

## C0. Introduction

### C0.1

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

Albaraka Turk Participation Bank, the first financial institution and the pioneer in the field of interest-free (participation) banking, completed its establishment in 1984 and commenced operations in the beginning of 1985. Albaraka Turk, in line with the principles of participation banking, is highly active in the field of manufacturing and trade financing.

Albaraka Turk was founded by Albaraka banking Group (ABG), one of the prominent groups of the Middle East, Islamic Development Bank (IDB) and a native industrial group of Turkey, which served the Turkish economy for more than half a century. As of 31.12.2017, Albaraka Turk consists foreign partners (65.87%), native partners (9%) and public shares (25.13%).

Albaraka Turk considers its corporate culture and vision only with a sustainable future by providing all its stakeholders with opportunities for realization of initiatives that decrease the greenhouse gas emissions effectively. Maintaining resource efficiency with profound saving policies on the path of sustainable banking is also a primary issue for Albaraka Turk. With the vision of becoming the world's best participation bank, Albaraka Turk is aware that all activities they perform, their products and services they provide interact with the environment and aims to minimize the impact of this interaction on the climate change. As a pioneer in the field of interest free banking, we aim to take part in the industry's major players by assuming a leading role to combat climate change. The climate change management in the company is considered at three levels; awareness, institutional capacity building and leadership. In 2016, Albaraka started a joint awareness and internal capacity building program through training programs and implementation of climate change management modules within the departments of Credit Risk Management, Strategic Planning, Administrative Affairs and The Sustainability Committee that was established by the attendance of staff from those departments received various capacity building trainings to construct a road map for leadership in climate change risk management. As a result, the credit departments at the HQ as well as all 220 branches marketing loan products started giving specific consideration to sustainable energy and resource efficiency projects while embedding the risks of carbon intensive industries and other businesses threatened by the physical damage of climate change. Ultimately, we plan to set science-based targets for emission reduction in near future and adopt a carbon pricing policy while matching our reporting standards with TCFD (Task Force on Climate related Financial Disclosures) recommendations in near future. In 2017, Albaraka expanded its efforts by initiating a program on Environmental and Social Governance (ESG). With this program, the bank initiated a three year scheme to introduce all environmental and social risks to all credit and banking decisions. Part of the program targets carbon pricing by 2021, as well as setting a science based carbon emission target within Paris Agreement and steering all business activities to stay within that target. Our ESG Program continues in full force as all decision making mechanisms have been analyzed, restructuring options for better governance have been formed and credit risk analysis systems have been established. The activation of the program is expected to take place before March 2019.

In addition, as Albaraka we ultimately care about our own carbon footprint and other resource efficiency while planning our business operations. Our HQ building has been awarded with LEED Gold Certificate making it the first HQ building in the banking industry in Turkey.

Albaraka Turk is the member of Participation Banks Association of Turkey (TKBB) and our CEO is the Chair of the Board at the association. Based on our climate change awareness and capacity building activities, we aim at taking a leadership role in climate change at two levels. First, we are now introducing the concept to our peers at TKBB and encourage them to take a strong role in combating climate change. Second, at the global level, we aim at drawing the attention of our parent company ABG to the issue and use our experience to expand the work across all group companies. All in all, as a participation banking should regard the community interests at the highest level, we are aware that climate change is the most important sustainability threat faced by the communities we serve.

### C0.2

#### (C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2017	December 31 2017	No	<Not Applicable>
Row 2	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 3	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 4	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

### C0.3

#### (C0.3) Select the countries/regions for which you will be supplying data.

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 consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

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) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Other, please specify (Chief Executive Officer (CEO))	The highest level of responsibility for climate change lies within the Albaraka Turk's Board of Directors. The CEO organizes regular meetings with the staff from departments involved with sustainability risks to assure that environmental and social issues are integrated in the decision making processes and the overall business strategy of the bank. Apart from that, The Sustainability Committee reports to the CEO regularly where the outcome of that communication is reported to the Board by the CEO regularly.
Chief Risk Officer (CRO)	As Albaraka Turk is on the verge of activating a new credit risk analysis system that targets Environmental and Social Governance (ESG) for banking decisions, the CRO and the Credit Risk Department takes a new responsibility in tracking the climate risks and identifying the risk mitigation measures. With the new system which is still under implementation, the CRO and their department analyzes the bankability of all loan applications from a climate risk perspective based on the forms and monitoring tools established via the ESG program. The tools consist the analysis of loan applications based on climate risks while proposing risk mitigation measures for different sectors. The ESG mechanism also includes a monitoring tool for existing loans and related risks.

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	Please explain
Scheduled – all meetings	<ul style="list-style-type: none"> <li>Reviewing and guiding strategy</li> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding annual budgets</li> <li>Reviewing and guiding business plans</li> <li>Setting performance objectives</li> <li>Monitoring implementation and performance of objectives</li> <li>Overseeing major capital expenditures, acquisitions and divestitures</li> <li>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</li> </ul>	Climate related risk issues is on the agenda of all board meetings regularly where the CEO includes a section on climate and ESG in his (her) briefing to the Board. The briefing is prepared by the Sustainability Committee with the assistance of Credit Risk Department. The briefing includes the comments on ongoing business strategy, risk management policies and climate. The targets priority set for climate change management and ESG is reviewed and when necessary new targets and objectives are presented. In case of major business decisions such as capital expenditures and other business acquisitions the climate and ESG related risks are explained for decision making. All briefings include progress in climate related issues. For adoption and internalization of process by the Board, on going executive trainings for the Board and the executive management are provided. New topics in the field of climate change policy and management are regularly introduced through case studies and peer reviews. As part of its ESG program, the Executive Management of Albaraka Turk targets annual reporting on gap analysis for climate change risk management. The subject report on gap analysis and a road map for institutional capacity building including structural and business strategy changes will also be presented to the Board annually.

