# İŞBANK SUSTAINABLE FINANCE FRAMEWORK

August 2025

# TABLE OF CONTENTS


1. INTRODUCTION

1.1 İşbank's Profile

1.2 Sustainability at İşbank

1.3 Screening of Portfolio with Regards to Climate Risks

1.4 Our Contribution to the UN SDGs

2. FRAMEWORK OVERVIEW

2.1 Use of Proceeds

2.2 Project Evaluation and Selection Process

2.3 Management of Proceeds

2.4 Reporting

2.5 External Review

# 1. INTRODUCTION

## 1.1 İşbank's Profile

Türkiye İş Bankası A.Ş. (**İşbank,** the **Bank**) has been a firm supporter of the development of the Turkish economy by producing permanent value for all stakeholders since its foundation in 1924. Its robust capitalization coupled with the Bank's focus on profitable, healthy and sustainable growth make the most important elements that support İşbank's activities.

İşbank leads the banking industry in Türkiye with the products and services offered in corporate, commercial, Small and Medium Enterprise (SME), retail and private banking segments. Standing for trust, respectability and prestige in the eyes of the society, İşbank serves a broad customer base with its extensive branch and ATM network as well as with its constantly growing digital service channels.

## 1.2 Sustainability at İşbank

İşbank, established with its main mission defined as "contributing to the development and construction of Türkiye", has acted with social responsibility since the date of its foundation and assumed pioneering roles and major duties in every phase of the Turkish economy.

In line with its founding philosophy, İşbank produces permanent value for its stakeholders not just in the short term but also in the medium and long term, building on its deep-rooted and powerful business model, namely "İşbank Banking". İşbank Banking focuses on "producing sharable and sustainable value". İşbank's value creation approach allows the sustainability priorities to be integrated into all decision-making processes and positions sustainability as one of the focal points of the corporate strategy.

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. İşbank's Sustainability Management System, established in 2015, provides a structured framework for addressing the Bank's approach to sustainability, including environmental, social, and governance (ESG) matters. Through this system, the Bank undertakes a wide range of activities such as the assessment and management of environmental and social impacts. It also ensures a holistic approach to mitigating the effects of lending activities and to continuously enhancing human capital through targeted training programs. İşbank's Board of Directors holds the highest management authority in sustainability management. There is a dedicated Board level "Sustainability Committee" who drives and executes the sustainability strategy. The Sustainability Committee, which is overseen by the Chairperson of the Board and represents all business units, is formed to develop the Bank's sustainability strategy and policies and submit them to the Board of Directors for approval, to establish sustainability targets and action plans and ensure coordination within the Bank for their implementation, to ensure that sustainability issues are incorporated into the Bank's strategic business plans, to track the progress of the metrics and targets, and to perform other similar tasks. The Committee is the highest authority in charge of the Bank's sustainability activities.

Decarbonization constitutes the focal point of İşbank's ESG strategy in terms of its own both operations and financed emissions. As a leading financial actor of Türkiye, İşbank plays a major role in financing low-carbon activities and green transition of its customers. In April 2022, İşbank became a member of UN-convened Net Zero Banking Alliance (NZBA), which brings banks together, who are committed to aligning their portfolios with net-zero emissions by 2050 in line with Paris Climate Agreement. Accordingly, as of end of 2024, İşbank has become the first Turkish bank to announce 2030 emission reduction targets for all carbon-intensive sectors as part of its efforts to manage the impacts arising from its loan portfolio. The Bank took into consideration the

primarily defined sectors by NZBA. Following the announcement of its emission reduction targets for cement, iron and steel, and power generation sectors in 2023, the Bank finalized its efforts by including all carbon-intensive sectors: aluminum, real estate, road freight transport, oil and gas, and agriculture in 2024. Recognizing agriculture's critical role as a sector in ensuring food security and driving sustainable development, İşbank took a pioneering step by establishing sector-specific emission reduction targets for agriculture. The Bank is differentiating these targets within its agricultural portfolio, studying the agricultural production in the arable lands of Türkiye and the specific characteristics of its clients. In this regard, the Bank set targets to reduce emission intensities in wheat, corn and rice production. By developing three distinct roadmaps with product-specific targets, tailored to the realities of agricultural banking and the farmers' needs, İşbank is setting a new standard and reaffirming its commitment to sustainable agricultural practices.

