

# Welcome to your CDP Climate Change Questionnaire 2019

## 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 commenced its operations in 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 31.12.2018, Albaraka Turk consists of foreign partners (65.87%), native partners (8.91% ) and public shares (25.22%). As participation banking should regard the community interests at the highest level, climate change is the most important sustainability threat faced by the communities we serve. With the vision of becoming a value-based intermediate in the financial sector, we are aware that all activities we perform as well as our products and services we provide to the society interact with the environment. We do not only aim to minimize the impact from this interaction on the climate change but also our ultimate goal is to be a pioneer among the industry's major players by assuming a leading role in mobilizing the finance for sustainability. The climate change management in the company is considered at three levels; awareness, institutional capacity building and leadership. In 2016, we started an internal capacity building program through training programs and implementation of climate change management modules within the departments of Credit Risk Management, Strategic Planning and Administrative Affairs. The Sustainability Committee that was established by the attendance of staff from those departments received various capacity building trainings to construct a roadmap for leadership in sustainability with a special focus in climate. As a result, the credit departments at the HQ as well as all 230 branches that market our lending products started giving specific consideration to sustainable energy and resource efficiency lending while incorporating the potential transition risks from carbon intensive industries and other businesses under the threat of physical disruption by climate change. 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. 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. The internal carbon pricing initiative became active early 2019 as we plan to set the final price by 2021 and implement it in all our banking decisions. Our ESG Program continues in full force as all decision-making mechanisms have been analysed, restructuring options for better governance have been formed and credit risk analysis systems have been established. As next steps, we aim at advancing our ESG activities further by

developing projects in the fields of digital finance, incorporating the sustainability in our retail strategy and mobilizing new finance mechanisms especially for small and medium enterprises for both climate change mitigation and adaptation. We are also building our own climate centered taxonomy to institutionally define “green” and categorize the project activities that are most sustainable for lending. In 2018, our efforts paid back in terms of tangible increase in lending to renewable energy projects and energy efficiency projects.

In addition, as Albaraka Turk we ultimately care about our own carbon footprint and maintaining 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. 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 introduced the concept to our peers at TKBB (Participation Banks Association of Turkey) where our CEO is the chair and encouraged them to take a stance against climate change. Second, at the global level, we succeeded in drawing the attention of our parent company ABG to the issue and triggered similar work a short while ago. Our experience started to expand across all group companies as well. Based on all the achievements in developing a sound ESG scheme and the green taxonomy, as well as adopting a roadmap for financial disclosure of climate risks and pursuing a sustainability strategy at different transaction levels including SMEs and retail, Albaraka Turk is destined to be one of the major actors of climate finance in near future.

## 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
Row 1	January 1, 2018	December 31, 2018	No

## 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) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board-level committee	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 activated 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.
Other, please specify Sustainability and Social Responsibility Committee	The committee consists of 3 board members. The Committee has responsibility for reviewing, monitoring and approving Banks's climate change and other sustainability objectives and providing advice to management on sustainability issues including climate change. Prioritizes the consideration of economic, environmental and social factors in the Bank's activities and decision mechanisms in addition to corporate governance principles in order to ensure the internalization of Corporate Sustainability awareness within the organization, to introduce the objective of sustainable banking in a concrete manner and to establish long-term values.

Other, please specify Sustainability, Social Responsibility and Communication Executive Committee	The committee consists of 4 assistant general managers and 1 chairman and 8 department managers under the chairmanship of the general manager. The Committee makes the pre-assessment of the Sustainability and Social Responsibility projects proposed by the Strategic Planning Department at certain periods of the year, puts them on the agenda of the Sustainability and Social Responsibility Committee and follows the projects implemented.
Chief Sustainability Officer (CSO)	In 2020, Albaraka is reaching the end of a three year program of incorporating ESG in business. The executive management of the bank is already evaluating the options of establishing a Sustainability Unit and linking the unit to the executive management through a CSO.