C1.2

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

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Both assessing and managing climate-related risks and opportunities	Quarterly
Sustainability committee	Assessing climate-related risks and opportunities	More frequently than quarterly
Chief Risks Officer (CRO)	Both assessing and managing climate-related risks and opportunities	More frequently than quarterly

C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.**

The highest level of responsibility for climate change lies within the Albaraka Turk's Board of Directors. The CEO organizes regular meetings with the staff from departments involved with sustainability risks to assure that environmental and social issues are integrated in the decision making processes and the overall business strategy of the bank.

The duties of the Sustainability Committee include reviewing, and making recommendations to the Board on, the Albaraka's policy and performance in relation to the environment, health, safety and

community relations . Sustainability Teams track some of the issues outlined below:Measuring impact and establishing targets

Key measurements that will help track the bank's impact on ecosystems, communities and the climate:

- Emissions (CO2 and other GHG gases)
- Energy consumption
- Water consumption
- Paper consumption
- Waste
- Environmentally/socially certified procurement

Strategies for Resource Efficiency

- Emissions management (reduce and where not possible, offset) by measures such as tele-/videoconferencing, green commuting and other approaches to reducing business travel
- Energy consumption reduction strategies (optimized use of daylight, motion-sensitive lighting, energy efficient equipment, etc.)
- Water consumption reduction and recycling programmes
- Green printing (use of recycled/chlorine-free paper, double-sided printing, soy-based inks)
- Waste management (recycling and appropriate disposal)Environmental Employee Engagement
- Awareness-raising campaigns
- Active involvement of employees in setting up, implementing and championing environmental management strategies (e.g. volunteers, 'green teams', etc.)

Regular monitoring of performance against established targets

- Internal auditing of performance
- External validation of performance
- Quest for further actions and innovation to extend the scope and depth of environmental management

The Sustainability Committee reports to the CEO regularly where the outcome of that communication is reported to the Board by the CEO regularly.

The Chief Credit Officer (CRO) is responsible with implementation of ESG tools within the department to reflect climate change related issues in banking strategy. The CRO assures that all loan decisions include the monitoring of climate related risks. The CRO reports the process and a briefing to the CEO by cooperating with the Sustainability Committee.

## C1.3

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

Yes

## C1.3a

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**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.**

**Who is entitled to benefit from these incentives?**

Business unit manager

**Types of incentives**

Monetary reward

**Activity incentivized**

Efficiency project

**Comment**

Realization of climate change related revenue opportunities is one of the key performance indicators where lines of business that focus directly on climate change and environment-related revenue streams are priority in staff evaluation. For example, Albaraka Turk Bank supports business with firms in Energy Services, Resource Efficiency and Sustainable Energy (energy efficiency, solar & wind equipment finance).

**Who is entitled to benefit from these incentives?**

Chief Procurement Officer (CPO)

**Types of incentives**

Other non-monetary reward

**Activity incentivized**

Behavior change related indicator

**Comment**

The CPO is expected to operate a procurement process based on resource efficiency criteria. For instance all purchases of paper, stationary and other resources should be evaluated with a resource efficiency and waste minimization perspective.

**Who is entitled to benefit from these incentives?**

Risk manager

**Types of incentives**

Monetary reward

**Activity incentivized**

Behavior change related indicator

**Comment**

All risk managers are expected to embed sustainability and climate change risks in risk evaluation process.

**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Other non-monetary reward

**Activity incentivized**

Emissions reduction target

**Comment**

All employees in Albaraka Turk are encouraged to adopt a behavioral change in resource management and sustainability. They are expected to address all issues of resource management and waste minimization by developing solutions and offering innovation. Also, a new module introduced among the staff for individual GHG assessment and reductions based on an award scheme which will raise further awareness in climate change.

**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Recognition (non-monetary)

**Activity incentivized**

Emissions reduction target

**Comment**

There is an institutionalized improvement and innovation proposal program, which also covers sustainability improvement proposals.

**C2. Risks and opportunities**

**C2.1**

**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	10	

C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

A specific climate change risk identification, assessment, and management process

C2.2a

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Annually	3 to 6 years	Albaraka Turk identifies specific climate related risks by assessing carbon intensive business operations, especially loan decisions, into an already existing risk assessment tool. Environmental and social risk management activities are integrated into our enterprise wide risk management framework. Enhanced due diligence is applied to transactions with clients operating in environmentally sensitive or carbon intensive sectors, such as forestry or mining where we avoid doing business with borrowers who have poor environmental and social risk management track records. Within the ESG system, the climate risks are identified for different cases and specific risk mitigation measures are proposed.

C2.2b

**(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.**

Climate change is a business issue for us that can severely affect our Bank's reputation, legal responsibilities, regulatory obligations, financial reporting, operations and supply chain. As the effects of climate change play out globally, demand for products and services to manage climate risks will also rise.

At the company level, the identification process is mainly done by the Sustainability Committee in cooperation with the Strategy Department. The identification is based on assessment of daily business operations as well as looking into a horizon of ten years for potential issues. Some reports such as CDP reporting are completed also with assistance from the consultants.

At the asset level, we regularly review the assets of the bank with a climate change perspective during the financial disclosure process which is quarterly. A sub-report notes the issues of potential risk and opportunity for future reference while setting new business strategies for the bank.