The Bank followed the Partnership for Carbon Accounting Financials (PCAF) methodology for calculating the financed emissions in these sectors. Within the scope of the project, emission reduction pathways that will enable to reach net zero in 2050 for priority sectors are determined under different scenarios and the effects of these scenarios on the Bank's balance sheet and income statement are studied through financial modeling.

The insights and analyses derived from this methodological and scenario-based approach have formed a solid foundation for the Bank's comprehensive transition planning efforts. İşbank published a well-structured transition plan covering the full set of carbon-intensive sectors defined by the NZBA, detailing the strategies to decarbonize İşbank's portfolio sector by sector. This plan reflects the Bank's commitment to sustainability and provides a clear roadmap on how to intend to align with global net-zero targets and climate transition strategy. This strategic approach outlines İşbank's near-term objectives while reinforcing the vision of building an environmentally sustainable economy. As part of the Bank's decarbonization efforts, a systematic process of identifying and assessing the key levers for each carbon intensive sector is followed. Precisely evaluating each lever is essential for formulating a realistic and impactful decarbonization strategy. This process enables the Bank to comprehend the scale and timing of new investments, thereby crafting a transition plan aligned with the realities of all stakeholders, broader ecosystem, and available technologies.

With this understanding, sector specific decarbonization strategies for each high-emitting sector in İşbank's portfolio are developed. The key steps in the approach to developing the Bank's transition plan are:

- Baselining sector specific carbon emissions
- Identifying key levers for effective client engagement
- Conducting impact modelling and feasibility assessments
- Target setting
- Developing detailed sector specific action plans

İşbank discloses its climate-related efforts through Carbon Disclosure Project Climate Change Program since 2019. In 2024, CDP adopted a new, multi-dimensional environmental disclosure approach by consolidating its existing questionnaires into a single, unified corporate questionnaire framework. Through reporting under this integrated structure, İşbank assesses all environmental impacts across direct operations, value chains, and financial decision-making processes within a holistic management perspective. Also İşbank's integrated annual report uses the capital classification of capital items suggested by the International Integrated Reporting Council (IIRC) and is prepared in accordance with the "GRI Standards: Comprehensive option". While creating the report content, GRI Standards Financial Services Sector Supplement and the Provisional Standard for Commercial Banks released by the Sustainability Accounting Standards Board (SASB) are also used. İşbank is also one of the pioneering institutions in financing renewable energy projects in Türkiye. All of the new project financing provided by the Bank for electricity generation investments after 2015 has been allocated to renewable energy projects.

Considering the social and economic impacts of lending activities, İşbank supports sustainable practices of its customers. All new investment projects financed by İşbank with an investment amount of more than USD 10

million are evaluated for management of environmental and social risks and impacts of the projects. Projects within this scope are subject to environmental and social risk assessment and a risk score is assigned as a result of this assessment. If the risk of the project is found to be high, an environmental and social action plan is being prepared in cooperation with the customer for the elimination, limitation or removal of the detected impacts and the follow-up of these actions is provided under the supervision of independent consultants, when necessary. In addition to evaluations for projects with an investment amount of more than USD 10 million, within the year 2025, the sustainability analysis system will be expanded to cover assets with a lending amount above USD 3 million and with a maturity of 36-months and above. The ESG measures included in the assessment system are General Questions, Assessment and Management of Environmental and Social Risks and Impact, Labor and Working Conditions, Resource Efficiency and Pollution Prevention, Community Health, Safety, and Security, Land Acquisition and Involuntary Resettlement, Biodiversity Conservation and Cultural Heritage and finally Carbon Management.

İşbank has always had a supportive attitude toward female employees. In 2020, İşbank reinforced this egalitarian approach by becoming a signatory to the United Nations Women's Empowerment Principles (WEPs) and pledged to support and facilitate women's participation in employment in Türkiye. İşbank is also a member of the global initiative known as 30% Club, which works to raise the number of women in executive leadership roles on company boards all across the world. The Bank's Gender Equality Policy was formed in 2021 by resolution of the Board of Directors. With the Board's approval, the Board of Directors Diversity Policy went into force in 2022. İşbank also joined The Bloomberg Gender Equality Index (GEI) in 2022 and transparently reported its efforts on gender equality internationally.

