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1 OBJECTIVES AND PRINCIPLES

The purpose of this Policy is to ensure the effective identification, measurement, monitoring, management, and reporting of climate-related financial risks (physical and transit risks) that Albaraka Türk Participation Bank A.Ş. is exposed to or may be exposed to. The Policy is implemented in line with the Bank's objectives of maintaining its financial resilience within the framework of participation banking principles and responsible banking approach, and in line with its sustainable and long-term value creation goals.

Basic principles of politics:

- Proportionality: The applications are proportionate to the size, scope, and complexity of the Bank's operations.
- Integrated risk management: Climate risks are assessed together with all types of financial risks.
- Prudence: In cases of data uncertainty, conservative assumptions and an incremental improvement approach are adopted.
- Transparency and traceability: Internal reporting and TSRS public disclosures are conducted in a consistent, auditable, and traceable manner.

2 SCOPE

This policy covers all of the Bank's activities, including loan allocation processes, investment and fund disbursement activities, operational processes, and internal systems.

3 BASIS AND FRAMEWORK OF COMPLIANCE

This policy has been developed taking into account the following regulations and best practices:

- Turkish Sustainability Reporting Standards
- Banking Regulation and Supervision Agency (BDDK): Guidelines on Managing Climate-Related Financial Risks
- Legislation of Banking Law No. 5411

4 DEFINITIONS

The key concepts outlined in this policy are as follows:

Physical Risk: Risks arising from acute (floods, storms, fires, etc.) and chronic (drought, temperature increase, etc.) events caused by climate change.

Transition Risk: Risks arising from changes in legislation, policies, technology, markets, and customer preferences during the transition to a low-carbon economy.

Climate-Related Financial Risk: How physical and transitional risks affect the Bank's financial risks through the borrower's solvency, collateral values, and macroeconomic conditions.

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Transmission Channels: Causal links showing how physical/transit risks translate into credit, market, liquidity, and operational risks.

Other concepts: Definitions included in the Banking Regulation and Supervision Agency's (BDDK) Guide on the Management of Climate-Related Financial Risks.

5 GOVERNANCE AND ORGANIZATION

The Bank addresses sustainability and climate risks holistically through the Corporate Governance and Sustainability Committee, the Sustainability Executive Committee, and sub-working groups. Operational coordination is supported by the Investor Relations and Sustainability Department. Monitoring and auditing of climate-related risks and opportunities are carried out through the Risk Committee. Ultimate responsibility for climate risk management rests with the Board of Directors. The Board of Directors approves the climate risk policy. Senior Management is responsible for the effective implementation of the policy. The aim is for the Board of Directors and relevant committees to have sufficient knowledge and expertise to assess climate-related risks and opportunities.

6 STRATEGY

The Board of Directors and related committees consider climate-related risks and opportunities when evaluating the bank's strategic objectives, credit and investment decisions, risk management processes, and related policies. These evaluations are particularly focused on sustainable financing, green projects, carbon-intensive sectors, and the integration of environmental risks into credit processes. The bank aims to gradually transform its portfolio composition to adapt to the climate transition process, supporting sustainable financing and low-carbon activities. The bank also considers the climate risk profiles of the products and services it offers.

7 RISK MANAGEMENT APPROACH

The bank manages climate risks through a three-line defense system. The first line of defense consists of credit allocation and customer assessment processes, the second line of defense includes risk management and compliance functions, and the third line of defense includes internal audit functions.

8 CLIMATE RISK MANAGEMENT PROCESS

The bank manages climate-related financial risks through a phased, proportionate, and integrated approach, taking into account the bank's scope of operations, business model, and risk profile. It addresses climate risks through the following steps:

- Identification: Determination of physical and transmission risk factors and transmission channels.
- Importance: Prioritization based on financial impact and concentration criteria.
- Measurement: Qualitative scoring and quantitative measurement where data is appropriate.
- Reporting: Public disclosure to senior management, committees, and under the TSRS framework.

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9 CREDIT RISK INTEGRATION

Climate risks are integrated into the loan lifecycle in line with the bank's Environmental and Social Risk Framework (ESRF). Within this framework, environmental and social risks are treated as an integral component of climate-related financial risks in loan allocation, monitoring, and restructuring processes.

Environmental and social risks are reflected in the loan terms, taking into account their impact on the client's cash flow sustainability, probability of default, and long-term financial resilience. The climate risk profile may be reflected in the maturity structure, collateralization, and pricing decisions related to the loan terms, where deemed appropriate, in line with the bank's risk appetite and relevant policy frameworks. Developments such as regulatory changes, carbon costs, and climate-related production disruptions are analyzed in terms of their potential impact on the borrower's repayment capacity.

For transactions assessed to carry high environmental and social risks, the bank may apply additional information requests, contractual obligations, monitoring actions, or risk mitigation measures in line with its Environmental and Social Risk Framework. This approach aims to identify and effectively manage the impact of climate risks on credit risk at an early stage.

10 COLLATERAL AND VALUATION PRACTICES

In the valuation processes of climate risk-sensitive insurance, physical risk maps, insurability, renewal/repair costs, and the probability of long-term depreciation are taken into account.

11 MARKET, LIQUIDITY AND OPERATIONAL RISK INTEGRATION

In the context of integrating climate risks with other types of risks:

- Market risk: The impact of climate shock scenarios on portfolio values and volatility is assessed.
- Liquidity risk: Net cash outflows and liquidity buffers are tested during climate shocks.
- Operational risk: The impact of physical risks on bank operations is analyzed.
- Other risks: Strategic and reputational risks are considered alongside climate risks.

12 ICAAP / ILAAP AND STRESS TESTS

The bank incorporates climate-related financial risks into its internal capital adequacy and internal liquidity assessment processes. Significant risks are reflected in stress tests to an appropriate extent. Stress tests assess both normal conditions and severe but reasonable scenarios.

13 SCENARIO ANALYSIS AND CLIMATE RESILIENCE

The bank develops short-medium-long-term climate scenarios to assess the resilience of its business model and strategy to climate shocks. These scenarios include both physical and transition risks. The results provide input for strategy, portfolio guidance, and risk appetite calibration.

14 REPORTING

Information on climate risks is disclosed to the public in accordance with the Turkish Sustainability Reporting Standards. Developments regarding climate-related risks and opportunities are reported regularly to the Board of Directors and Senior Management at least once a year. Significant developments are also presented to the Board of Directors periodically as needed.

15 ENTRY INTO FORCE AND REVIEW

This policy enters into force with the approval of the Board of Directors and is reviewed at least once a year.

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