C2.2c

**(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?**

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	The current MRV (Monitoring Reporting and Verification) regulation in Turkey enforces the GHG inventory management for more than 3000 installations in Turkey. Albaraka Turk monitors the list of installations under enforcement and identifies the clients or potential clients with regulation risk.
Emerging regulation	Relevant, always included	Emerging regulations are perceived in two ways. At the customer level, the enforcement for mitigating the GHG emissions is part of the bankability risk. At the company level, the Environmental, Social and Governance (ESG) group identifies indirect risks and related regulatory enforcement for financial institutions. These risks are monitored as part of regular sustainability issues monitoring that is executed annually or (more frequently if needed).
Technology	Relevant, always included	Due to climate change, new technology needs may arise. We understand that special financial tools are required to finance the implementation these high risk high return technologies.
Legal	Relevant, always included	Turkey's Regulation on Energy Performance in Buildings came into force in December of 2008. As of May 2020, all qualifying new buildings must meet minimum design requirements for energy efficiency. Our HQ is LEED certified so fulfilling the criteria for the new legislation has already been completed. Albaraka aims to reassessing operational cost for the bank and setting the strategy for relocating the branches in new buildings.
Market	Relevant, always included	Physical changes of climate change may result in economic recession as some of our customers face will face new business challenges. Albaraka Bank's performance is dependent on prevailing economic conditions where an economically depressed market reduces demand for credit and other financial products.
Reputation	Relevant, always included	Reputational risk associated with climate change may impact us in two areas • Lending and investing : As a financial institution, some of clients are in carbon intensive industries. As such, we face reputational risks as NGOs and other stakeholders may scrutinize our role in lending to and investing in industry sectors of this nature. • Company operations : We may face reputational risks if we do not proactively take steps towards reducing our emissions from own operations.
Acute physical	Relevant, sometimes included	Acute physical changes are expected to result in Impact on bank's business Impact on cash flows Impact on balance sheets Operational risks and Liquidity risk
Chronic physical	Relevant, sometimes included	Acute physical changes are expected to result in Capital risk and Market risk
Upstream	Not evaluated	It is well expected that the risks endowed by Albaraka Turk will impact the upstream because potentially increasing credit risk, cost of capital and market volatility. These risks have not been evaluated yet.
Downstream	Relevant, sometimes included	Downstream risks are risks imposed on clients, suppliers and other stakeholders. Deteriorating bank operations put all these downstream actors at risk. Those risks are evaluated regularly and the mitigation measures are shared with stakeholders.

C2.2d

**(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.**

The aspects of climate change that have influenced the strategy include opportunities to invest in renewable energy projects, reducing our environmental footprint by reducing resource consumption, responding to market and shareholder demand for responsible banking, investing, products and services. Climate change has influenced our long term strategy in that we remain focused operationally on energy costs and reducing the use of fossil fuel based resources. We continue to look for opportunities from our own and our customers' perspectives for alternative/renewable energy sources. We also monitor changes to the regulatory environment which may provide opportunities to enter new markets in trading.

**C2.3**

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**(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**

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

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Rising sea levels

**Type of financial impact driver**

Increased capital costs (e.g., damage to facilities)

**Company- specific description**

Logistics and business that depends on logistics and transportaton could be impacted severely because Turkey is surrounded by water.

**Time horizon**

Long-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Potential financial impact**

400000

**Explanation of financial impact**

Increase in the capital cost for certain industries.that rely on naval transportation and logistics.

**Management method**

Assessing the customers with this perspective and providing them with guidance to seek help for risk management.

**Cost of management**

200000

**Comment**

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**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Rising mean temperatures

**Type of financial impact driver**

Increased capital costs (e.g., damage to facilities)

**Company- specific description**

Hotter summers and colder winters would result in: • increased energy consumption such as electricity and natural gas in facilities occupied • shorter life-span of heating, ventilation and air conditioning (HVAC) equipment, which could be operating well beyond normal design parameters. This might result in us having to invest in upgrading or replacing the equipment before current projected end-of-life.

**Time horizon**

Medium-term

**Likelihood**

Very likely

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**Magnitude of impact**

High

**Potential financial impact**

500000

**Explanation of financial impact**

Having to replace equipment and building facility sooner with new technology to adjust new temperature conditions.

**Management method**

Replacing the equipment and other facility

**Cost of management**

500000

**Comment**

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**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Physical risk

**Primary climate-related risk driver**

Acute: Increased severity of extreme weather events such as cyclones and floods

**Type of financial impact driver**

Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations)

**Company- specific description**

Customers being affected by extremem weather events and the resulting business volatility.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

High

**Potential financial impact**

10000000

**Explanation of financial impact**

Customers' business interruption due to extreme weather events. More floods are observed in the northern parts of Turkey where businesses and agriculture are affected severely.

**Management method**

Risk analysis, assisting customers for seeking assistance in risk mitigation.

**Cost of management**

500000

**Comment**

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**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Increased pricing of GHG emissions

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Bank customers face new emission costs due to new GHG regulations and a cap and trade system.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-high

**Potential financial impact**

5000000

**Explanation of financial impact**

Customers not well prepared a new regulation with cap and trade system cannot handle new operating costs.

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**Management method**

Analyzing the customers readiness for a new GHG cap and trade system with respect to potential regulations

**Cost of management**

200000

**Comment**

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**Identifier**

Risk 5

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Technology: Substitution of existing products and services with lower emissions options

**Type of financial impact driver**

Technology: Reduced demand for products and services

**Company- specific description**

Customers losing business because their products and services are not demanded in the new low carbon economy.

**Time horizon**

Long-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-high

**Potential financial impact**

10000000

**Explanation of financial impact**

Customers losing business because their products and services are not relevant in low carbon economy.

**Management method**

Analyzing the customers with a new perspective, assure risk mitigation measures and raise awareness with the customers..

**Cost of management**

200000

**Comment**

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**Identifier**

Risk 6

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Technology: Unsuccessful investment in new technologies

**Type of financial impact driver**

Technology: Capital investments in technology development

**Company- specific description**

Customers being unsuccessful with new technology development for adapting the low carbon economy

**Time horizon**

Long-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Potential financial impact**

2000000

**Explanation of financial impact**

Customers investing in new technology development with no return.