İşbank supports women's participation in business life and continue to offer the necessary financial and non-financial solutions to women entrepreneurs, who are an important dynamic in sustaining economic and social development. İşbank has committed to provide financial support of TL 100 billion to women entrepreneurs within 5 years starting from 2023 and aims to reach 15,000 women entrepreneurs in 5 years by providing financial literacy training programs under the umbrella of Women Empowering the Future.

In addition, İşbank launched the "Internet for 100 Villages" project on the occasion of the 100th-anniversary celebrations of the Republic of Türkiye and İşbank. With this Project, İşbank aims to expand the availability of the advantages offered by technology in every field, from education to economy, by providing internet access in rural areas.

İşbank also aims to accelerate both the digital and green transformation of SMEs, the backbone of the economy, with the "Twin Transformation Journey of 100 SMEs" project, which was implemented in cooperation with the MEXT Technology Center. The Bank will provide assistance to selected SMEs in the digitalization of the administrative processes of their production lines, determination of energy efficiency investment needs and provision of financing support at the most affordable costs where necessary.

## 1.3 Screening of Portfolio with Regards to Climate Risks

Qualitative and quantitative methods are used together in measuring and evaluating İşbank's climate risks. Climate risks are monitored periodically at the portfolio level and reported to the Risk Committee and the Board of Directors within the framework of the responsibilities and principles defined in the Climate Risk Policy of İşbank. For this purpose, İşbank's customer portfolio is divided by sectors and the impact of climate change on each sector and, if necessary, sub-sectors is evaluated separately.

For these purposes, Risk Management Division defines the İşbank's climate risk appetite and defines, monitors, reports and reviews climate risk metrics and key risk indicators, included in the risk appetite framework. Moreover, the Division designs, monitors and updates climate risk heat map and scenario analysis. The new loans that are considered under the mid-high and high risk categories in the heat-map are subject to climate risk questionnaire in cases where the investment amount is more than USD 1 million.

## 1.4 Our Contribution to the UN SDGs

The banking industry is in a significant position and has important resources to offer both direct and indirect solutions to the global and regional problems such as climate change. İşbank relates the outputs from its value creation process with the United Nations Sustainable Development Goals (UN SDGs) that it has contributed to, and manifests its support to global goals with its vision of creating shared and sustainable value. The Bank contributes to the UN SDGs with a responsible financing approach and considers its support to these goals as an important component of its value creation process. İşbank actively supports the goals by playing a leading role in providing the required financing within the scope of 17 goals.

The use of proceeds categories are designed to respond to 13 out of the 17 SDGs and İşbank aims to guide investments to achieve development goals on a best effort basis. Related SDGs are indicated next to use of proceeds categories in Section 2.1.

# 2. FRAMEWORK OVERVIEW

This Sustainable Finance Framework (the **Framework**) has been developed in alignment with the Green Bond Principles (**GBP**) 2025 (with June 2022 Appendix I), Social Bond Principles (**SBP**) 2025, Sustainability Bond Guidelines (**SBG**) 2021, Climate Transition Finance Handbook 2023, and Guideline on Bonds to Finance The Sustainable Blue Economy 2023 published by the International Capital Markets Association (**ICMA**) and Green Loan Principles (**GLP**) 2025 and Social Loan Principles (**SLP**) 2025 published by Loan Market Association (**LMA**) (collectively the **Principles**), and consists of the four core components in line with the Principles:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

In addition, in line with the Principles, İşbank has appointed an external reviewer to provide a Second Party Opinion to confirm the alignment of the Framework with the Principles.

The EU Taxonomy on sustainable economic activities was also taken into consideration in developing the Framework.

With this Framework, İşbank intends to issue Sustainable Finance Instruments, as defined below, in order to finance or refinance loans (including cash and non-cash loans) and investments that have positive environmental and/or social impacts (such instruments hereinafter referred to as **Instruments** or individually an **Instrument**). The Framework will allow İşbank to issue the types of Instruments below:

- **Green Finance Instruments:** Bonds, loans, deposits, repo transactions or other similar instruments to finance and/or refinance eligible projects listed under Green Categories in the 2.1 Use of Proceeds section (including but not limited to Green/Blue/Nature Bonds/Loans or any other green-themed borrowing instruments);

- **Social Finance Instruments:** Bonds, loans, deposits, repo transactions or other similar instruments to finance and/or refinance eligible projects listed under Social Categories in the 2.1 Use of Proceeds section (including but not limited to Gender Bonds/Loans or any other social-themed borrowing instruments);

- **Sustainability Finance Instruments:** Bonds, loans, deposits, repo transactions or other similar instruments to finance and/or refinance a mix of eligible projects listed under both Green and Social Categories in the 2.1 Use of Proceeds section.