## 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</li> </ul>	<p>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 priorly 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.</p> <p>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.</p> <p>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</p>

	targets for addressing climate-related issues	a road map for institutional capacity building including structural and business strategy changes will also be presented to the Board annually.
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## C1.2

**(C1.2) Provide the highest management-level 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
Corporate responsibility committee	Assessing 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 (do not include the names of individuals).**

As Albaraka Turk we are aware that the activities, products and services we perform have an impact on the environment and we aim to minimize our impact on climate change by integrating ESG in our business model and transform our services to value-based banking. As a pioneer in interest-free banking, we aim at being of the leading participants in the sector by mobilizing climate finance to green house gas mitigation and climate change adaptation.

For Albaraka Türk, sustainability is an important issue supported by corporate culture and vision. In this context, Albaraka Türk carries out projects such as Green Building Project (LEED EBOM), Carbon Disclosure Project (CDP) and Zero Waste Project in line with sustainability goals. 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. Our Sustainable Banking Program is managed by two committees under the Board of Directors at the Headquarters.

1-Sustainability and Social Responsibility Committee

-Prioritizes the consideration of economic, environmental and social factors in the Bank's activities and decision mechanisms in addition to corporate governance principles in order to ensure the internalization of Corporate Sustainability awareness within the organization, to introduce the objective of sustainable banking in a concrete manner and to establish long-term values,

-Designs and implements the ESG integration Project with assistance from third parties and consultants when necessary,

-Follows the best practices in the world in the field of sustainability and Social Responsibility and ensures the implementation of projects that correspond to bank's core values and ethical principles. Supervises the impacts of the Bank's activities on environment and measures taken within this scope.

2- Sustainability and Social Responsibility and Communication Executive Committee  
The committee consists of four deputy CEOs responsible with "Finance and Strategy", "Marketing", "Treasury and Financial Institutions" and "Human Assets and Administrative Affairs", one chairman from the Board and eight other department managers. The committee is chaired by the CEO and reviews the work of Sustainability Committee and also,

-Implements the Sustainability and Social Responsibility projects that reflects the corporate identity and enhances the strategy in line with the Bank's vision and mission to the whole society, our stakeholders and business partners,

-Monitors the implementation of the decisions taken by the Sustainability and Social Responsibility Committee.

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

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 in cooperation with the Sustainability Committee.

## C1.3

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

Yes

## C1.3a

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

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**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).

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

Chief Procurement Officer (CPO)

### **Types of incentives**

Monetary reward

### **Activity incentivized**

Energy reduction target

### **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.

- Energy survey studies were conducted to determine the energy consumption of the Head Office building in detail.
- The garden lighting system was restructured at the Head Office building to save electricity.
- The timing scheme of lighting sensors was revised to consume less electricity.
- Heating and cooling systems came to consume less electricity due to systemic changes in their operating systems
- In car rentals, the Bank replaced gasoline vehicles with eco-friendly diesel vehicles, reducing exhaust emission by approximately 1,408 kg/year per vehicle.
- The Bank acquired electric vehicles, whose exhaust emission is 70% less than that of gasoline and diesel vehicles.
- An eco-friendly solution is used instead of harmful salt during ice and snow events.
- Ecolabel certified chemical cleaning materials are used at the Head Office.
- Efforts were made to enrich the lawns at the Head Office with individual plants that consume less water. Selecting native types of flowers and trees in landscaping is prioritized. Guano is preferred instead of fertilizer to extend soil life
- Instead of artificial fertilizers, organic fertilizers were used for the landscaping work at the Head Office building to improve the soil structure.

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

Risk manager



**Types of incentives**

Monetary reward

**Activity incentivized**

Energy reduction target

**Comment**

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

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**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.

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**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	Short-term for Albaraka means less than 3 year.
Medium-term	3	6	The medium-term planning covers a time-horizon between 3 to 6 years as our financing usually runs for up to 6 years.
Long-term	6	10	Long-term planning covers a time-horizon between 6 to 15 years as our financing usually runs for up to 15 years.