**Management method**

Analyzing customer technology and project implementation for low carbon economy and identifying risks, assisting customers to understand their risks.

**Cost of management**

30

**Comment**

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**Identifier**

Risk 7

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Technology: Costs to transition to lower emissions technology

**Type of financial impact driver**

Technology: Costs to adopt/deploy new practices and processes

**Company- specific description**

Customers to reply new practices to lower their emissions face new investment challenges due to long run investment returns

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Potential financial impact**

5000000

**Explanation of financial impact**

Customers investing new practice for emission reduction and low carbon products face long run returns.

**Management method**

Developing new financial instruments for investments with relatively risky investments.

**Cost of management**

500000

**Comment**

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**Identifier**

Risk 8

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Bank facing new regulations or mandates for climate responsible banking

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

High

**Potential financial impact**

10000000

**Explanation of financial impact**

Bank facing new regulations to assure climate responsible banking

**Management method**

Understanding potential banking regulations and adjusting new low carbon banking timely.

**Cost of management**

3000000

**Comment**

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**Identifier**

Risk 9

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Market: Changing customer behavior

**Type of financial impact driver**

Market: Reduced demand for goods and/or services due to shift in consumer preferences

**Company- specific description**

Customers demanding new financial products to adapt the conditions of low carbon economy.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Potential financial impact**

20000000

**Explanation of financial impact**

Customers demanding new climate friendly banking products and services and the bank cannot meet that demand.

**Management method**

Understanding the future of low carbon banking and organize business restructuring.

**Cost of management**

1000000

**Comment**

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**Identifier**

Risk 10

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Reputation: Shifts in consumer preferences

**Type of financial impact driver**

Reputation: Reduced revenue from decreased demand for goods/services

**Company- specific description**

Customers favor climate friendly banks for banking services especially in retail banking.

**Time horizon**

Long-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-high

**Potential financial impact**

10000000

**Explanation of financial impact**

Customers shifting to climate friendly banks due to consumer awareness.

**Management method**

Planning for future and promote the bank as a climate friendly bank.

**Cost of management**

500000

**Comment**

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**Identifier**

Risk 11

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Reputation: Stigmatization of sector

**Type of financial impact driver**

Reputation: Reduced revenue from decreased demand for goods/services

**Company- specific description**

Bank losing market share due to stigmatization.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-high

**Potential financial impact**

10000000

**Explanation of financial impact**

Sectoral stigmatization and loss of business.

**Management method**

Investing in new marketing tools to protect the market share.

**Cost of management**

300000

**Comment****Identifier**

Please select

**Where in the value chain does the risk driver occur?**

Please select

**Risk type**

Please select

**Primary climate-related risk driver**

&lt;Not Applicable&gt;

**Type of financial impact driver**

&lt;Not Applicable&gt;

**Company- specific description****Time horizon**

Please select

**Likelihood**

Please select

**Magnitude of impact**

Please select

**Potential financial impact****Explanation of financial impact****Management method****Cost of management****Comment**

## 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**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Ability to diversify business activities

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

Meeting the new demand for sustainable banking, Albaraka Turk will be able to diversify its business with new banking products.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Potential financial impact**

30000000

**Explanation of financial impact**

Increase in demand for loans for new sustainable energy and resource efficiency products resulting in new business and increased revenue for the bank.

**Strategy to realize opportunity**

Developing new portfolios and funds for sustainable energy and resource efficiency projects

**Cost to realize opportunity**

300000

**Comment**

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Use of more efficient production and distribution processes

**Type of financial impact driver**

Reduced operating costs (e.g., through efficiency gains and cost reductions)

**Company- specific description**

Albaraka Turk opts for increasing resource efficiency in the HQ and all branches. The increased resource efficiency already resulted in significant reduction in operational costs due to decreasing cost of heating, cooling and staff travel.

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Potential financial impact**

1000000

**Explanation of financial impact**

The reduction of operational cost plays positive role in the financials of the bank.

**Strategy to realize opportunity**

Continue to seek for new options for resource efficiency.

**Cost to realize opportunity**

1000000

**Comment**

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**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

As the consumer awareness increases, promotion of Albaraka Turk as a sustainable bank in the market will play an important role to increase competitiveness.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-high

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**Potential financial impact**

10000000

**Explanation of financial impact**

The increase of awareness will lead the customers to choose the banking products of sustainable and climate friendly banks.

**Strategy to realize opportunity**

Maintaining the brand with climate friendly aspects and promote the well being of communities as central to bank's business strategy.

**Cost to realize opportunity**

300000

**Comment**

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**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Use of more efficient production and distribution processes

**Type of financial impact driver**

Increased production capacity, resulting in increased revenues

**Company- specific description**

When the customers improve their resource efficiency hence their profitability, the Bank will be able to expand business.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-high

**Potential financial impact**

3000000

**Explanation of financial impact**

The customers will create new business for the bank as they shift to resource efficient technologies.

**Strategy to realize opportunity**

Assisting the customers to shift to low carbon economy for increased business.

**Cost to realize opportunity**

1000000

**Comment**

---

**Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Access to new markets

**Type of financial impact driver**

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

**Company- specific description**

Albaraka Turk is already working on introducing new financial instruments for financing the low carbon economy. The shift to sustainable banking will accelerate access to new markets and innovative financial tools.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Potential financial impact**

100000000

**Explanation of financial impact**

The bank will have access to new tools and borrowers.

**Strategy to realize opportunity**

Develop new products such as Green Bonds or Climate Funds.

