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

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

- Yes, our suppliers
- Yes, our customers/clients
- Yes, other partners in the value chain

C12.1a

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

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

- Collect GHG emissions data at least annually from suppliers
- Collect other climate related information at least annually from suppliers

% of suppliers by number

0.9

% total procurement spend (direct and indirect)

71

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

60

Rationale for the coverage of your engagement

A Sustainability Due Diligence Survey targeting our suppliers is held once a year. Suppliers from which we buy a large amount of products/services in the relevant time period via our purchasing application are subject to an online survey which includes 38 questions in the main topics of environment, labor and human rights, ethics, and sustainable purchasing. The survey, which was designed to evaluate the performance of our suppliers, to determine the suppliers' awareness under specific categories in order to actively manage the environmental and social impact of the supply chain and to understand the situation of suppliers in terms of sustainability. This survey was intended to see the status of suppliers and aims to raise suppliers' awareness on sustainability including climate change issues. With these considerations we have engaged with companies that represent 71% of total procurement volume to retrieve their actual emission data. Aiming a coverage including material procurement areas of İşbank, three sub-categories have been considered which are a) Software & service purchases, b) Construction and Real Estate Rental c) General Product and Service Purchases. Among these 3 sub-categories we've been able to collect carbon information from companies in "Software and services", "Construction and Real Estate Rental" and "General Product and Service Purchases". We will continue to adopt series of measures that will enable to retrieve primary and more granular data from suppliers. This will, on the one hand help us increase the extent and quality of our Scope 3 data in the upcoming years. On the other hand such an engagement will help us to have a deeper understanding of supplier behaviour in terms of climate thereby finding ways to support behavioural change among our suppliers that means more impactful and efficient engagement.

Impact of engagement, including measures of success

The Bank follows a procurement strategy that envisages contributing to the sustainability of the ecosystem, including its suppliers, through its social and environmental policies based on growing together with stakeholders. In line with İşbank's procurement strategy all suppliers are expected to show due diligence in acting in compliance with the principles of Supplier Code of Conduct and Sustainability Policies. In order to carry out sustainable procurement processes, İşbank expects its suppliers to have shared values. In purchases with potentially high environmental impacts, the suppliers are expected to have the necessary certificates regarding the production process. In this way, it is aimed to minimize the climate risk impact that will arise as a result of product/service use, taking into account environmental impacts. The threshold value we set as İşbank was to create a measurable awareness in at least 3 companies among our suppliers. As a result of the surveys we conducted with our suppliers, a total of 4 companies operating in related sectors, which make up 33% of our purchases, continued to calculate scope 1 and 2 emissions in 2022.

Comment

Once a year, İşbank conducted a survey designed to evaluate the performance of its suppliers, determined the suppliers' awareness under specific categories in order to actively manage the environmental and social impact of its supply chain. Survey included 38 questions in the main fields of environment, labor & human rights, ethics and sustainable procurement. This survey was intended to see the current status of suppliers in terms of sustainability and to raise awareness of sustainability among suppliers.

C-FS12.1b

(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.

Type of clients

Customers/clients of Banks

Type of engagement

Information collection (understanding client behavior)

Details of engagement

Collect climate change and carbon information at least annually from long-term clients

% client-related Scope 3 emissions as reported in C-FS14.1a

56

Portfolio coverage (total or outstanding)

20

Rationale for the coverage of your engagement

Engagement targeted at clients with the highest potential impact on the climate

Impact of engagement, including measures of success

In April 2022 İşbank became a member of UN-convened Net Zero Banking Alliance which brings banks together who are committed to aligning their portfolios with net-zero emissions by 2050 in line with Paris Climate Agreement. Within the scope of the commitment, İşbank is going to disclose its target at least one of the carbon-intensive sectors until October 2023 and to cover the majority of the carbon-intensive sectors until April 2025. Within the one year after the setting targets İşbank is going to disclose progress on the high-level transition strategy. As part of this process, İşbank has made detailed emission calculations for its portfolio in 2022, especially in the 4 most carbon-intensive sectors, which constitute approximately 20% of its portfolio. Scope 1 and Scope 2 emissions, which will constitute a source for the Bank's emission calculation, and, if any, energy efficiency projects or emission reduction targets were requested from customers in the iron and steel, energy production, cement and road transport sectors, which are the 4 carbon-intensive sectors. Customers who were requested to share their data constituted 20% of the Bank's portfolio, while customers who shared data constituted 56% of the Bank's portfolio. Within the framework of this demand, customers, especially in carbon-intensive sectors, became aware of the Bank's expectations .

C12.1d

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

For İşbank, establishing regular, timely and two-way communication with stakeholders is a priority in sustainability activities. As part of this communication İşbank is a supporter, member and collaborator of numerous local and global initiatives. We engage with partners such as EBRD, UN Global Compact, UNEP FI PRB, SBTi-FI, NZBA, Sustainalytics, Refinitiv, FTSE and NGOs like TEMA. Output of our climate-related engagement strategy is the loan agreements with the EBRD to support renewable energy and resource efficiency investments/activities in the scope of TurSEFF as well as MidSEFF. As a signatory of UN Global Compact, we're a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Turkey. According to the commitment announced in the Global Compact Declaration of Sustainable Finance, we evaluate the potential E&S risks of all new investment projects worth more than USD 10 million. As a signatory of UNEP FI PRB, we completed impact analysis of our portfolio, analysed the positive- negative areas we've an impact through our financing activities and we determined our targets in these impact areas. In line with our commitment to the SBTi we started our validation process of our emission reduction targets on science-based basis. We work on evaluating Scope-3 emissions from lending activities and the supply chain with a target-based approach. In 2022, İşbank has joined the industry-led, UN-convened Net-Zero Banking Alliance, and committed to align its portfolio with pathways to net-zero by 2050. Thanks to this engagement, İşbank has strengthened its commitment to tackling climate crisis and accelerating progress towards SDGs. The Bank has successfully completed the UN Global Compact Early Adopter Programme in 2022. As an Early Adopter of the UN Global Compact's Communication on Progress, İşbank has disclosed its progress on the Ten Principles of the United Nations Global Compact and its contribution to the Sustainable Development Goals. Moreover, İşbank receives rating services by being evaluated within the scope of its sustainability activities and performance by international rating agencies like Sustainalytics, Refinitiv and FTSE4Good. İşbank is also collaborating with NGOs on climate-oriented projects like "Forest Forward" (Geleceğe Orman) in cooperation with TEMA (The Turkish Foundation for Combating Soil Erosion) for Reforestation and the Protection of Natural Habitats. With this collaboration the Bank offers its customers the opportunity to earn carbon points for their green banking transactions after subscribing to app. from İşCep as well as for their daily life activities. When the carbon points reach the target value, the Bank allows its customers to be a part of an environmentalist movement that protects the future through the TEMA Foundation with saplings donated on behalf of its customers and in order to reduce their carbon footprints. By the end of 2022, the number of participants in Geleceğe Orman exceeded 200 thousand, while 80 thousand saplings were donated through the application to date. The Bank aims to plant 1 million saplings in the first three years.

C12.3

(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the climate

Yes, we engage directly with policy makers

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?

Yes

Attach commitment or position statement(s)

Isbank NZBA Commitment Statement.pdf

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

İşbank is aware of the importance of its role in transitioning to a net zero economy. The Bank has taken portfolio decisions that align with Paris Agreement in carbon-intensive sectors. In this context, after 2015, all new project financing provided by İşbank for electricity generation investment was allocated to renewable energy projects. İşbank carries on efforts to reduce the share of non-renewables in its energy portfolio too. In 2020, "loans for financing greenfield investments of coal- and natural gas-fired thermal power plants to be established for electricity generation"; in 2021, "new coal mining investments" have been added to the Exclusion List (annex of İşbank E&S Impact Policy) and "activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage" in 2022. After having signed the UNEP FI PRB, the Bank disclosed its self-assessment reports and progress towards the Principles in the last two years. İşbank maintained its collaborative efforts in the UNEP FI working groups and have completed an ESG impact analysis for its portfolio & determined its impact areas. We are also a member of the Sustainability Working Group of the Banks Association of Turkey aiming at supporting ESG activities in Turkish banking sector. Regarding the intl. developments and national efforts with a special focus on the European Green Deal and EU Taxonomy, a sub-working group is incepted, aiming at preparing a proposal paper for methodology of Green Asset Ratio (GAR) as well as climate risk taxonomy in Türkiye. We're an active member of the sub-WG organized under Banks Association of Turkey as well. We supported the efforts and worked with the other members of sub-WG in the preparation of the "Draft Guide on Establishing the GAR of the Turkish Banking System", taking into account the EU Taxonomy Legislation. The meetings of the WGs is carried out with the participation of the Banking Regulation and Supervision Agency representatives as well. Within the scope of the 12th Development Plan studies under the Strategy and Budget Department, a Specialization Commission for the Development of Financial Services was established. One of the main themes of the report to be prepared by the Commission was determined as sustainable finance and our Bank actively participated in the content development studies of the report prepared by the commission, provided opinions and contributed to the report.

Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate

<Not Applicable>

Explain why your organization does not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate

<Not Applicable>

C12.3a

(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?

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

Sustainable Finance

Category of policy, law, or regulation that may impact the climate

Low-carbon products and services

Focus area of policy, law, or regulation that may impact the climate

Sustainable finance

Policy, law, or regulation geographic coverage

National

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

Turkey

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

Support with no exceptions

Description of engagement with policy makers

İşbank is a member of the sub-working group of the Banks Association of Turkey established to support the various activities regarding sustainability including creation of national GAR within the framework of international practices including adaptation to the EU Taxonomy. In the reporting period, the EU Taxonomy criteria, which was taken into account in the preparation of the "Draft Guide on Establishing the GAR of the Turkish Banking System". The aforementioned Draft Guide has been written by the sub-WG members including our Bank, describing technical screening criteria for green loan types and national GAR calculation methodology. National legislation, local processes, status in the market and lending practices are taken into account in the preparation of the draft document. We actively supported the efforts and worked with the other members of sub-WG in the preparation of the Draft Guide.

During studies carried out by sub-WG, the opinions of the Banking Regulation and Supervision Agency regarding the process evaluation are taken and their participation in the studies is ensured.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation

<Not Applicable>

Have you evaluated whether your organization's engagement on this policy, law, or regulation is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

Please explain whether this policy, law or regulation is central to the achievement of your climate transition plan and, if so, how?

We evaluate climate change topics not only in terms of reduction and adaptation but

also in terms of the opportunities created for green transformation. In this regard, we continue to offer our customers both product and service packages. In parallel with drawing the decarbonization roadmap for our loan portfolio in 2023, we will focus on increasing the sustainable finance balance. At the end of 2022 we committed to contributing to the green transformation of the economy by providing sustainable financing amounting to TL 300 billion by 2026. This commitment requires innovative products and services that enable and facilitate the green transformation of our portfolio. For this purpose we work for the expansion our green product portfolio by introducing the green products and services like renewable energy loans, roof solar power loans, energy efficiency loans, green vehicle loans, green office premises loans, green mortgages, marine conservation loans and agriculture loans. By being a member of the sub-WG of the Bank Association of Turkey for the preparation of the Draft Guide on Establishing the GAR of the Turkish Banking System", supporting the national GAR efforts has also been a driving force for us to achieve our sustainable finance commitment. With the national GAR calculations and green loan definitions, our portfolio's green transformation will accelerate and the road to our commitment will be shortened.

C12.4

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

Publication

In mainstream reports

Status

Complete

Attach the document

IntegratedAnnualReportofİsbank_2022.pdf

Page/Section reference

Page 106, Key Performance Indicators

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Other metrics

Comment

The İşbank Integrated Annual Report is compatible with the Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC). The 2022 Integrated Annual Report has been prepared in accordance with the GRI Standards-Comprehensive practice published by the Global Reporting Initiative (GRI).

In organizing the content of report, the Provisional Standard for Commercial Banks guide released by the Sustainability Accounting Standards Board - SASB, United Nations Environment Program Finance Initiative's (UNEP-FI) Principles for Responsible Banking, and Carbon Disclosure Project's (CDP) Climate Change Program Guidance were utilized.

The report also includes İşbank's contribution to the United Nations Sustainable Development Goals and Turkish Capital Markets Board's (CMB) Sustainability Principles Compliance Report.

(C12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.

	Environmental collaborative framework, initiative and/or commitment	Describe your organization's role within each framework, initiative and/or commitment
Row 1	CDP Signatory Net Zero Banking Alliance Science Based Targets Network (SBTN) UN Global Compact UNEP FI UNEP FI Principles for Responsible Banking	<p>As a signatory of UN Global Compact since 2012, İşbank is a member of the Sustainable Banking and Finance Working Group of UN Global Compact Network Turkey. İşbank is one of the first signatories of Declaration of Sustainable Finance which was published by UN Global Compact Network Turkey and undertakes the evaluation of the environmental and social risks in the loan processes. According to the commitment announced in the aforementioned Declaration, we evaluate the potential environmental and social risks of all new investment projects worth more than USD 10 million which is also stated in Risks & Opportunities section of our CDP Climate Change Reporting.</p> <p>As a signatory of the UNEP FI Principles for Responsible Banking in 2020, the Bank conducted a portfolio impact analysis and analysed the positive and negative areas it has an impact through its financing activities. İşbank will continue to disclose the developments on an annual basis.</p> <p>İşbank has made a commitment to the SBTi to validate the emission reduction targets on science-based basis. In the following periods, it is aimed to evaluate Scope-3 emissions from lending activities and the supply chain with a target-based approach.</p> <p>İşbank has strengthened its commitment to supporting the transition to a net-zero economy by joining another international initiative which is in line with its sustainability vision. İşbank has joined the industry-led, UN-convened NetZero Banking Alliance (NZBA), which brings together banks worldwide committed to aligning their portfolios with net-zero emissions by 2050.</p>

C14. Portfolio Impact

C-FS14.0

(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.

Lending to all carbon-related assets

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

54055968380

New loans advanced in reporting year (unit currency – as specified in C0.4)

18396637787

Total premium written in reporting year (unit currency – as specified in C0.4)

<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year

9.3

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

<Not Applicable>

Details of calculation

For the calculation of the value of carbon-related assets, TCFD's carbon-related asset definition is considered. In this regard, assets tied to the energy and utilities sectors under the Global Industry Classification Standard (GICS) are taken into account, covering utilities, drilling, equipment, services, exploration, production, refining, marketing, storage and transportation activities, but excluding water utilities and independent power and renewable electricity producer industries. Since the sectoral classification of İşBank is based on NACE, we mapped highest detail NACE codes to carbon related GICS codes. NACE codes are also flagged based on their relationship with coal, oil-gas or both. After the mapping is complete, all the firms in İşBank's portfolio are classified in terms of carbon-related (coal, oil-gas, coal & oil-gas) and not carbon-related categories. Value of the carbon-related assets in the portfolio is calculated as the sum of the total outstanding cash loan amount of firms that are operating in carbon-related sectors. New loans advanced to carbon related sectors calculated as the total outstanding loan amount issued to carbon-related sectors in 2022. Percentage of portfolio value comprised of carbon-related assets in reporting year equals to = value of the carbon-related assets / value of total loan portfolio.

Lending to coal

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

19231890549

New loans advanced in reporting year (unit currency – as specified in C0.4)

3286580588

Total premium written in reporting year (unit currency – as specified in C0.4)

<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year

3.3

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

<Not Applicable>

Details of calculation

Following the same mapping and methodology for carbon-related assets, value of the carbon-related assets the portfolio is calculated as the sum of the total outstanding cash loan amount of firms that are operating in coal-related sectors. For electricity production, there is no breakdown in the form of the fuel type. For that reason, firms are manually classified into coal & oil-gas categories. If a firm is engaged in both coal and oil-gas fueled production, asset weights are calculated as the percentage of 2022 production (MWh) with the specified fuel type in the total production amount of the firm. For the storage and distribution of electricity, Türkiye's energy generation mix for the 2022 is taken into account. Ratio of coal powered electricity production and oil-gas powered electricity production amounts are divided by the total electricity production to calculate the weights. Then total outstanding loan balances of the firms as of 2022YE are multiplied by these weights to calculate the coal and oil-gas related loans. Methodologies for calculating new loans advanced in coal and percentage of portfolio value comprised of coal-related assets are the same with the difference that only coal-related sectors are taken into account.

Lending to oil and gas

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

34824077830

New loans advanced in reporting year (unit currency – as specified in C0.4)

15110057198

Total premium written in reporting year (unit currency – as specified in C0.4)

<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year

6

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets

<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future

<Not Applicable>

Details of calculation

The same methodologies for calculating coal-related asset figures are applied for the calculation of oil & gas related asset figures.

C-FS14.1

(C-FS14.1) Does your organization measure its portfolio impact on the climate?