### 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.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

### 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	Six-monthly or more frequently	>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 fifteen 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 <ul style="list-style-type: none"> <li>• 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.</li> <li>• Company operations : We may face reputational risks if we do not proactively take steps towards reducing our emissions from own operations.</li> </ul>
Acute physical	Relevant, always included	We aware of acute physical risks are expected to result in impact on bank's business, cash flows,balance sheets operational risks and liquidity risk. Albaraka has a crisis squad and emergency concepts under the Emergency Action Plan that initiate appropriate counter measures if acute physical risks occur.This plan was prepared as part of Albaraka Türk Business Continuity Management System Plans and summarizes Albaraka Türk's business continuity management approach. However, extreme weather events such as storms, cyclones do not occur in Turkey , if our customers are effected physical damage it can affect the deterioration of the asset quality of the bank. To do this, we conduct real-time monitoring and investigation.
Chronic physical	Relevant, sometimes included	We aware of chronic physical risks are expected to result in impact on operational risks and liquidity risk, if our customers are effected physical damage it can affect the deterioration of the asset quality of the bank. To do this, we conduct real-time monitoring and investigation.
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

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

Yes

### C2.3a

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

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**Identifier**

Risk 1

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

Customer

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Rising sea levels

**Type of financial impact**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company- specific description**

Logistics and business that depends on logistics and transportaton could be impacted severely because Turkey is surrounded by water. Our clients are heavily depend on harbor logistics.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

200,000

**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**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**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

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

500,000

**Potential financial impact figure – maximum (currency)**

700,000

**Explanation of financial impact figure**

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**

250,000

**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**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company- specific description**

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

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

20,000,000

**Potential financial impact figure – maximum (currency)**

45,000,000

**Explanation of financial impact figure**

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**

1,500,000

**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**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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

**Management method**

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

**Cost of management**

200,000

**Comment**

**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**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

200,000

## 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

Increased credit risk (e.g., increased probability of default and/or loss given default)

### 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

### Are you able to provide a potential financial impact figure?

No, we do not have this figure

### Potential financial impact figure (currency)

### Potential financial impact figure – minimum (currency)

### Potential financial impact figure – maximum (currency)

### Explanation of financial impact figure

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**

200,000

**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**

Increased credit risk (e.g., increased probability of default and/or loss given default)

**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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

500,000

**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**

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**

Long-term

**Likelihood**

Likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Bank facing new regulations to assure climate responsible banking

**Management method**

Understanding potential banking regulations and adjusting new low carbon banking timely. Developing a new business model with ESG and value integrated banking.

**Cost of management**

3,000,000

**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**

Reduced demand for products and services

**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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

1,000,000

**Comment**

---

**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**

Reduced demand for products and 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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**



**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

300,000

**Comment**

---

**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**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Bank losing market share due to stigmatization.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Sectoral stigmatization and loss of business.

**Management method**

Investing in new marketing tools to protect the market share.

**Cost of management**

300,000

**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**

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

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

20,000,000

**Potential financial impact figure – maximum (currency)**

40,000,000

**Explanation of financial impact figure**

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**

300,000

**Comment**

---

**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**

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

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

4,000,000

**Potential financial impact figure – maximum (currency)**

6,000,000

**Explanation of financial impact figure**

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**

1,000,000

**Comment**

---

**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**

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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

300,000

**Comment**

---

**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**

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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

1,000,000

**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**

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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

1,000,000

**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**

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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

1,000,000

**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**

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

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

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**

150,000

**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		

## C2.6

**(C2.6) Describe where and how the identified risks and opportunities have been 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. We are also developing a taxonomy to identify what is available for green finance and elaborate climate positive activities in the taxonomy.