---

**Cost to realize opportunity**

2000000

**Comment**

---

**Identifier**

Opp6

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resilience

**Primary climate-related opportunity driver**

Resource substitutes/diversification

**Type of financial impact driver**

Increased revenue through new products and services related to ensuring resiliency

**Company- specific description**

Adaptation to climate change is crucial for the well being of communities and businesses. New products to finance such adaptation is important.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Potential financial impact**

100000000

**Explanation of financial impact**

New financial tools and loan mechanisms for infrastructure finance

**Strategy to realize opportunity**

Develop financing models for climate change adaptation and develop capacity for infrastructure finance

**Cost to realize opportunity**

1000000

**Comment**

---

**Identifier**

Opp7

**Where in the value chain does the opportunity occur?**

Supply Chain

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Use of more efficient production and distribution processes

**Type of financial impact driver**

Reduced operating costs (e.g., through efficiency gains and cost reductions)

**Company- specific description**

Albaraka Turk promotes resource efficiency among its suppliers especially for paper and staff travels. The ongoing communication with the suppliers leads to use of resources more efficiently. For instance, the communication with the supplier of copy machines and paper resulted in reduction of use of paper significantly.

**Time horizon**

Current

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Potential financial impact**

1000000

**Explanation of financial impact**

Reduction in operational cost via suppliers

**Strategy to realize opportunity**

Maintain communication with suppliers and create incentive mechanisms for resource efficiency

**Cost to realize opportunity**

50000

**Comment**

---

## C2.5

### (C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted for some suppliers, facilities, or product lines	We see a differentiation in the demand for diversified banking products for sustainability finance.
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	Our goal in reducing our GHG emissions and climate change risks guide us through selecting a new supply chain and value chain. We are evaluating our business with our stakeholders from a new perspective and such evaluation also impacts the business strategy in our value chain.
Adaptation and mitigation activities	Impacted	Demand for sustainability finance and the perception of risk from a new perspective based on ESG and climate change motivate us to shift our banking products to adaptation and mitigation activities.
Investment in R&D	Impacted	We are investing in innovation for GHG mitigation and climate change adaptation through our clients. On the other hand, Albaraka Turk is now open to new innovative projects from incubators and start ups that target sustainability.
Operations	Impacted	We are changing our operations so that our relationship managers are aware of new product lines. Also, our daily operations are more conscious with resource and energy efficiency while making decisions for vendors and value chain.
Other, please specify	Please select	

## C2.6

### (C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.

	Relevance	Description
Revenues	Impacted	As Albaraka Turk, we incorporate the impact of risks and opportunities from climate change and low carbon economy into our revenue models and business strategy by looking into business growth and recession under different scenarios. We also estimate the business volume change by new banking products and by giving special consideration to new climate finance opportunities.
Operating costs	Impacted	Albaraka Turk is likely to to adopt TCFD and other low carbon banking schemes and needs to build capacity for that purpose. Operational costs increased for capacity building and consultancy for TFCD or other climate related .disclosure.
Capital expenditures / capital allocation	Not yet impacted	The change in capital allocation due to low carbon economy and shift in capital expenditures is clear. The impact is not evaluated yet. Nevertheless, by 2021, the new business strategy that also includes the ESG implementation and climate friendly banking strategy opts for building a model for capital reallocation and its impact on Albaraka Turk.
Acquisitions and divestments	Not yet impacted	Albaraka Turk plans to incorporate climate change into acquisitions by 2021. For divestments, there is already a module for investment analysis under ESG based on climate change.
Access to capital	Impacted	We see a new opportunity in accessing the capital for the finance of climate change related projects. We are making plans to build capacity to access new capital in the form of equity funds, green and climate bonds as well as Green Climate Fund.
Assets	Impacted	The assets of Albaraka Turk is impacted directly and indirectly. Direct impact stems from the impact of climate change on bank's physical assets which are regularly evaluated. The indirect impact stems from customers facing business volatility due to climate change. An inventory of assets that are most likely to be impacted via customers has been prepared.
Liabilities	Not yet impacted	The impact of climate change on liabilities was not assessed yet. A team of staff from the Corporate Strategy Department will complete a review by 2020 and present the Sustainability Committee and the CEO with a report.
Other	Not evaluated	Evaluation of other impact parameters is in progress.

## C3. Business Strategy

### C3.1

#### (C3.1) Are climate-related issues integrated into your business strategy?

Yes

#### C3.1a

#### (C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

#### C3.1c

**(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

The integration of climate change related issues into our business has three aspects;

a) Climate change has influenced our short term strategy to reduce carbon emissions in our own operations and reduce our operational footprint. Organizational priorities include controlling

operating costs, and reducing emissions. Climate change has influenced our long term strategy in that we remain focused operationally on energy costs and reducing the use of fossil fuel

based resources. We continue to look for opportunities for alternative/renewable energy sources.

b) With the loan that Albaraka Bank has been granted from the World Bank, the projects that are harmful to the environment, waterways and basins and have effects to these regions have

never been financed and for the all projects that are planned to be financed have been requested Environmental Impact Assessment (EIA) Reports to determine positive and negative

environmental effects. Albaraka Turk Bank has continued its works to develop a corporate policy in providing finance for sustainable projects.

c) We are developing our ability to predict and prepare for the opportunities and challenges of climate change. The strategy also helps deepen combinations of Albaraka talents. In addition, as part of our ES process, we are on the verge of a transition to low carbon business. The transition process follows the Assessing Low carbon Transition (ACT) initiated by CDP. Relevant scenario analysis was completed and was presented to the Executive Management. The report on the analysis will be public by 2019.