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Please explain why you do not measure the impact of your portfolio on the climate
Banking (Bank)	Yes	Portfolio emissions Other carbon footprinting and/or exposure metrics (as defined by TCFD)	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS14.1a

(C-FS14.1a) Provide details of your organization’s portfolio emissions in the reporting year.

Banking (Bank)

Portfolio emissions (metric unit tons CO2e) in the reporting year

19073418

Portfolio coverage

77

Percentage calculated using data obtained from clients/investees

40

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

Please explain the details and assumptions used in your calculation

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

C-FS14.1b

(C-FS14.1b) Provide details of the other carbon footprinting and/or exposure metrics used to track the impact of your portfolio on the climate.

Portfolio

Banking (Bank)

Portfolio metric

Carbon intensity (tCO2e/Million revenue)

Metric value in the reporting year

154.1

Portfolio coverage

77

Percentage calculated using data obtained from clients/investees

40

Calculation methodology

Our approach for calculating portfolio emissions of the Bank focuses on non-retail lending activities such as corporate/SME loans and project financing. We observe that non-retail loans portfolio constitutes 77% of the total loan portfolio as of YE2022 and the vast majority of Isbank’s portfolio emissions arises from it. Remaining 23% consists of retail loans, mainly consumer credits and credit cards, which we assume have a negligible impact compared to non-retail lending activities. We follow the general principles and assumptions of Global GHG Accounting and Reporting Standard for the Financial Industry in the calculation. Financed emissions are calculated by multiplying the reported or estimated emissions of the borrower firms with an attribution factor (AF), which is defined as the share of outstanding amount of loans over the total equity and debt of the company/project. Approximately %40 of the total portfolio emissions are calculated by using the emissions data obtained from directly from customers, their CDP responses and other public reports. Approximately 8% of the total portfolio emissions are calculated using a physical activity (production) based methodology, where outstanding amount in the company, its total debt and equity are known, reported company emissions are not known. Emissions are calculated using company’s production amount, fuel mix and IPCC’s emission factor assumptions on different fuel types. Remaining %52 of portfolio emissions are derived from firms’ economic activities, where outstanding amount in the company, its total debt plus equity and revenue as well as emission factors for the sector per unit of revenue are known. As PCAF recommends using official statistical data tCO2 e/TRY of revenue earned in a sector is estimated from the sectoral GHG emission and total revenue data available at TURKSTAT’s and Central Bank’s websites. We include each firm in the portfolio so energy and mining sectors are included in the calculation as required. If the data is not available for 2022, past year’s data is adjusted by sectoral assumptions and inflation. Borrower level emissions are multiplied by the AF for each firm and aggregated to reach the bank’s total loan-portfolio emission level, which is 19,073,418 tons. We calculate the intensity figure by dividing the total emissions by Bank’s 2022 year-end solo revenue. Carbon intensity metric is a rather preferable indicator of Bank’s portfolio impact on climate as it focuses on Bank’s carbon intensity per unit of income rather than the total portfolio emissions, which can be misleading for benchmarking different portfolio volumes. Furthermore, this metric helps to track Bank’s performance on generating low-carbon income, as the share of income from low-carbon customers (such as renewable energy generating companies) increases, the value of the metric is expected to decline and vice versa.

C-FS14.1c

(C-FS14.1c) Disclose or restate your portfolio emissions for previous years.

Past year 1 for Banking (Bank)

Start date

January 1 2021

End date

December 31 2021

Portfolio emissions (metric unit tons CO2e) in the reporting year

15651937

Portfolio coverage

78

Percentage calculated using data obtained from clients/investees

8

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

Please explain the details and assumptions used in your calculation

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

Past year 2 for Banking (Bank)

Start date

January 1 2020

End date

December 31 2020

Portfolio emissions (metric unit tons CO2e) in the reporting year

12751309

Portfolio coverage

75

Percentage calculated using data obtained from clients/investees

100

Emissions calculation methodology

The Global GHG Accounting and Reporting Standard for the Financial Industry

Please explain the details and assumptions used in your calculation

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

C-FS14.2

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

	Portfolio breakdown	Please explain why you do not provide a breakdown of your portfolio impact
Row 1	Yes, by asset class Yes, by industry Yes, by country/area/region Yes, by scope	<Not Applicable>

C-FS14.2a

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

Asset class		Portfolio metric	Portfolio emissions or alternative metric
Banking	Corporate loans	Absolute portfolio emissions (tCO2e)	11983778
Banking	Project finance	Absolute portfolio emissions (tCO2e)	7089639

C-FS14.2b

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

Portfolio	Industry	Portfolio metric	Portfolio emissions or alternative metric
Banking (Bank)	Energy	Absolute portfolio emissions (tCO2e)	8268054

C-FS14.2c

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

Portfolio	Country/area/region	Portfolio metric	Portfolio emissions or alternative metric
Banking (Bank)	Turkey <i>Vast majority of Isbank's portfolio emissions (99.6%) arises from domestic funding activities, such as loans provided to Turkey based project finance firms (SVPs) and commercial firms.</i>	Absolute portfolio emissions (tCO2e)	19004693

C-FS14.2d

(C-FS14.2d) Break down your organization's portfolio impact by scope.

Portfolio	Clients'/investees' scope	Portfolio emissions (metric tons CO2e)
Bank lending (Bank)	Scope 1	19073418

C-FS14.3

(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?

	Actions taken to align our portfolio with a 1.5°C world	Briefly explain the actions you have taken to align your portfolio with a 1.5-degree world	Please explain why you have not taken any action to align your portfolio with a 1.5°C world
Banking (Bank)	Yes	In April 2022, İşbank made a commitment to Net-Zero Banking Alliance (NBZA) by taking a very important step to manage the impacts arising from its loan portfolio and set reduction targets. In order to reach net-zero targets by 2050, the Bank committed to supporting its customers' transition processes to a net-zero economy by focusing its 2030 targets on carbon-intensive sectors and reporting and publishing its progress in emission targets on an annual basis. In 2022, climate risk continued to be in the focus of İşbank's risk management activities. Results of the climate risk heatmap and trends of risk appetite indicators are monitored and shared with relevant committees/Board. The major risk appetite metric "Share of Sectors With High Climate Risk Within Total Commercial Portfolio" followed a downwards trend throughout the year, dropped by 260 bps from its 2021YE value %17 to %14.4 at 2022YE. Thresholds for the risk appetite metric are evaluated yearly to align with İşbank's portfolio alignment strategies and NZBA commitments. In addition, quality and volume of customer emissions data are enhanced, as a result magnitude of portfolio emissions obtained directly from customers increased from %8 to %40 in 2022. Studies on the construction of an in-house climate risk database that contains bank, customer, sectoral and financial data continued in 2022 and expected to be completed in the second half of 2023. This database will greatly enhance İşbank's climate risk quantification capabilities and serve as a main data source for portfolio alignment measurements.	<Not Applicable>
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS14.3a

(C-FS14.3a) Does your organization assess if your clients/investees' business strategies are aligned with a 1.5°C world?

	Assessment of alignment of clients/investees' strategies with a 1.5°C world	Please explain why you are not assessing if your clients/investees' business strategies are aligned with a 1.5°C world
Banking (Bank)	Yes, for some	İşbank implemented a "Client Sustainability Assessment Process" for its commercial customer portfolio. The Client Sustainability Assessment Process includes 2 types of periodic evaluation: 1. Environmental and social aspects: Includes all commercial firms in the loan portfolio. 2. Climate change awareness and resilience aspects: Includes commercial firms with credit limits above 1 million USD and operate in sectors which assessed as having "High" or "Medium-High" (2 highest risk categories) climate risk level in the scope of Bank's climate risk heatmap. Clients are engaged and asked to answer a questionnaire to determine their level of climate risk awareness as well their preparedness to the risks as we are moving to a 1.5°C world. The questionnaire includes questions such as; - Does the company assess climate risks within the scope of the overall risk management framework, and has it established written/corporate business processes in this regard? - Does the company regularly measure/calculate carbon emissions? If so, total amount of carbon emissions from direct operations for the last year is requested. - Details about the company's transition strategies and action plans. - Does the company need to reduce its carbon emissions to comply with local or international regulations (such as Carbon Border Adjustment Mechanism (CBAM)) on climate change? If so the corresponding investment level to reduce emissions is requested. In the following phase, having an up-to-date Client Sustainability Assessment will be a requirement for allocating a new loan to a company. Also in next phases, we are planning to implement a PD adjustment mechanism that relies on this sustainability assessment. On the other hand, sufficient data accumulation is a core requirement for these developments to be implemented
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

	Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity	Scope of board-level oversight
Row 1	Yes, both board-level oversight and executive management-level responsibility	<p>The Board of Directors at İşbank has ultimate oversight of sustainability issues. We have a Sustainability Committee chaired by our Chairperson and the CSO who together drives and executes the sustainability strategy, including biodiversity.</p> <p>Banks are exposed to multiple types of biodiversity-related risks especially through their lending activities. We evaluate all new investment projects with a total investment amount of more than USD 10 million by using the Environmental and Social Risk Evaluation Tool (ÇESMOD). While risk categories are identified as part of the Environmental and Social Impact Evaluations conducted by İşbank, biodiversity risks are evaluated on a per-project basis. For projects which are determined as high risk category and present a number of biodiversity risks, consultants are also requested to prepare a Biodiversity Action Plan. In the ÇESMOD question set, the need for a critical habitat assessment and balancing strategy study for all relevant projects is examined. In addition, on a sectoral basis, additional impact questions such as bat habitat, bird migration routes and biodiversity issues are considered.</p> <p>Besides İşbank does not provide financing to the activities of companies that operate in the following fields as stated in the Exclusion List of the Bank: Trade of wild life elements and products governed by CITES Agreement, 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, 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), Activities where drift-nets are used in the hunting of fisheries, Transportation of oil and other hazardous substances via tankers that do not comply with the requirements of International Maritime Organization (IMO). Subsequently, we added activities prohibited by national legislation and international conventions regarding the protection of biodiversity resources and cultural heritage to the Exclusion List.</p> <p>Exclusion List is placed as an annex to Environmental and Social Impact Policy which is approved and revised annually by the Board of Directors.</p>	The impact of our bank lending activities on biodiversity

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity	Biodiversity-related public commitments	Initiatives endorsed
Row 1	Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity	Commitment to not explore or develop in legally designated protected areas Commitment to respect legally designated protected areas Commitment to avoidance of negative impacts on threatened and protected species Commitment to no conversion of High Conservation Value areas Commitment to no trade of CITES listed species	SDG CITES Other, please specify (The UN Global Compact and the Declaration on Sustainable Finance)

C15.3

(C15.3) Does your organization assess the impacts and dependencies of its value chain on biodiversity?

Impacts on biodiversity

Indicate whether your organization undertakes this type of assessment

Yes

Value chain stage(s) covered

Portfolio activity

Portfolio activity

Bank lending portfolio (Bank)

Tools and methods to assess impacts and/or dependencies on biodiversity

No biodiversity assessment tools/methods used

Please explain how the tools and methods are implemented and provide an indication of the associated outcome(s)

<Not Applicable>

Dependencies on biodiversity

Indicate whether your organization undertakes this type of assessment

No and we don't plan to within the next two years

Value chain stage(s) covered

<Not Applicable>

Portfolio activity

<Not Applicable>

Tools and methods to assess impacts and/or dependencies on biodiversity

<Not Applicable>

Please explain how the tools and methods are implemented and provide an indication of the associated outcome(s)

<Not Applicable>

C15.4

(C15.4) Does your organization have activities located in or near to biodiversity- sensitive areas in the reporting year?

Yes

C15.4a

(C15.4a) Provide details of your organization's activities in the reporting year located in or near to biodiversity -sensitive areas.

Classification of biodiversity -sensitive area

Other biodiversity sensitive area, please specify (Marmara)

Country/area

Turkey

Name of the biodiversity-sensitive area

Preventing pollution in our seas and ensuring the sustainability of the ecosystem, supporting scientific and academic studies on life in our seas.

Proximity

Data not available

Briefly describe your organization's activities in the reporting year located in or near to the selected area

The Sea Explorer, which can measure up to 100 days under the sea within the framework of a route determined independently of the ship and can descend to a depth of 1,000 meters, can transfer the data it collects when it surfaces to scientists via satellite system at certain intervals. Equipped with a wide range of sensors that can measure the properties of the water column such as temperature, salinity, oxygen, chlorophyll and turbidity, the glider can be used for oceanographic measurements under all conditions. The most important feature that distinguishes the device from its counterparts around the world is the real-time nitrogen measurement sensor it carries. This sensor contains the latest technology that can currently measure nutrient salts in the seas.

The device, which made its first research discovery in Marmara between January 12-16, 2023, examined the changes in the water arm, including the changes created by the current entering Marmara from the Bosphorus Strait and the oxygen distribution in the east-west direction. In the discovery, it was observed that the Bosphorus current mixes the upper and lower water according to its strength within 24 hours, causing temperature and salinity changes in the upper water. This situation, which was previously predicted by models and signaled by satellite, was revealed in detail with real-time and in-situ measurements for the first time. These changes may cause many problems over time, such as a decrease in species diversity, difficulty in finding food and migration of sea creatures.

Indicate whether any of your organization's activities located in or near to the selected area could negatively affect biodiversity

Not assessed

Mitigation measures implemented within the selected area

<Not Applicable>

Explain how your organization's activities located in or near to the selected area could negatively affect biodiversity, how this was assessed, and describe any mitigation measures implemented

<Not Applicable>

C15.5

(C15.5) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?	Type of action taken to progress biodiversity- related commitments
Row 1	Yes, we are taking actions to progress our biodiversity-related commitments	Land/water protection Land/water management

C15.6

(C15.6) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	Yes, we use indicators	Response indicators Other, please specify (SDG indicators)

C15.7

(C15.7) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
No publications	<Not Applicable>	<Not Applicable>

C16. Signoff

C-FI

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

No additional information.

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.

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

FW-FS Forests and Water Security (FS only)

FW-FS1.1

(FW-FS1.1) Is there board-level oversight of forests- and/or water-related issues within your organization?

	Board-level oversight of this issue area	Explain why your organization does not have board-level oversight of this issue area and any plans to address this in the future
Forests	Please select	<Not Applicable>
Water	Yes	<Not Applicable>

FW-FS1.1a

(FW-FS1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for forests- and/or water-related issues.

Issue area(s)	Position of individual(s) or committee(s)	Responsibilities for forests- and/or water-related issues
Water	Board Chair	<p>At İşbank, the Board of Directors is the highest-level of governance for sustainability. The Board of Directors has tasked a sub-committee, the Sustainability Committee, to focus on sustainability including climate and water related issues. One expression of the importance of sustainability at İşbank is that the Committee is chaired by the Chairperson of the Board of Directors and has two additional Board members as well as seven Deputy Chief Executives. By the leadership of the Chairperson, the Board of Directors considers sustainability when reviewing and guiding the business strategy, major plans of action, risk management policies, and budget plans as well as, setting performance objectives, monitoring implementation and performance.</p> <p>2 directors on board are members of Sustainability Committee which drives our sustainability efforts including water related issues.</p> <p>Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication through activities like stakeholder engagement.</p>

FW-FS1.1b

(FW-FS1.1b) Provide further details on the board's oversight of forests- and/or water-related issues.

Issue area(s)

Water

Frequency with which the issue area(s) is a scheduled agenda item

Scheduled - some meetings

Governance mechanisms into which this issue area(s) is integrated

Reviewing and guiding strategy
Reviewing and guiding the risk management process
Reviewing and guiding annual budgets
Overseeing major capital expenditures
Overseeing acquisitions, mergers, and divestitures
Overseeing the setting of corporate targets
Monitoring progress towards corporate targets

Scope of board-level oversight

The impact of our banking activities on forests and/or water security

Please explain

The Sustainability Committee provides the opportunity for business units to be represented in an inclusive manner and monitors ESG issues including water-related issues in a holistic

way. Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) who is responsible for steering İşbank's sustainability initiatives and represents the Bank in sustainability communication including stakeholder engagement. Apart from board-level Sustainability Committee and the CSO, there is Sustainability Coordinator and Sustainability Working Group (WG). Head of Investor Relations & Sustainability serves as the Sustainability Coordinator to ensure sustainability issues are effectively embedded in the Bank's executive bodies. To this end, the Sustainability WG is convened regularly, which contains representatives from all key areas of the Bank, such as credit underwriting, risk management, project finance, product development and marketing, procurement, construction & real estate management, talent management. The objective of the Sustainability WG is to ensure sustainability issues including water-related ones are embedded in business decisions and there is appropriate flow of information across all divisions.

Our Sustainability Coordinator who is responsible for ensuring effectiveness of work among the executive organs, is able to raise any related issue, progress & development anytime as important matters arise, on the agenda of the Board of Directors through the Sustainability Committee.