## 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 as well as using TCFD by 2024 for climate related risk disclosure. From now until 2040 (the period

covered by the model), the emissions trajectory of the SDS is at the lower end of other decarbonisation scenarios projecting a median temperature rise in 2100 of around 1.7 °C to 1.8 °C. It is also within the set of scenarios projecting a temperature rise below 1.5 °C, as assessed by the recent IPCC Special Report on 1.5 C. Albaraka adopted the IEA SDS model as follows; (1) Inputs: Albaraka lending portfolio of carbon risk and business growth of target sectors model. (2) Assumptions: The ultimate long-term temperature outcome will depend on the trajectory of emissions after 2040 – including when global CO<sub>2</sub> emissions reach net zero – as well as levels of emissions of other types of greenhouse gases. A continuation of the SDS pre-2040 emissions reduction rate would lead to global energy-sector CO<sub>2</sub> emissions falling to net-zero by 2070. (3) Analytical Methods: The SDS presents an energy transition where renewables and energy efficiency lead the charge in reducing CO<sub>2</sub> emissions as well as reducing pollutants that cause poor air quality. Renewables become the dominant force in power generation, providing over 65% of global electricity generation by 2040. Wind and solar PV, in particular, soon become the cheapest sources of electricity in many countries and provide nearly 40% of all electricity in 2040.

(4) Changes from the reference scenario: 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. The outcome of the scenarios is as follows; Ambitious: Albaraka needs to diminish its carbon intensive portfolio by X percent by 2030 and shift its investments to low carbon technologies. Under semi-ambitious and modest scenarios the numbers changed to Y percent and Z percent respectively. All the numbers indicating the shift from conventional energy mix to low carbon and the cost of action under each scenario will be made public by 2021. The executive management of the bank is committed to incorporate the results in its business strategy and disclose quantified risks under TCFD by 2024. Also, a recent study initiated by the bank introduced a monitoring scheme for the scenario analysis for disclosure.

## C4. Targets and performance

### C4.1

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

Both absolute and intensity targets

#### C4.1a

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

---

**Target reference number**

Abs 1

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

100

**Targeted % reduction from base year**

30

**Base year**

2017

**Start year**

2017

**Base year emissions covered by target (metric tons CO<sub>2</sub>e)**

12,763

**Target year**

2023

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

No, but we anticipate setting one in the next 2 years

**% of target achieved**

41

**Target status**

Underway

**Please explain**



Albaraka Turk has medium and long term targets milestones (see 'Abs 1' and 'Abs 2'). Our new GHG emission reduction targets from 01 January 2017( because of the first verification date) includes a 30% reduction in Scope 1 and 2 GHG emissions by 2023 against 2017 baseline. Albaraka's 2018 scope 1 and 2 emissions were 11,164 tCO<sub>2</sub>-e, equivalent to a 12.52% emission reduction from the 2017 base year emissions,meaning we are reaching our target ( $12.52/30 = 41\%$ ).

---

**Target reference number**

Abs 2

**Scope**

Scope 1+2 (location-based)

**% emissions in Scope**

100

**Targeted % reduction from base year**

45

**Base year**

2017

**Start year**

2017

**Base year emissions covered by target (metric tons CO<sub>2</sub>e)**

12,763

**Target year**

2030

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

No, but we anticipate setting one in the next 2 years

**% of target achieved**

27

**Target status**

Underway

**Please explain**

The 2030 emission target is the long term emission target. Our long term GHG emission reduction targets from 01 January 2017( because of the first verification date) includes a 45% reduction in Scope 1 and 2 GHG emissions by 2030 against 2017 baseline. Albaraka's 2018 scope 1 and 2 emissions were 11,164 tCO<sub>2</sub>-e, equivalent to a 12.52% emission reduction from the 2017 base year emissions,meaning we are reaching our target ( $12.52/45 = 27\%$ ).