**C3.1d**

**(C3.1d) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios	Details
IEA Sustainable development scenario	Albaraka Turk's scenario analysis is based on IEA Sustainable Development Scenario. There is a strong link between the banking strategy and investment in energy business. We prefer to use this scenario because we strongly opt for the commitments to meet criteria set by the Paris Agreement. There are three aspects of scenario analysis by Albaraka Turk; 1. Clean Energy for All: Our bank aims at provision of sustainable and clean energy for everyone. Hence, the process for divestment from fossil fuels by 20 percent annually between 2020 and 2025 is an essential part of the scenario. 2. Innovative Investment: It is clear that new technologies will lead the way to a low carbon future. Our bank aims at financing the implementation of innovative technologies by new loan products and partnerships. 3. Assisting the Paris Agreement: Turkey has committed a reduction of GHGs by 2030 by 21 percent below BaU (Business As Usual) by presenting a roadmap of new policy implementation in the area of transportation, energy and urbanization. Our bank's strategy is taking an active role in the accomplishment of this goal. We developed three scenarios and estimated the resources that can be diverted to these three aspects under three scenarios: Ambitious, Semi-ambitious and Modest. The cost of action for all three scenarios was estimated with sensitivity analysis based on various parameters such as cost of capital, macroeconomic indicators and target GHG mitigation.

**C4. Targets and performance**

**C4.1**

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

Intensity target

**C4.1b**

**(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).**

**Target reference number**

Int 1

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

85

**% reduction from baseline year**

5

**Metric**

Metric tons CO2e per unit FTE employee

**Base year**

2016

**Start year**

2016

**Normalized baseline year emissions covered by target (metric tons CO2e)**

941

**Target year**

2017

**Is this a science-based target?**

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science Based Targets initiative

**% achieved (emissions)**

100

**Target status**

Retired

**Please explain**

Our target to reduce the emission over an intensity target based on "metric tons CO2e per FTE" has been successfully achieved as a result of various resource efficiency projects. A new target is set for 2021 with base year of 2018.

**% change anticipated in absolute Scope 1+2 emissions****% change anticipated in absolute Scope 3 emissions****Target reference number**

Int 2

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

85

**% reduction from baseline year**

10

**Metric**

Metric tons CO2e per unit revenue

**Base year**

2016

**Start year**

2016

**Normalized baseline year emissions covered by target (metric tons CO2e)**

0.00643

**Target year**

2017

**Is this a science-based target?**

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science Based Targets initiative

**% achieved (emissions)**

50

**Target status**

Replaced

**Please explain**

Our target to reduce the emissions over an intensity target based on "metric tons CO2e per unit revenue" has been partially achieved due to unexpected slow down in the increase of revenues. The achievement is so far 50 %. We replace this target with a new one. The target is to reduce intensity by 10 percent by 2021, 2018 being the base year.

**% change anticipated in absolute Scope 1+2 emissions**

35

**% change anticipated in absolute Scope 3 emissions**

15

## C4.2

**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1a/b.**

**Target**

Energy usage

**KPI – Metric numerator**

MWH

**KPI – Metric denominator (intensity targets only)**

Metric tons of CO2e per unit revenue

**Base year**

2017

**Start year**

2017

**Target year**

2020

**KPI in baseline year**

0.0127

**KPI in target year**

0.0114

**% achieved in reporting year**

**Target Status**

New

**Please explain**

**Part of emissions target**

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**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 projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	11	1800
To be implemented*	2	550
Implementation commenced*	1	334
Implemented*	2	941
Not to be implemented	0	0

**C4.3b**

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

**Activity type**

Energy efficiency: Building services

**Description of activity**

Building controls

**Estimated annual CO2e savings (metric tonnes CO2e)**

800

**Scope**

Scope 1

Scope 2 (location-based)

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

330000

**Investment required (unit currency – as specified in CC0.4)**

140000

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Audit of large branches and regional management offices for buying efficiency.

**Activity type**

Low-carbon energy purchase

**Description of activity**

Solar PV

**Estimated annual CO2e savings (metric tonnes CO2e)**

1000

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

480000

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Albaraka Turk considers entering into an off-take agreement with a renewable energy producer for whole sale for all branches and the HQ.

**Activity type**

Low-carbon energy installation

**Description of activity**

Solar PV

**Estimated annual CO2e savings (metric tonnes CO2e)**

550

**Scope**

Scope 1

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)****Investment required (unit currency – as specified in CC0.4)**

400000

**Payback period**

11-15 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

Replacing the fuel generators with Solar PV.

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

Method	Comment
Dedicated budget for energy efficiency	Our HQ is LEED certified so fulfilling the criteria for the new legislation has already been completed.
Dedicated budget for low-carbon product R&D	Electric vehicles have been purchased. (Exhaust emission is 70% less than gasoline and diesel vehicles) We also use Ecolabel certified chemical cleaning materials which are respectful to nature.

**C4.5**

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

#### C4.5a

---

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

**Level of aggregation**

Group of products

**Description of product/Group of products**

Sustainable Energy and Energy Efficiency Loans

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Low-Carbon Investment (LCI) Registry Taxonomy

**% revenue from low carbon product(s) in the reporting year**

**Comment**

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#### C5. Emissions methodology

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##### C5.1

---

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

**Scope 1**

**Base year start**

January 1 2017

**Base year end**

December 31 2017

**Base year emissions (metric tons CO2e)**

5198

**Comment**

Scope 1 includes emissions that result from the heating, air conditioning, vehicles and generator.

**Scope 2 (location-based)**

**Base year start**

January 1 2017

**Base year end**

December 31 2017

**Base year emissions (metric tons CO2e)**

7564

**Comment**

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by Albaraka.