FW-FS1.1c

(FW-FS1.1c) Does your organization have at least one board member with competence on forests- and/or water-related issues?

Forests

Board member(s) have competence on this issue area

No, and we do not plan to address this within the next two years

Criteria used to assess competence of board member(s) on this issue area

<Not Applicable>

Primary reason for no board-level competence on this issue area

Important but not an immediate priority

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

These issues are currently being followed up at the committee level. The committees may also apply to the advisory opinion in case of need for the subjects they follow. For this reason, there is no need for a person-based competence at this stage. In the future, this situation will be evaluated according to the need.

Water

Board member(s) have competence on this issue area

No, but we plan to address this within the next two years

Criteria used to assess competence of board member(s) on this issue area

<Not Applicable>

Primary reason for no board-level competence on this issue area

Important but not an immediate priority

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

At İşbank Board-level Sustainability Committee focuses on sustainability & related issues including water-related ones. Although water-related risks and opportunities are crucial for direct and indirect operations, the climate-related issues were given priority at the board level. We plan to address this within the next two years.

FW-FS1.2

(FW-FS1.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests- and/or water-related issues.

Position or committee

Chief Sustainability Officer (CSO)

Issue area(s)

Water

Forests- and/or water-related responsibilities of this position

Monitoring progress against forests- and/or water-related corporate targets
 Assessing forests- and/or water-related risks and opportunities
 Managing forests- and/or water-related risks and opportunities

Coverage of responsibilities

Risks and opportunities related to our banking portfolio

Reporting line

CEO reporting line

Frequency of reporting to the board on forests- and/or water-related issues via this reporting line

Annually

Please explain

Deputy Chief Executive in charge of Investor Relations & Sustainability function assumes the role of Chief Sustainability Officer (CSO) (Sustainability Leader) who is responsible for steering Igbank's sustainability initiatives and represents the Bank in sustainability targets. The Chief Sustainability Officer is responsible of determining, analyzing and managing the water related risks and opportunities in concern of banking practices and water-related risks and opportunities of our own operations. In addition, the CSO periodically monitors the resource consumption relative to targets.

FW-FS2.1

(FW-FS2.1) Do you assess your portfolio's exposure to forests- and/or water-related risks and opportunities?

	We assess our portfolio's exposure to this issue area	Explain why your portfolio's exposure is not assessed for this issue area and any plans to address this in the future
Banking – Forests exposure	Yes	<Not Applicable>
Banking – Water exposure	Yes	<Not Applicable>
Investing (Asset manager) – Forests exposure	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Water exposure	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Forests exposure	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Water exposure	<Not Applicable>	<Not Applicable>
Insurance underwriting – Forests exposure	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water exposure	<Not Applicable>	<Not Applicable>

FW-FS2.1a

(FW-FS2.1a) Describe how you assess your portfolio's exposure to forests- and/or water-related risks and opportunities.

Banking – Forests exposure

Type of risk management process

A specific ESG-related risk management process

Proportion of portfolio covered by risk management process

13.42

Type of assessment

Qualitative only

Time horizon(s) covered

Long-term

Tools and methods used

Other, please specify (Environmental and Social Risk Evaluation Tool (ÇESMOD))

% of clients/investees (by number) exposed to substantive risk

21.14

% of clients/investees (by portfolio exposure) exposed to substantive risk

13.42

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

All new investment projects to be financed by İşbank with an investment amount of more than USD 10 million are evaluated using the Environmental and Social Risk Evaluation Tool (ÇESMOD). Projects within this scope are subject to environmental and social risk assessment, and a risk score is determined as a result of this assessment. If the risk of a project is determined to be high, an environmental and social action plan is established in cooperation with the customer to eliminate or mitigate the identified effects, and the follow-up of these actions is provided under the supervision of independent consultants, when necessary.

With the ÇESMOD Model, E&S risk scores of the investments financed by the Bank are calculated with initial evaluations conducted with specific sets of questions based on the type of investment, e.g. new facility development, capacity expansion and/or additional facilities or refinancing/procurement, followed by evaluations conducted with specific sets of questions based on the sector in question, e.g. mining, manufacturing, infrastructure, chemistry, energy and renewable energy.

Various assessments are made in order to determine forest and water risks in the Environmental and Social Risks Policy published by İş Bank and in the ÇESMOD prepared by Sustainable Finance team.

In addition, a commitment to plant trees up to 5 times the number of trees cut is included in loan agreements specific to projects.

Banking – Water exposure

Type of risk management process

A specific ESG-related risk management process

Proportion of portfolio covered by risk management process

13.42

Type of assessment

Qualitative only

Time horizon(s) covered

Long-term

Tools and methods used

Other, please specify (Environmental and Social Risk Evaluation Tool (ÇESMOD))

% of clients/investees (by number) exposed to substantive risk

21.14

% of clients/investees (by portfolio exposure) exposed to substantive risk

13.42

Provide the rationale for implementing this process to assess your portfolio's exposure to forests- and/or water-related risks and opportunities

All new investment projects to be financed by İşbank with an investment amount of more than USD 10 million are evaluated using the Environmental and Social Risk Evaluation Tool (ÇESMOD). Projects within this scope are subject to environmental and social risk assessment, and a risk score is determined as a result of this assessment. If the risk of a project is determined to be high, an environmental and social action plan is established in cooperation with the customer to eliminate or mitigate the identified effects, and the follow-up of these actions is provided under the supervision of independent consultants, when necessary.

With the ÇESMOD Model, E&S risk scores of the investments financed by the Bank are calculated with initial evaluations conducted with specific sets of questions based on the type of investment, e.g. new facility development, capacity expansion and/or additional facilities or refinancing/procurement, followed by evaluations conducted with specific sets of questions based on the sector in question, e.g. mining, manufacturing, infrastructure, chemistry, energy and renewable energy.

Various assessments are made in order to determine forest and water risks in the Environmental and Social Risks Policy published by İş Bank and in the ÇESMOD prepared by Sustainable Finance team.

In addition, a commitment to plant trees up to 5 times the number of trees cut is included in loan agreements specific to projects.

FW-FS2.2

(FW-FS2.2) Does your organization consider forests- and/or water-related information about clients/investees as part of its due diligence and/or risk assessment process?

	We consider forests- and/or water-related information	Explain why information related to this issue area is not considered and any plans to address this in the future
Banking – Forests-related information	Yes	<Not Applicable>
Banking – Water-related information	Yes	<Not Applicable>
Investing (Asset manager) – Forests-related information	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Water-related information	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Forests-related information	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Water-related information	<Not Applicable>	<Not Applicable>
Insurance underwriting – Forests-related information	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water-related information	<Not Applicable>	<Not Applicable>

FW-FS2.2a

(FW-FS2.2a) Indicate the forests- and/or water-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision making.

	Type of information considered	Process through which information is obtained	Industry sector(s) covered by due diligence and/or risk assessment process	State how these forests- and/or water-related information influences your decision making
Banking – Forests-related information	Scope and content of forests policy Commitment to eliminate deforestation/conversion of other natural ecosystems	Directly from the client/investee Public data sources	Energy Materials Transportation Automobiles & Components Food, Beverage & Tobacco Health Care Equipment & Services Technology Hardware & Equipment Utilities Real Estate	Our questions in the ÇESMOD; - Is a forest rehabilitation plan required? - Is there an important natural area within the scope of activity and impact of the project? - Does the project require critical habitat assessment (includes net loss / net gain calculation) and balancing strategy work? - Is there any sea discharge (domestic wastewater, industrial wastewater, etc.)? - Has a water management plan been requested by official authorities? - Is groundwater used? Various actions are taken as a result of the risks determined as a result of the ÇESMOD. Our Bank monitors whether the actions created are completed or not, with certain reporting periods. - Establishment of Environmental and Social Action Plan ("ESAP") and Appendix to the Loan Agreement - Environmental and Social Impact Assessment or Environmental and Social Due Diligence by the Independent Consultant - If necessary, ecology specialist etc. appointment and preparation of Biodiversity Action Plan (BAP) and Biodiversity Management Plan (BMP) documents.
Banking – Water-related information	Scope and content of water policy Water withdrawal and/or consumption volumes Water withdrawn from water stressed areas Water discharge treatment data Breaches to local water regulations	Directly from the client/investee Public data sources	Energy Materials Transportation Automobiles & Components Food, Beverage & Tobacco Health Care Equipment & Services Pharmaceuticals, Biotechnology & Life Sciences Technology Hardware & Equipment Utilities Real Estate	Our questions in the ÇESMOD; - Is a forest rehabilitation plan required? - Is there an important natural area within the scope of activity and impact of the project? - Does the project require critical habitat assessment (includes net loss / net gain calculation) and balancing strategy work? - Is there any sea discharge (domestic wastewater, industrial wastewater, etc.)? - Has a water management plan been requested by official authorities? - Is groundwater used? Various actions are taken as a result of the risks determined as a result of the ÇESMOD. Our Bank monitors whether the actions created are completed or not, with certain reporting periods. - Establishment of Environmental and Social Action Plan ("ESAP") and Appendix to the Loan Agreement - Environmental and Social Impact Assessment or Environmental and Social Due Diligence by the Independent Consultant - If necessary, ecology specialist etc. appointment and preparation of Biodiversity Action Plan (BAP) and Biodiversity Management Plan (BMP) documents.
Investing (Asset manager) – Forests-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Water-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Forests-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Water-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Forests-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water-related information	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS2.3