Thematic instruments such as Blue, Nature, Gender or other similarly labeled borrowing instruments whose objectives are aligned with the framework and are meeting the criteria set out in the 2.1 Use of Proceeds section could be issued by İşbank under the Framework.

The Framework will apply to any Instrument and will be in force as long as Instruments are outstanding. This Framework may be updated or amended from time to time and any changes or amendments will only be applied to the subsequent Instruments.

## 2.1 Use of Proceeds

İşbank will use an amount equivalent to the net proceeds of the Instruments for the financing and/or refinancing[1] of a portfolio of loans (including cash and non-cash loans) or investments (**Sustainable Loan Portfolio**) that fall within the scope of the categories listed below.

| Category[2] | Eligible Loans | SDG |
|---|---|---|
| ***Green Categories*** | | |
| **Clean Transportation** | Loans related to;<br>• Fully electrified, hydrogen or other low carbon public transport (e.g. replace public bus fleets with alternative fuel fleets (electric, biofuel, hydrogen, hybrid), rail transport, subways, ferries)[3],<br>• Development, operation and upgrade of electric powered rail transport,<br>• Clean transportation infrastructure (including expansion of train/metro networks, capacity improvement, construction of bicycle paths, transportation of passengers and freight using electric vehicles, charging stations for electric vehicles, hydrogen fueling stations and infrastructure dedicated to non-motorized mobility (e.g. cycle paths) and sustainable aviation fuels (SAF) (e.g. storage tanks solely dedicated to SAF)),<br>• Electric, hydrogen, zero direct (tailpipe) CO2 emissions vehicles, hybrid passenger vehicles below the threshold of 50 gCO2e/p-km and dual engine hybrid vessels deriving at least 25% of energy from zero direct tailpipe fuels,<br>• Design and manufacture of clean transport components,<br>• Airport, shipping yards and port infrastructure dedicated to the operation of aircraft or vessels with zero tailpipe CO2 emissions (i.e. hydrogen refueling, electricity charging, etc.) | |
| **Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes** | Loans related to and investments in;<br>• Projects aimed at improving the efficiency of resource use at least by 20%,<br>• Reduction of non-CO2 greenhouse gas emissions from agricultural practice. | |

[1] The portfolio can include loans and investments disbursed up to 36 months prior to the issuance of any Instrument.
[2] The eligible loans may include other projects in accordance with the eligible categories defined in this section.
[3] The threshold of direct emissions is at maximum 50 gCO2e/p-km for public bus fleets, whereas for rail transport it is 50 gCO2e/p-km for passenger and 25 gCO2e/tkm for freight.

| | | |
|---|---|---|
| **Energy Efficiency** | Loans related to;<br>• Projects aimed at improving the efficiency of energy use (or reducing specific energy consumption) at least by 20% and/or reduce greenhouse gas emissions by at least 20%. Loans may also be related to energy storage, smart grids (including smart meters to minimize grid losses), appliances and energy saving products,<br>• Manufacture, supply and acquisition of machinery and equipment listed under EBRD Green Technology Selector[4]. | |
| **Environmentally Sustainable Management of Living Natural Resources and Land Use** | Loans related to;<br>• Quality and productivity in agriculture, provide for effective use of natural resources and support sustainable agriculture, restoration of degraded pasture, soil recovery, use of natural fertilizer, climate smart farm inputs such as biological crop protection,<br>• Sustainable forestry, including afforestation, reforestation and rehabilitation of degraded forests and any applicable forestry activities certified by FSC, PEFC or an equivalent standard. | |
| **Green Buildings** | Loans related to and investments in;<br>• New or existing commercial, residential or mixed-use buildings which are compliant with green buildings standards as evidenced by:<br>▪ LEED (minimum “Gold”)<br>▪ BREEAM (minimum “Very Good”)<br>▪ BEP-TR “A” energy label provided by the Energy Performance Certificate issued in accordance with the related Turkish regulation<br>▪ ÇEDBİK Green Building certification<br>▪ DGNB (minimum “Gold”)<br>• Buildings in the top 15% of the most energy-efficient buildings, determined through Energy Performance Certificate (BEP TR) issued in accordance with Turkish regulation and/or via an equivalent methodology as developed by a third party,<br>• Refurbishment and energy efficiency projects related to commercial and residential or mixed-use buildings that reduce energy consumption by at least 30%. | |