**Scope 2 (market-based)**

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

##### C5.2

---

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

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

#### C6. Emissions data

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## C6.1

---

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

**Row 1**

**Gross global Scope 1 emissions (metric tons CO2e)**  
5198

**End-year of reporting period**  
<Not Applicable>

**Comment**

## 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**

**Comment**

## C6.3

---

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

**Row 1**

**Scope 2, location-based**  
7564

**Scope 2, market-based (if applicable)**  
<Not Applicable>

**End-year of reporting period**  
<Not Applicable>

**Comment**

## C6.4

---

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 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 Scope 3 emissions, disclosing and explaining any exclusions.

**Purchased goods and services**

**Evaluation status**  
Relevant, calculated

**Metric tonnes CO2e**  
1948

**Emissions calculation methodology**  
All paper purchased by Albaraka Bank has been recorded and the average data for the CO2 missions by unit paper (tons) was used.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**  
100

**Explanation**

**Capital goods****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

There was no major purchases of capital goods. Not relevant to the banking sector.

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

Not relevant, calculated

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

Almost all of our fuel and energy related activities are included in Scope 1 and Scope 2.

**Upstream transportation and distribution****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

As service sector, Albaraka does not have upstream transportation and distribution.

**Waste generated in operations****Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

Paper is the most significant waste generated by Albaraka. The purchase of paper and the related GHG emissions are included. The waste impact of paper and other paper related products such as packaging will be included later in later reporting years.

**Business travel****Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

196

**Emissions calculation methodology**

EPA Emission Factors for GHG Inventories, Table-7 Business Travel Emission Factors.

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

100

**Explanation**

All business trips by the staff paid by Albaraka Bank has been recorded. The list of flights is taken from agency and distances are defined for every flight track. They are multiplied by relevant emission factors in line with GHG Protocols.

**Employee commuting****Evaluation status**

Not evaluated

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

**Upstream leased assets****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

There are no upstream leased assets, not relevant.

**Downstream transportation and distribution****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

There is no downstream transportation and distribution, not relevant.

**Processing of sold products****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

Albaraka Bank does not sell products, provides services, not relevant to the banking sector.

**Use of sold products****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

Albaraka Bank does not sell products, provides services, not relevant to the banking sector.

**End of life treatment of sold products****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

Albaraka Bank does not sell products, provides services, not relevant to the banking sector.

**Downstream leased assets****Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e****Emissions calculation methodology****Percentage of emissions calculated using data obtained from suppliers or value chain partners****Explanation**

Albaraka Bank has no assets to leased , therefore it is not relevant

**Franchises**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

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

**Explanation**

Albaraka Bank does not provide any franchising activities.

**Investments**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

**Emissions calculation methodology**

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

**Explanation**

All investments were explored. No GHG emitting investment was identified.

**Other (upstream)**

**Evaluation status**

**Metric tonnes CO2e**

**Emissions calculation methodology**

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

**Explanation**

**Other (downstream)**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

**Emissions calculation methodology**

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

**Explanation**

C6.7

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(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

C6.10

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(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.

C7. Emissions breakdowns

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C7.1

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(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?

No

C7.2

---

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Turkey	5195

### C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By activity

### C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Heating	1343
Vehicles	1998
ACs and Fire Extinguisher	318
Power Generators	1537

### C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Turkey	7564		15366	0

### C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By facility

### C7.6b

(C7.6b) Break down your total gross global Scope 2 emissions by business facility.

Facility	Scope 2 location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Head Quarters (HQ)	2767	
Branches & Regional Management Buildings	4798	

### 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?

Increased

### 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	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption		<Not Applicable >		
Other emissions reduction activities		<Not Applicable >		
Divestment		<Not Applicable >		
Acquisitions		<Not Applicable >		
Mergers		<Not Applicable >		
Change in output	932	Increased		As Albaraka Bank, we had 213 branches in 2016, while our number of branch offices reached 220 by the end of 2017. The growth in business required us to increase the number of branches to serve more customers.
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 0% but less than or equal to 5%

### C8.2

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

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

### 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 MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)			7439
Consumption of purchased or acquired electricity	<Not Applicable>			15366
Consumption of purchased or acquired heat	<Not Applicable>			7853
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>			
Consumption of self-generated non-fuel renewable energy	<Not Applicable>		<Not Applicable>	
Total energy consumption	<Not Applicable>			30658

**C8.2b**

**(C8.2b) Select the applications of your organization's consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

**C8.2c**

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

7680

**MWh fuel consumed for the self-generation of electricity**

**MWh fuel consumed for self-generation of heat**

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

7378

**MWh fuel consumed for the self-generation of electricity**

**MWh fuel consumed for self-generation of heat**

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Lignite Coal

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

81

**MWh fuel consumed for the self-generation of electricity**

**MWh fuel consumed for self-generation of heat**

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

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**Fuels (excluding feedstocks)**

Motor Gasoline

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

153

**MWh fuel consumed for the self-generation of electricity**

**MWh fuel consumed for self-generation of heat**

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

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C8.2d

(C8.2d) List the average emission factors of the fuels reported in C8.2c.

**Diesel**

**Emission factor**

74100

**Unit**

kg CO2e per GJ

**Emission factor source**

(2006 IPCC Guidelines for National Green House Gas Inventories Volume 2 Chapter 3 Mobile Combustion, Table3.2.1 Road Transport Default CO2 Emission Factors And Uncertainty Ranges, Table 3.2.2 Road Transport N2O And CH4 Default Emission Factors And Uncertainty Ranges )

**Comment**

CH4: 3,9 kg/TJ N2O: 3,9 kg/TJ

**Lignite Coal**

**Emission factor**

101000

**Unit**

kg CO2e per GJ

**Emission factor source**

(2006 IPCC Guidelines for National Green House Gas Inventories Volume 2 Chapter 2 Stationary Combustion Table 2.4)

**Comment**

**Motor Gasoline**

**Emission factor**

69300

**Unit**

kg CO2e per GJ

**Emission factor source**

(2006 IPCC Guidelines for National Green House Gas Inventories Volume 2 Chapter 2 Stationary Combustion Table 2.4)