## 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**

100

**Targeted % reduction from base year**

50

**Metric**

Metric tons CO<sub>2</sub>e per unit FTE employee

**Base year**

2017

**Start year**

2017

**Normalized base year emissions covered by target (metric tons CO<sub>2</sub>e)**

3.31

**Target year**

2030

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

No, but we anticipate setting one in the next 2 years

**% of target achieved**

31

**Target status**

Underway

**Please explain**

Albaraka Türk has a long-term target to reduce the emission over an intensity target based on "metric tons CO<sub>2</sub>e per FTE". 2030 goal is to reduce metric tons CO<sub>2</sub>e per unit FTE employee by 35% against 2017 baseline. Normalized base year emissions in 2017 was 3.31 metric tons CO<sub>2</sub>e in 2018 this value is 2.79 metric tons CO<sub>2</sub>e. The amount of reduction rate is 16.4%, meaning we are reaching our target (15.54/50 = 31%).

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

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

## C4.2

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

---

**Target**

Other, please specify

Percentage of our gross global scope 3 emissions

**KPI – Metric numerator**

Percentage of our gross global scope 3 emissions (which is calculated in the target year)

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

**Base year**

2017

**Start year**

2017

**Target year**

2023

**KPI in baseline year**

0

**KPI in target year**

50

**% achieved in reporting year**

16.7

**Target Status**

Underway

**Please explain**

In 2017 we evaluate our Scope 3 emissions caused by business travel and paper consumption. Our long term gross global scope 3 emissions reduction targets from 01 January 2017( because of the first verification date) includes a 50% reduction by 2023 against 2017 baseline. Albaraka's 2018 scope 3 emissions were 2,339.75 CO<sub>2</sub>-e,

equivalent to a 8.37% emission reduction from the 2017 base year emissions, meaning we are reaching our target ( $8.37/50 = 16.7\%$ ).

### 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 initiatives at each stage of development, and for those in the implementation stages, the estimated CO<sub>2</sub>e savings.**

	Number of initiatives	Total estimated annual CO <sub>2</sub> e savings in metric tonnes CO <sub>2</sub> e (only for rows marked *)
Under investigation	1	
To be implemented*	1	1,456.7
Implementation commenced*	1	650.23
Implemented*	2	1,598.2
Not to be implemented		

### C4.3b

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

#### Initiative type

Energy efficiency: Building services

#### Description of initiative

Lighting

#### Estimated annual CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)

769

#### Scope

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

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

820,000

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

2,450,000

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

11-15 years

**Comment**

Albaraka Türk started a study in 2016 with the aim of documenting the sustainable efforts it has carried out, in particular, those in the Headquarters building. Within the scope of the study, carbon footprint, water and energy efficiency, environmental sensitivity of materials and resources used, internal environmental quality, innovation - regional priorities and sustainability contribution were examined in detail and our Headquarters building was awarded the Leed Green Building Certificate. With this certificate, Turkey, Albaraka Türk Headquarters Building assumed the title of Turkey's first LEED GOLD certified Bank Headquarters Building in terms of environmental sensitivity.

---

**Initiative type**

Other, please specify

Zero-waste Project and Low-Carbon Vehicles

**Description of initiative**

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

829.2

**Scope**

Scope 1

**Voluntary/Mandatory**

Voluntary

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

350,000

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

1,000,000

### Payback period

4 - 10 years

### Estimated lifetime of the initiative

11-15 years

### Comment

The works carried out in our Bank within the scope of Zero Waste Project launched by the Ministry of Environment and Urbanization are as follows:

Copiers have been reprogrammed to avoid unnecessary printouts that are sent to the printer and forgotten or resent to the printer, and duplex printing option has been set to default on devices. Wastepaper is delivered to the companies assigned by the municipalities.

Water saving apparatuses that provide the same effect with less water by increasing the water pressure have been installed in our lavatory faucets in our Headquarters building. Vehicle tracking system has been installed in branch marketing vehicles and vehicle usage is monitored in detail.

The exterior of Headquarters building has been covered with solar film. In this way, the sun rays coming into the building are prevented and the cooling systems are operated less.

In order to prevent waste batteries from being released to the nature, the batteries are collected separately in our Headquarters building.

Environmentally sensitive products are preferred within the scope of our purchasing activities.

The scope of the Zero Waste Project will be expanded and efforts will continue in the coming period.