[4] The eligible machinery and equipment can be found in https://www.techselector.com/turkiye-en/. The website offers country-specific directory and is updated regularly.

| | | |
|---|---|---|
| **Pollution Prevention and Control** | Loans related to;<br>• Waste prevention, waste reduction (such as iron, steel and aluminium scrap recovery or glass cullet recovery operations), waste recycling and energy/emission-efficient waste to energy,[5] including the development, operation and upgrade of recycling plants and recycling activities e.g. for metals, plastic and paper,<br>• Measures and technologies to measure, control and reduce pollutant emissions and GHG emissions[6],<br>• Sustainable aviation fuel (SAF) and development, acquisition, construction, operation and maintenance of its production facilities[7]. | |
| **Renewable Energy** | Loans related to;<br>• Development, acquisition, construction, operation and maintenance of renewable energy including:<br>▪ Wind power (onshore/offshore)<br>▪ Solar power including floating solar<br>▪ Hydropower[8] which meets any of the criteria below:<br>▪ Lifecycle GHG emissions below 100gCO2e/kWh for hydropower plants in operation before 31 December 2019 and below 50gCO2e/kWh for hydropower plants in operation after 31 December 2019,<br>▪ Power density greater than 5W/m2 for hydropower plants in operation before 31 December 2019 and 10W/m2 for hydropower plants in operation after 31 December 2019,<br>▪ The electricity generation facility is a run-of-river plant and does not have an artificial reservoir,<br>▪ Geothermal power[9],<br>▪ Bioenergy / Biomass – Biogas[10],<br>▪ Green Hydrogen produced using eletrolysis powered by renewable energy,<br>• Construction, acquisition, renovation, upgrade and refurbishment of sustainable[11] and/or smart grids,<br>• Manufacturing of components or equipment dedicated to renewable energy, such as rotor blades for wind energy and solar panels. | |

[5] All qualifying waste incineration plants to have recovery of recyclables and financed projects will be limited to projects respecting the Climate Bonds Initiative's criteria on waste to energy projects.

[6] Eligible projects reduce GHG emissions by a minimum of 20% and meet IFC's criteria on Air Emissions and Ambient Air Quality; https://www.ifc.org/content/dam/ifc/doc/2000/2007-general-ehs-guidelines-air-emissions-and-ambient-air-quality-en.pdf

[7] Projects are limited to facilities using waste fats, oils, and grease and agricultural residue and reduce life-cycle GHG emissions compared to fossil based alternatives.

[8] Hydropower plants with energy generation amount of above 1000 MW are excluded.

[9] Limited to projects with direct emission intensity of less than 100gCO2e/kWh.

[10] Limited to projects with lifecycle emission intensity of less than 100gCO2e/kWh, excluding the use of first generation biomass and uncertified wood-based biomass as input.

[11] Limited to projects dedicated to renewable energy.

| | | |
|---|---|---|
| **Sustainable Water, Wastewater Management and Climate Adaptation** | Loans related to;<br>• Development, construction, modernization, operation and maintenance of sustainable water, stormwater and wastewater management facilities[12],<br>• Investments that increase water-use efficiency (collection and treatment), water recycling and reuse water saving systems,<br>• Investments on water, sanitation or sewage treatment facilities,<br>• Water desalination projects running on reverse osmosis technology with a carbon intensity of less than 100gCO2e/kWh over the residual asset life and powered partially by renewable energy. | |
| **Terrestrial and Aquatic Biodiversity Conservation** | Loans related to;<br>• Prevention or reduction of coastal, marine, river and watershed pollution, projects such as waste traps in rivers/ at sea,<br>• Environmentally sustainable fishery and aquaculture having Best Aquaculture Practice or Aquaculture Stewardship Council or equivalent certificates[13],<br>• Sustainable tourism activities provided by companies which have the specific sustainable related certificates approved by the Banking Regulation and Supervisory Authority of Türkiye or any other competent national and international authorities, such as Sustainable Tourism Certificate (Stage 3) or Environmentally Friendly Accomodation Facility Label given by the Ministry of Culture and Tourism of Türkiye,<br>• Improvement of the environmental sustainability of coastal and marine tourism,<br>• Investments in biodiversity conservation and/or restoration as the primary objective,<br>• Investments in nature-based solutions to conserve, enhance, and restore ecosystems and biodiversity. | |