(FW-FS2.3) Have you identified any inherent forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Risks identified for this issue area	Primary reason why your organization has not identified any substantive risks for this issue area	Explain why your organization has not identified any substantive risks for this issue area
Forests	No	Not yet evaluated	
Water	Yes	<Not Applicable>	<Not Applicable>

FW-FS2.3a

(FW-FS2.3a) Provide details of forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk1

Portfolio where risk driver occurs

Banking (Bank) portfolio

Issue area risk relates to

Please select

Risk type & Primary risk driver

Acute physical	Flood (coastal, fluvial pluvial, groundwater)
----------------	---

Primary potential financial impact

Other, please specify (Devaluation of collateral and potential for stranded, illiquid assets)

Risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

İşbank considers that the Bank is exposed to certain water-related physical risks (e.g. floods, heavy rain, ect.) through its customers. One of the important areas for this exposure is the existing collateral base. In case of severe events, collaterals pledged to the bank may lose value due to damage to properties. For example, severe floods would cause İşbank's collateral book to decline in value. To assess the exposure of the collateral base to flood risk, the Bank has categorized its property liens into 5 risk categories based on their location.

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact figure

For the minimum financial impact we assume a scenario that no collateral devaluation caused any financial loss. On the other hand, we considered a hypothetical case to calculate the maximum financial impact of devaluation of collaterals due to flood risk. Three parameters were considered in the calculation.

1) Which cities can be considered high risk in terms of flood risk?

Certain cities are more prone to flood risk than others. Based on historical flood data provided by the Meteorological Service of the Turkish State, the bank identified that around 55% of its collateral portfolio in terms of value is in high risk cities.

2) What is the proportion of the value that will remain due to high flood risk?

As part of the credit policies the collaterals need to be insured. However, the insurance pay-out may not cover the flood damage in full (e.g. insurance coverage may be different than value, some collaterals may not be insured for certain risks). Therefore, only a portion of the value is assumed to remain after the flood events. A conservative assumption of 50% is used in quantification.

Considering these 2 parameters, the bank estimated that flood risk related damages would lead to a decrease of the collateral book value by 23,739MM TRY at maximum.

3) What is the substantive portion of this risk?

İşbank considers this risk as substantive only in case the customer in question defaults, therefore the total impact for this risk is calculated by the multiplication of the decrease of the collateral book value by the average probability of default. 12-month average observed default rate for 202101-202112, 3.37%, is used as a proxy to estimate average probability of default.

Considering cities exposed to higher flood risk and distribution of İşbank's collaterals to these cities, potential value loss in collateral value due to flood as well as default cases where devaluation of collaterals will become substantive for the bank, the Bank estimated that flood risk related to damages would lead to a potential value decrease of 0 – 801 MM TRY of its collateral book.

Cost of response to risk

Description of response and explanation of cost calculation

İşbank manages these risks in three ways:

1) Collateral view: As part of the risk assessment process, a physical risk heatmap is created incorporating various risk types. İşbank reviews collateral locations in the risk identification process to assess exposure to physical risks

2) Collateral valuation: İşbank periodically evaluates the value of collaterals that are pledged with collateral value review process

3) Insurance arrangements: As part of the credit process and policies, İşbank requires all properties to be insured by its customers.

Comment

There is no additional cost assumed for managing these risks since the mitigants mentioned above form part of the Bank's business as usual practice.

FW-FS2.4

(FW-FS2.4) Have you identified any inherent forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Opportunities identified for this issue area	Primary reason why your organization has not identified any substantive opportunities for this issue area	Explain why your organization has not identified any substantive opportunities for this issue area
Forests	No	Not yet evaluated	
Water	Yes	<Not Applicable>	<Not Applicable>

FW-FS2.4a

(FW-FS2.4a) Provide details of forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Portfolio where opportunity occurs

Banking (Bank) portfolio

Issue area opportunity relates to

Water

Opportunity type & Primary opportunity driver

Products and services	Development and/or expansion of financing products and solutions supporting water security
-----------------------	--

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company- specific description

İşbank supports sustainability to create a positive impact on food safety and resource efficiency in agriculture. Agriculture is the largest user of water with almost 75 % of the total consumption in Turkey. The opportunity identified is providing a new credit facility namely Irrigation Systems Loan that serve to increase the quality and efficiency of water usage in agriculture. With the credit we aim to transform the existing irrigation systems into a more water efficient pressurized irrigation systems. The productivity of agricultural soil in Turkey is approx. 155 USD for 1000 decare of land (1 hectare). According to our analysis, more efficient irrigation system makes double the productivity. Therefore, we aim to enlarge the impact by providing finance to increasing number of farmers. As the awareness among the farmers enhance, we expect the demand for Irrigation Systems Loan to increase substantially and the credit balance of the Loan to double every year in 5 years time period. İşbank's strategy to realize opportunity consists of carrying out activities to enhance awareness, coordinating marketing campaigns and conducting engagement activities with influential NGOs. İşbank contributed to the production of a documentary called "Water in Agriculture" which is about the correct use of water in agriculture (modern irrigation techniques, drought, wrong product selection and faulty irrigation methods are discussed). In the documentary we enforced the message that the most of the water sources are consumed in agriculture, therefore farmers should prefer effective and sustainable irrigation systems. The documentary was broadcasted on local TV channels 24 times in total. Besides it is available on youtube and viewed 128,000 times.

In terms of engagement, we contacted Pressure Irrigation Industry Association (BASUSAD- a Turkish NGO) before designing the credit product in order to benefit from their expertise about irrigation systems. We also consulted Frankfurt School of Business. We arranged online meetings with them, and we together put the criteria of eligibility for the credit product. We also conducted a marketing campaign so that the farmers can be informed about this product. Our sales teams tried to reach out the branches of the irrigation systems companies and conducted face-to-face marketing. We also made a marketing communication, like creative hand booklets about the campaign and sending sms texts to the customers.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Estimation of financial impact figure is based on the future projections of the credit balance. We expect the credit balance to reach TRY 100 million at the end of 2022 with the help of strong credit base as wells as due to increased awareness on the issue and communication efforts. Out of the credit balance projected, annual interest income of TRY 1.4 million is calculated (profit margins are based on conservative forecasts).

In 5 years' time, we expect the market size expand considerably as the regulations will lead the companies to improve their existing wastewater treatment. This will increase the credit balance of Marine Conservation Loan as we forecast a market share above 50% specific to this credit type.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

Comment

(FW-FS3.1) Do you take forests- and/or water-related risks and opportunities into consideration in your organization's strategy and/or financial planning?

Forests

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

Please select

Description of influence on organization's strategy including own commitments

<Not Applicable>

Financial planning elements that have been influenced

<Not Applicable>

Description of influence on financial planning

<Not Applicable>

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning

<Not Applicable>

Water

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

Yes, we take these risks and opportunities into consideration in the organization's strategy and financial planning

Description of influence on organization's strategy including own commitments

We have shaped our water-related strategy around the agriculture sector, which is one of the sectors with the highest water consumption. As a bank, we have positioned agriculture as one of our strategic priorities in order to ensure food security through the effective use of agriculture, finance and technology together. It will be among our priorities to encourage our farmers to use technology that saves inputs and increases productivity, to raise awareness in this area and to finance technological transformation. For example, in order to achieve our business objectives in long term, especially in the field of agriculture, we established the Agricultural Banking Marketing Division by creating a structure specialized in agriculture. Thus, we have integrated some of the water-related issues into our organizational structure under the title of agriculture.