**Comment**

CH4: 25 kg/TJ N2O: 8 kg/TJ

**Natural Gas**

**Emission factor**

56100

**Unit**

kg CO2e per GJ

**Emission factor source**

(2006 IPCC Guidelines for National Green House Gas Inventories Volume 2 Chapter 2 Stationary Combustion Table 2.4)

**Comment**

CH4: 5 kg/TJ N2O: 0,1 kg/TJ

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity		15366		
Heat		7853		
Steam				
Cooling				

C8.2f

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

**Basis for applying a low-carbon emission factor**

No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

**Low-carbon technology type**

<Not Applicable>

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**

<Not Applicable>

**Emission factor (in units of metric tons CO2e per MWh)**

<Not Applicable>

**Comment**

**C9. Additional metrics**

**C9.1**

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

**Description**

Energy use

**Metric value**

30851

**Metric numerator**

**Metric denominator (intensity metric only)**

**% change from previous year**

1

**Direction of change**

Decreased

**Please explain**

Although our number of branch offices reached 220 by the end of 2017 , the amount of consumed energy decreased . The reason of this the Bank started using vehicles with 70% less exhaust emission compared to conventional gasoline and diesel vehicles.

**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 and/or Scope 2 emissions and attach the relevant statements.

**Scope**

Scope 1

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

Albaraka Turk\_2017 CDP statement\_carbon\_14082018\_docx.pdf

**Page/ section reference**

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

Albaraka Turk\_2017 CDP statement\_carbon\_14082018\_docx.pdf

**Page/ section reference**

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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## C10.1b

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

**Scope**

Scope 3- at least one applicable category

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

Albaraka Turk\_2017 CDP statement\_carbon\_14082018\_docx.pdf

**Page/section reference**

**Relevant standard**

ISO14064-3

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## C10.2

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(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?

No, but we are actively considering verifying within the next two years

## C11. Carbon pricing

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### C11.1

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**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

No, but we anticipate being regulated in the next three years

**C11.1d**

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**(C11.1d) What is your strategy for complying with the systems in which you participate or anticipate participating?**

The two main carbon pricing options that are being utilized in the world are carbon taxation and emissions trading systems(ETS). Yet, there is neither a CO2 taxation mechanism nor an ETS in

Turkey. Despite the difficulties in determining the cost of carbon in the absence of a regulatory framework, we are developing an approach to increase the share of low carbon investments in

our credit portfolio as Albaraka Turk. Ultimately, we plan to set science-based targets for emission reduction in near future and adopt a carbon pricing policy while matching our reporting standards with TCFD (Task Force on Climate related Financial Disclosures) recommendations in near future.

**C11.2**

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**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

**C11.3**

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

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

**C12. Engagement**

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**C12.1**

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

Yes, our suppliers

Yes, our customers

**C12.1a**

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

**Type of engagement**

Compliance & onboarding

**Details of engagement**

Included climate change in supplier selection / management mechanism

Climate change is integrated into supplier evaluation processes

**% of suppliers by number**

17

**% total procurement spend (direct and indirect)**

12

**% Scope 3 emissions as reported in C6.5**

**Rationale for the coverage of your engagement**

**Impact of engagement, including measures of success**

We encourage our suppliers for resource efficient and environmentally friendly products. Our procurement process indicates efficiency criteria for all goods and services.

**Comment**

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**C12.1b**

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**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

**Type of engagement**

Collaboration & innovation

**Details of engagement**

Run a campaign to encourage innovation to reduce climate change impacts

**Size of engagement**

% Scope 3 emissions as reported in C6.5

**Please explain the rationale for selecting this group of customers and scope of engagement**

Our customers are now subject to Environmental and Social Impact Assessment for loans exceeding certain levels and for specific industries such as manufacturing and energy generation. The due diligence process for environmental and social impact include a section on the GHG aspect of the activity that moves some of our customers to consider the climate risks of their activities and manage those risks.

**Impact of engagement, including measures of success**

**C12.3**

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Direct engagement with policy makers

**C12.3a**

**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Energy efficiency	Support	Albaraka Turk Bank has participated in the process of promoting legislation of financing energy efficiency investments as a stakeholder along with NGOs and other real sector associations.	Albaraka Turk emphasized the critical position of micro business during the discussions for the proposed legislation. Potential tax incentives to attract very small businesses into the energy efficiency innovation process was highlighted.
Other, please specify (Environmental Sustainability)	Support	Albaraka believes in one central premise - action to address climate change is urgently required and a strong corporate response must be part of the solution.	Albaraka Bank targets to establish sustainable banking objective in a concrete manner and to create long term values by ensuring internalization of sustainability awareness within the institution

**C12.3f**

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Albaraka Turk targets to place itself at a trendsetting role for sustainability and climate change risk management among all other participation banks. Interest free banking prioritizes community benefits and sustainability is at the center of that with combating climate change. We assure that our feedback for all public policies focuses on that goal where shifting public policies to a level where there are sound incentives for those communities to take an active role in combating climate change while protecting their welfare.

**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 other regulatory filings

**Status**

Complete

**Attach the document**

2017-faaliyet-raporu.pdf

**Content elements**

Strategy

Emission targets

**C14. Signoff**

**C-FI**

**(C-F) 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.**

<https://www.albaraka.com.tr/assets/en/pdf/investor-relations/2017-annual-report.pdf>

Albaraka\_Carbon footprint\_2017.xlsx

Albaraka Turk\_2017 CDP statement\_carbon\_14082018\_docx.pdf

#### C14.1

**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Assistant Manager	Business unit manager

#### Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

**Please confirm below**

I have read and accept the applicable Terms