[12] Projects which are related to wastewater management facilities of the companies directly associated with fossil fuel operations would not be eligible.

[13] Eligible loans are limited to companies complying with ICMA's guidelines on fisheries and aquaculture in the following URL; https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf

| *Social Categories* | | |
|---|---|---|
| **Access to Essential Services** | Loans to improve access to public or subsidized services related to;<br>• Construction, maintenance, modernization, equipment and operation of hospitals, clinics, health care centers and care homes,<br>• Production, purchase and distribution of healthcare materials and equipment needed for the prevention and treatment of health disasters (such as, but not limited to COVID-19 outbreak),<br>• Research and development in the healthcare/pharmaceutical industry aimed at prevention and treatment of health pandemics,<br>• Financing for clinics and healthcare providers offering women reproductive healthcare services,<br>• Construction, rehabilitation, maintenance and operation of primary, secondary and higher education facilities, vocational training centers or student housing,<br>• Development of technologies and programs to improve public education and training,<br>• Vocational/Professional training for women in sectors like STEM, construction or technology; promoting gender equality in job opportunities,<br>• Development and provision of products and services tailored to the needs of elderly and disabled individuals and children. | |
| **Affordable Basic Infrastructure** | Loans related to;<br>• Disaster Relief:<br>▪ Reconstruction of basic infrastructure (e.g. housing, electricity transmission network, water distribution network),<br>▪ Financial support for retail and commercial activities disrupted by the disaster(s), financial programs to support persons who are unemployed because of the disaster(s),<br>▪ Temporary housing and financial support for persons who are displaced because of the disaster(s),<br>• Telecommunication:<br>▪ Construction of telecommunication equipment,<br>▪ Construction of relevant materials to access to internet,<br>• Disability-Inclusive Development:<br>▪ Projects that finance or refinance accessibility (including public transport) by providing greater guidance and support for disability-inclusive infrastructure such as provision of ramps, rails, lifts, adaptation of toilets for wheelchair users, signages and auditory signals, tactile flooring etc. | |

| | | |
|---|---|---|
| **Food security and sustainable food systems** | Loans related to[14];<br>• Agri loans disbursed in the less-developed regions[15],<br>• Clients contributing to food security through usage of purpose-made financial products ("İmece card" and/or other agriculture products),<br>• Adoption of modern climate smart technologies related to crop breeding, agronomic practices, soil and water management, hydroponic farming/organic farming methods, drip irrigation, terracing, swales for return agricultural irrigation flow, artificial wetlands, digital sensors, biotechnology projects etc. | |
| **Quality Employment Generation Including Through the Potential Effect of MSME[16] Financing** | Loans related to;<br>• Micro, Small and medium-sized enterprises (**MSME**s), defined under the laws of the Republic of Türkiye, including;<br>▪ MSMEs located in less-developed regions of Türkiye,<br>▪ Women entrepreneurs (MSMEs where more than 50% of the shares belong to women; in case the women ownership is below 50%, women to assume at least one of the managerial roles at the company and has at least 20% female ownership),<br>▪ MSMEs where the overall operational management responsibility is held by a woman,<br>▪ MSMEs owned and/or operated by youths [17] and other vulnerable groups[18], MSMEs adversely affected by natural disasters or health pandemics (such as, but not limited to earthquake, floods or COVID-19 outbreak),<br>▪ Start-ups no older than 7 years,<br>▪ MSMEs meeting 2X Criteria[19],<br>• Projects and investments to achieve 2X Criteria[19] commitments concerning "women in leadership" and "women in workforce" categories,<br>• Self-employed farmers[20]. | |

[14] Agri loans will be given only to smallholder farmers per Food and Agriculture Organization of the United Nations (FAO) definition.
[15] Less-developed regions of Türkiye refers to all provinces except İstanbul, Ankara, İzmir.
[16] Micro, small and medium-sized enterprises (MSMEs), subject to any change in regulation, are defined under The Regulation on Small and Medium-Sized Enterprises which can be accessed through Turkish Legislative Information System.
[17] Those who are under 35 years old.
[18] Vulnerable groups as per the UN definition.
[19] Information on 2X Criteria can be found at https://www.2xchallenge.org/2xcriteria.
[20] Only smallholder farmers as per the FAO defition are eligible.