Financial planning elements that have been influenced

Revenues

Description of influence on financial planning

Considering the risks and opportunities that the bank may encounter with water in the coming years, we started to take into account the financial effects of these risks and opportunities in our budget studies. In this framework, we started to work in this direction by calculating the potential financial effects in the studies carried out within the scope of risk management and business continuity. For example, flooding is one of the main risks in Turkey. Therefore we calculate the estimated impact of the flood and we know an estimated impact figure in terms of costs. By transforming such risks into financially meaningful metrics, we are able to calculate their financial impact as expenses in long term.

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning

<Not Applicable>

(FW-FS3.2) Has your organization conducted any scenario analysis to identify forests- and/or water-related outcomes?

Forests

Scenario analysis conducted to identify outcomes for this issue area

Type of scenario analysis used

<Not Applicable>

Parameters, assumptions, analytical choices

<Not Applicable>

Description of outcomes for this issue area

<Not Applicable>

Explain how the outcomes identified using scenario analysis have influenced your strategy

<Not Applicable>

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future

<Not Applicable>

Water

Scenario analysis conducted to identify outcomes for this issue area

Yes, we have conducted scenario analysis and we have identified outcomes for this issue area

Type of scenario analysis used

Climate-related

Parameters, assumptions, analytical choices

Scenario analysis consists of both qualitative and quantitative parts. For the qualitative part, İsbank combines climate risk related literature, external studies and expert input to assess climate risk level on a sectoral heatmap. Assessment is translated into a 5-grade risk scale to evaluate vulnerability of each sector in the portfolio to climate risks. Non-renewable energy generation sector was prioritized for quantitative assessment since by the end of 2022, it accounts for 25% of Bank's total commercial cash-loans portfolio emissions compared to its share %2.7 in total outstanding commercial cash-loans, which makes it by far the most carbon intense sector in the portfolio. For the quantitative part, Isbank incorporates NGFS reference scenarios framework and UNEP-FI/Oliver Wyman's "Transition Check" methodology. In the reporting year 2022, Bank carried out this study for non-renewable energy generation sector to assess the financial effect of a disorderly transition scenario to a 1.5°C temperature alignment which includes a sudden implementation (0 to 3 years) of a carbon tax. The potential impact of a carbon tax is assessed by stressing financial statements of firms operating in the target sector. In the assessment, key metrics such as revenues, COGS, OPEX, CAPEX are stressed considering supply-demand dynamics of the energy sector, as well as expected changes in macroeconomic outlook of the chosen pathway. Based on the firm based stressed financials, ECL calculation process is re-run to analyze impact for each firm. For the carbon tax, multiple levels (20\$, 30\$, 50\$ and 85\$ per tCO2e) are tested. To calculate the effect of the tax on the energy supply and demand, current electricity price and production in the Turkish economy are gathered from EPIAS and TEIAS. For elasticities, academic researches and expert opinions are taken into account. For macroeconomic assumptions (inflation, FX rates, GDP growth, interest rates, etc.), calculations of Bank's Economic Research Department are used in order to be in line with Bank's overall strategy. For emission parameters for each type of energy source, we use Oliver Wyman's recommendations, which are based on IPCC's research. Firm based data such as financials are collected from customers' financial statements and lastly Turkey's energy generation mix and firm-level production mix are derived from EPIAS database.

Description of outcomes for this issue area

Different levels of carbon tax levels are tested and the results of the analysis shows that as the tax level increases gradually, change in ECL increases exponentially. Results indicate that after reaching \$30/tCO2e cost increase scenario severely affects financials of 3 coal-based power plants, and almost certainly leads to default of these companies. Total cash loans outstanding on these power plants is 7.9 billion TRY at 2022YE which indicates a potential increase of 101 bps in NPL ratio of the Bank. There is no doubt that implying a carbon tax on non-renewable energy generation sector will further increase the share of the renewable energy (including hydropower) in the total electricity production of Turkey. More interestingly, results of the scenario analysis indicates that a carbon tax increases profit margins for some renewable energy generation companies in İsbank's portfolio, including hydropower plants, because the price of electricity produced is expected to shift upwards in the case of a carbon tax as a result of the differences between supply and demand elasticities. This is considered as an opportunity of transition, since all other factors remain constant, increased customer revenues probably will be reflected into İsbank's financials as lower ECL and NPL ratios for renewable energy plants and increase the Bank's appetite for financing renewable energy projects.

Explain how the outcomes identified using scenario analysis have influenced your strategy

This outcome, endorses the İsbank's strategy of supporting the transition to a low-carbon economy and offering finance solutions for renewable energy investments (including hydropower) to help energy transformation. At 2021YE share of renewable energy projects in the total energy generation projects %71, and this figure increased to %75 at 2022YE. İsbank targets to increase this ratio to %77 by the end of 2023, and also commits to the strategy that 100% of the loans for new energy plant investments are extended to renewable energy projects.

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future

<Not Applicable>

FW-FS3.3

(FW-FS3.3) Has your organization set targets for deforestation free and/or water secure lending, investing and/or insuring?

	Targets set	Explain why your organization has not set targets for deforestation free and/or water secure lending, investing and/or insuring and any plans to address this in the future
Forests	No, and we do not plan to set targets in the next two years	
Water Security	No, and we do not plan to set targets in the next two years	

FW-FS3.4

(FW-FS3.4) Do any of your existing products and services enable clients to mitigate deforestation and/or water insecurity?

	Existing products and services that enable clients to mitigate deforestation and/or water insecurity	Explain why your organization does not offer products and services which enable clients to mitigate deforestation and/or water insecurity and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water	Yes	<Not Applicable>

FW-FS3.4a

(FW-FS3.4a) Provide details of your existing products and services that enable clients to mitigate deforestation and/or water insecurity.

Product type

Corporate loans

Taxonomy or methodology used to classify product(s)

Internally classified

Product enables clients to mitigate

Water insecurity

Description of product(s)

İşbank created Marine Conservation Loan, the first of its kind in the sector in terms of its environmental impact, to provide financial support to customers that want to invest in or improve their existing wastewater treatment, wastewater recovery or ballast water treatment systems to prevent or reduce sea pollution incidents and preserve the seas.

Type of activity financed, invested in or insured

Wastewater treatment infrastructure

Portfolio value (unit currency – as specified in C0.4)

49600000

% of total portfolio value

FW-FS3.5

(FW-FS3.5) Does the policy framework for the portfolio activities of your organization include forests- and/or water-related requirements that clients/investees need to meet?

	Policy framework includes this issue area	Explain why your organization does not include this issue area in the policy framework and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water	Yes	<Not Applicable>

FW-FS3.5a

(FW-FS3.5a) Provide details of the policies which include forests- and/or water-related requirements that clients/investees need to meet.

Portfolio

Banking (Bank)

Issue area(s) the policy covers

Water

Type of policy

Other, please specify (Environmental and Social Impact Policy of İşbank)

Portfolio coverage of policy

100

Policy availability

Publicly available

Attach documents relevant to your policy

Environmental and Social Impact Policy of İşbank
environment-and-social-impact-policy.pdf

Requirements for clients/investees

Have a documented water policy
Comply with all applicable local, national and international laws and water regulations
Meeting minimum, sector-specific discharge treatment processes
Commit to safely managed Water, Sanitation and Hygiene (WASH) in the workplace
Monitor water withdrawals, discharges and water quality parameters
Reduce water withdrawals and/or consumption
Reduce/eliminate water pollution
Improve water efficiency

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

No timeframe

Industry sectors covered by the policy

Energy
Materials
Transportation
Automobiles & Components
Food, Beverage & Tobacco
Health Care Equipment & Services
Pharmaceuticals, Biotechnology & Life Sciences
Technology Hardware & Equipment
Utilities

Forest risk commodities covered by the policy

<Not Applicable>

Commodities with critical impact on water security covered by the policy

Fish and seafood from aquaculture

Forest risk commodity supply chain stage covered by the policy

<Not Applicable>

Exceptions to policy based on

<Not Applicable>

Explain how criteria coverage and/or exceptions have been determined

Apart from the environmental and social risk assessment tool we carry out, our bank does not finance the projects that include forest and water risks specified in columns 11 and 12, in accordance with our Bank's environmental and social impact policy practices. These risks are determined as a result of national and international agreements and are valid for all loans given by our Bank.

FW-FS3.6

(FW-FS3.6) Does your organization include covenants in financing agreements to reflect and enforce your forests- and/or water-related policies?