## 2.2 Project Evaluation and Selection Process

A working group has been formed (**Sustainable Finance Working Group**) in order to establish the Framework, select the eligible loans and investments and approve the Sustainable Loan Portfolio to be financed or refinanced with the proceeds of the Instruments. The Sustainable Finance Working Group is also responsible for the regular review and update of the Framework when necessary.

The Sustainable Finance Working Group consists of the representatives from İşbank's Corporate Loans Underwriting, Corporate and Commercial Banking Marketing, SME Banking Marketing, Investor Relations and Sustainability, Project Finance and Financial Institutions Divisions.

The underwriting and marketing divisions will screen the loan portfolio on the basis of the eligibility criteria and identify the eligible loans. The eligible loans will be evaluated by the Sustainable Finance Working Group and the most qualified projects will be selected to be included in the Sustainable Loan Portfolio.

Under the Framework, loans with general corporate purposes can be included in the Sustainable Loan Portfolio only if they are provided to "a pure-play company"; which means a company with over 90% of revenues coming from eligible green and/or social activities defined in Section 2.1 above.

İşbank does not provide financing to a number of activities which are outlined in its Exclusion List, which can be found on its website[21]. Accordingly, the net proceeds of the Instruments will not be allocated to the areas specified in the Exclusion List.

In addition, İşbank will not knowingly be involved in financing of any activity or technology associated with the extraction, production, refining, transmission and distribution of fossil fuel through the proceeds of the Instruments financed under the framework.

## 2.2 Management of Proceeds

İşbank intends to allocate an amount equivalent to the net proceeds from the Instruments to a portfolio of loans (including cash and non-cash loans) and investments that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above, the **Sustainable Loan Portfolio**.

İşbank will achieve a level of allocation for the Sustainable Loan Portfolio, which matches or exceeds the balance of net proceeds from its outstanding Instruments within 3 years following the issuance of Instruments[22].

Additional eligible loans will be added to the Sustainable Loan Portfolio to the extent required to ensure that the net proceeds from outstanding Instruments will be allocated to the Sustainable Loan Portfolio.

Pending the allocation or reallocation, as the case may be, of the net proceeds of the Instruments to eligible loans, İşbank will invest the balance of the net proceeds in cash and/or cash equivalent and/or other liquid marketable instruments.

---

[21] İşbank's Exclusion List can be found in its Environmental and Social Impact Policy: https://www.isbank.com.tr/en/about-us/Documents/sustainability/environment-and-social-impact-policy.pdf

[22] If a loan takes the form of one or more tranches of a loan facility, each tranche applicable to the Sustainable Loan Portfolio will be clearly labelled and proceeds of such tranche will be tracked by İşbank in an appropriate manner.

## 2.3 Reporting

İşbank will publish a report on its website annually until the proceeds have been fully allocated. The report will include information on all the assets in the Sustainable Loan Portfolio, either on a project-by-project basis or at an aggregate level, depending on the category. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the information will be presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories). İşbank will align, on a best efforts basis, the reporting with the portfolio approach described in the Handbook for Harmonised Framework for Impact Reporting – June 2024.

### *Allocation Reporting*

To the extent practicable İşbank will provide:

- The amount of proceeds allocated to eligible loans by project category
- The number of eligible loans
- The balance of unallocated proceeds

### *Impact Reporting*

Where feasible, İşbank may report on the environmental and social impacts of the Sustainable Loan Portfolio. Key performance indicators for İşbank's use of proceeds may include:

| *Green Categories* | *Key Performance Indicators (KPIs)* |
|---|---|
| **Clean Transportation** | Estimated annual GHG emission avoided or reduced (tCO2e)<br>Number of electric/low carbon vehicles<br>Number of passengers<br>Number of km of new electric train / electric bus lines created / maintained<br>Number of charging stations<br>Length of bicycle path (in km) |
| **Energy Efficiency** | Annual energy savings (MWh)<br>Estimated annual GHG emission avoided or reduced (tCO2e)<br>Storage capacity (MW)<br>Distribution capacity (MW) |
| **Environmentally Sustainable Management of Living Natural Resources and Land Use** | Organic farming certification scheme<br>Sustainable agriculture land area (hectares)<br>Land restored (hectares)<br>Estimated GHG emissions avoided or reduced through improved land use |
| **Green Buildings** | Environmental certification<br>Annual energy savings (MWh)<br>Estimated annual GHG emission avoided or reduced (tCO2e) |

| | |
|---|---|
| **Pollution Prevention and Control** | Type and annual amount of recycled waste (ton)<br>Energy generation (MWh/y)<br>Amount and type of pollutant treated per year (ton)<br>Biofuel produced (kg or m3) |
| **Renewable Energy** | Expected annual renewable energy generation (MWh)<br>Estimated annual GHG emission avoided or reduced (tCO2e) |
| **Sustainable Water, Wastewater Management and Climate Adaptation** | Annual water savings ($m^3$ or %)<br>Annual amount of wastewater treated, reduced or avoided ($m^3$ or %)<br>Number of people with access to improved sanitation facilities<br>Liters of clean water provided |
| **Terrestrial and Aquatic Biodiversity Conservation** | Maintenance / safeguarding/increase of protected area ($km^2$ or %)<br>Number of protected and/or priority species |
| ***Social Categories*** | ***Key Performance Indicators (KPIs)*** |
| **Access to Essential Services** | Number of beneficiaries<br>Number of facilities<br>Number of students served |
| **Affordable Basic Infrastructure** | Number of beneficiaries<br>Number of types of building reconstructed<br>Number of jobs created<br>Amount of loans provided for disaster relief and emergency aid<br>Amount of loans / number of people provided with basic telecommunication<br>Increase in disability-inclusive infrastructure |
| **Food security and sustainable food systems** | Number of farmers benefiting from agricultural projects and using improved farming technology<br>Number of people provided with sufficient and nutritious food<br>Amount of loans<br>Food waste reduced/avoided (%)<br>Increase in agricultural productivity (%)<br>Increase in agricultural production |
| **Quality Employment Generation Including Through the Potential Effect of SME Financing** | Number of beneficiaries financed<br>Number of women-owned businesses financed<br>Number / amount of loans granted<br>Number of projects financed<br>Increase in workforce diversity (%) |

## 2.4 External Review

### *Second Party Opinion*

In line with the Principles, İşbank has appointed an external reviewer to provide a Second Party Opinion (**SPO**) to confirm the alignment of the Framework with the Principles. The SPO will be published on İşbank's website.

### *Annual Review*

İşbank may request on an annual basis, starting one year after issuance and until maturity (or until full allocation) a limited assurance report from an external reviewer, on the conformance of the allocation of the net proceeds of Instruments with the use of proceeds and reporting criteria outlined in the Framework.

**DISCLAIMER**

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by İşbank and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by İşbank as to the fairness, accuracy, reasonableness or completeness of such information.

This document may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document. İşbank has and undertakes no obligation to update, modify or amend this document, the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any addressee if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate.

This document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities, nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority.

No representation is made regarding the suitability of any green, social, or sustainable financial instrument to meet environmental and sustainability criteria required by potential investors. Each potential purchaser of green, social, or sustainable financial instruments should assess for itself the relevance of the information contained or referred to in the Framework or the relevant documentation for such green, social, or sustainable financial instruments regarding the use of proceeds, and its purchase of green, social, or sustainable financial instruments should be based on such investigation as it deems necessary.

The distribution of this document and of the information it contains may be subject of legal restrictions in some countries. Persons who might come into possession of it must inquire as to the existence of such restrictions and comply with them.

The information in this document has not been independently verified. Any second party opinions and ratings have been prepared based on such third party's methodologies. İşbank makes no representation in relation to such methodology, its accuracy and completeness.

The recipient is solely liable for any use of the information contained herein and İşbank shall not be held responsible for any damages, direct, indirect or otherwise, arising from the use of this document by the recipient.