	Covenants included in financing agreements to reflect and enforce policies for this issue area	Explain how the covenants included in financing agreements relate to your policies for this issue area	Explain why your organization does not include covenants for this issue area in financing agreements and any plans to address this in the future
Forests	Yes	The items in our bank's environmental and social impact policy and the items in the our exclusion list activities are valid in our entire bank's portfolio. Apart from these, the risks related to forest and water of our customers are determined with the ÇESMOD made in new investment loans of 10 million dollars or more. Within the framework of these identified risks, action plans are created and added to the loan agreement, making it binding by the company. In the action plans prepared according to the risk scores of the projects, companies are requested to take various actions within the scope of IFC PS6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) and Ps3 (Resource Efficiency and Pollution Prevention and Management), and these are included in loan agreements and are committed. Examples in our action plans; - Implement Afforestation Plan - A Biodiversity Management Plan (BMP) shall be prepared before signing of the loan agreement.	<Not Applicable>
Water	Yes	The items in our bank's environmental and social impact policy and the items in the our exclusion list activities are valid in our entire bank's portfolio. Apart from these, the risks related to forest and water of our customers are determined with the ÇESMOD made in new investment loans of 10 million dollars or more. Within the framework of these identified risks, action plans are created and added to the loan agreement, making it binding by the company. In the action plans prepared according to the risk scores of the projects, companies are requested to take various actions within the scope of IFC PS6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) and Ps3 (Resource Efficiency and Pollution Prevention and Management), and these are included in loan agreements and are committed. Examples in our action plans; - Implement Water Quality, Wastewater and Stormwater Management Procedure - Assess site-specific surface water and groundwater conditions in the scope of geological and geotechnical surveys	<Not Applicable>

FW-FS4.1

(FW-FS4.1) Do you engage with your clients/investees on forests- and/or water-related issues?

	We engage with clients/investees on this issue area	Explain why you do not engage with your clients/investees on the issue area and any plans to address this in the future
Clients – Forests	Please select	<Not Applicable>
Clients – Water	Yes	<Not Applicable>
Investees – Forests	<Not Applicable>	<Not Applicable>
Investees – Water	<Not Applicable>	<Not Applicable>

FW-FS4.1a

(FW-FS4.1a) Give details of your forests- and/or water-related engagement strategy with your clients.

Type of clients

Clients of Banks

Issue area this engagement relates to

Water

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to educate clients about how your financing/insurance products can help them access opportunities related to reducing water security-related impacts

Portfolio coverage of engagement

Rationale for the coverage of your engagement

Engagement targeted at clients with increased water-related opportunities

Impact of engagement, including measures of success

We periodically meet with companies located in the Organized Industrial Zones of Turkey to receive feedback on the Marine Conservation Loan, and explain the Marine Conservation Loan to the companies and raise awareness.

Informative Mailing contents are prepared for the determined customer groups.

In order to raise awareness of the Marine Conservation Loan, product promotions and video contents are published on social media.

Periodic participation in fairs is ensured in order to come together with the investors, explain the products and raise awareness.

In order to contribute to the sustainability activities of the Bank and to support foreign trade customers who attach importance to sustainability in their activities, "Green Trade Packages" prepared for foreign trade customers were presented. Of the said packages; Companies with 14001-Environmental Management System or 50001-Energy Management System certificates accepted by international organizations will be able to benefit.

FW-FS4.3

(FW-FS4.3) Does your organization provide financing and/or insurance to smallholders in the agricultural commodity supply chain?

	Provide financing and/or insurance to smallholders in the agricultural commodity supply chain	Agricultural commodity	Primary reason for not providing finance and/or insurance to smallholders	Explain why your organization does not provide finance/insurance to smallholders and any plans to change this in the future
Row 1	Yes	Sugar Tobacco Rice	<Not Applicable>	<Not Applicable>

FW-FS4.3a

(FW-FS4.3a) Describe how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity.

Sugar

Financial service provided

Banking

Smallholder financing/insurance approach

Financial incentives for sustainable practices

Other smallholder engagement approaches

Support for smallholders in high-risk water stress regions

Number of smallholders supported

Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity

Customers can invest on new and efficient irrigation systems, also with our digital agriculture application which is entitled "imecemobil" we offer tailor made recommendations of water usage in agriculture. The ImeceMobil application, developed by Softtech Ventures, a subsidiary of İşbank, provides special services for farmers, enabling them to do the correct amount of irrigation and use fertilizer at the right time, thus contributing to the proper use of resources.

Tobacco

Financial service provided

Banking

Smallholder financing/insurance approach

Financial incentives for sustainable practices

Other smallholder engagement approaches

Support for smallholders in high-risk water stress regions

Number of smallholders supported

Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity

Customers can invest on new and efficient irrigation systems, also with our digital agriculture application which is entitled "imecemobil" we offer tailor made recommendations of water usage in agriculture. The ImeceMobil application, developed by Softtech Ventures, a subsidiary of İşbank, provides special services for farmers, enabling them to do the correct amount of irrigation and use fertilizer at the right time, thus contributing to the proper use of resources.

Rice

Financial service provided

Banking

Smallholder financing/insurance approach

Financial incentives for sustainable practices

Other smallholder engagement approaches

Support for smallholders in high-risk water stress regions

Number of smallholders supported

Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity

Customers can invest on new and efficient irrigation systems, also with our digital agriculture application which is entitled "imecemobil" we offer tailor made recommendations of water usage in agriculture. The ImeceMobil application, developed by Softtech Ventures, a subsidiary of İşbank, provides special services for farmers, enabling them to do the correct amount of irrigation and use fertilizer at the right time, thus contributing to the proper use of resources.

FW-FS4.4

(FW-FS4.4) Does your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may impact forests and/or water security?

	External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Explain why you do not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area
Forests	Not assessed	<Not Applicable>	<Not Applicable>
Water	Not assessed	<Not Applicable>	<Not Applicable>

FW-FS5.1

(FW-FS5.1) Does your organization measure its portfolio impact on forests and/or water security?

	We measure our portfolio impact on this issue area	Explain how your organization measures its portfolio impact on this issue area, including any metrics used to quantify impact	Primary reason for not measuring portfolio impact on this issue area	Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future
Banking – Impact on Forests	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	
Banking – Impact on Water	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	
Investing (Asset manager) – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset manager) – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner) – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS5.2

(FW-FS5.2) Does your organization provide finance or insurance to companies operating in any stages of the following forest risk commodity supply chains, and are you able to report on the amount of finance/insurance provided?

	Finance or insurance provided to companies operating in the supply chain for this commodity	Amount of finance/insurance provided will be reported	Explain why your organization is unable to report on the amount of finance/insurance provided for this commodity
Lending to companies operating in the timber products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years. We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the palm oil products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the cattle products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the soy supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the rubber supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the cocoa supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Lending to companies operating in the coffee supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	We plan to assess our portfolio's exposure to this commodity in the next two years.
Investing (asset manager) to companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS5.3

(FW-FS5.3) Indicate whether you measure the percentage of clients/investees compliant with your forests- and/or water-related requirements stated in question FW-FS3.5, and provide details.

Portfolio

Banking (Bank)

Issue area(s) the requirements cover

Forests

Forests risk commodity covered by the requirements

<Not Applicable>

Commodities with a critical impact on water security covered by the requirements

<Not Applicable>

Measurement of proportion of clients/investees compliant with forests- or water-related requirements

No, and we do not plan to measure this in the next two years

Metric used for compliance with forests-related requirements

<Not Applicable>

Metric used for compliance with water-related requirements

<Not Applicable>

% clients/investees compliant with forests- or water-related requirements

<Not Applicable>

% portfolio value that is compliant with forest- or water-related requirements

<Not Applicable>

Target year for 100% compliance

<Not Applicable>

Explain why your organization does not measure the % of clients/investees compliant with forests- or water-related requirements, and any plans to address this in the future

FW-FS6.1

(FW-FS6.1) Have you published information about your organization's response to forests- and/or water-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Focus of the Publication

Water Security

Publication

In mainstream reports

Status

Complete

Attach the document

Integrated Annual Report 2022

IntegratedAnnualReportoflsbank_2022.pdf

Page/Section reference

Page 34, 80, 86, 87, 106, 107

Content elements

Governance

Risks and opportunities

Financing and/or insurance of agricultural commodities

Other, please specify (Water consumption values of lsbank)

Comment

Focus of the Publication

Forests

Publication

In mainstream reports

Status

Complete

Attach the document

Integrated Annual Report 2022

IntegratedAnnualReportoflsbank_2022.pdf

Page/Section reference

Page 34, 81

Content elements

Governance

Risks and opportunities

Comment

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please confirm below

I have read and accept the applicable Terms