We will continue its fight against climate change by carrying out all of its activities in its Headquarters and branches.

Within the framework of all these efforts, Albaraka Türk has spent approximately 1,000,000 TL for Environmental Management System and sustainability.

## 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. The garden lighting system was restructured at the Head Office building to save electricity. The timing scheme of lighting sensors was revised to consume less electricity. Heating and cooling systems came to consume less electricity due to systemic changes in their operating systems.
Dedicated budget for low-carbon product R&D	The Bank acquired electric vehicles, whose exhaust emission is 70% less than that of gasoline and diesel vehicles. In car rentals, the Bank replaced gasoline vehicles with eco-friendly diesel vehicles, reducing exhaust emission by approximately 1,408 kg/year per vehicle. We also use Ecolabel certified

	<p>chemical cleaning materials which are respectful to nature. Efforts were made to enrich the lawns at the Head Office with individual plants that consume less water. Selecting native types of flowers and trees in landscaping is prioritized. Guano is preferred instead of fertilizer to extend soil life. Instead of artificial fertilizers, organic fertilizers were used for the landscaping work at the Head Office building to improve the soil structure.</p>
Employee engagement	<p>2018, the Bank expanded the number of branch locations throughout Turkey to 230, and the total number of employees to 3,988. In line with our objective of continuous development, we continued to invest in our human resources and, in 2018, increased training time per employee to 62.5 hours. To raise awareness on the issues of environment and climate change trainings are organized for the personnel. On the other hand, during the year, the Bank organized 101,122 hours of e-training, resulting in 24.5 hours of e-training per person, up 139% year-on-year. Between January 1 and December 31, 2018, some 78 trees were saved by Albaraka Turk Academy.</p>

## 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**

## **C5. Emissions methodology**

### **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 CO<sub>2</sub>e)**

5,198.4

**Comment**

#### **Scope 2 (location-based)**

---

**Base year start**

January 1, 2017

**Base year end**

December 31, 2017

**Base year emissions (metric tons CO<sub>2</sub>e)**

7,564.6

**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 CO<sub>2</sub>e)**

**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

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO<sub>2</sub>e?**

**Reporting year**

---

**Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)**

3,546.69

**Start date**

January 1, 2018

**End date**

December 31, 2018

**Comment**

The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (2,176.30 t CO<sub>2</sub>e). Moreover the other part is caused by energy consumption from fossil fuel sources for heating, generators and refrigerants. (1,370.39 t CO<sub>2</sub>e). During the reporting period we were able to compile data from 100% of the facilities.(230 branches and Regional Headquarters and 1 Headquarters). We calculated our emissions according to the GHG Protocol Corporate Standard and our Scope 1 emissions had been verified by an independent assurance company.

### C6.2

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

**Row 1**

---

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

**Comment**

Albaraka Bank does not have access to electricity supplier emission factors, therefore we could not calculate our Scope 2 emissions on market-based.

## C6.3

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?**

**Reporting year**

---

**Scope 2, location-based**

7,618.11

**Start date**

January 1, 2018

**End date**

December 31, 2018

**Comment**

During the reporting period we were able to compile electricity consumption data from 100% of the facilities. (230 branches and Regional Headquarters, 1 Headquarters and ATMs). We calculated our emissions according to the GHG Protocol Corporate Standard and our Scope 2 emissions had been verified by an independent assurance company.

The grid emission factor based on 2017 TEİAŞ data, which is most recent available official data, was used for the calculation of scope 2 emissions in 2018. (EF: 0.4871)

## 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**

2,166.02

**Emissions calculation methodology**

Defra Voluntary 2018 Reporting Guidelines Emission Factors. Scope 3 – Material Use

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

100

**Explanation**

All paper consumed by Albaraka Bank has been recorded and the average data for the CO2 emissions by unit paper (tons) was used. It has been verified by third parties.

**Capital goods**

---

**Evaluation status**

Not relevant, explanation provided

**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, explanation provided

**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

**Explanation**

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

**Waste generated in operations**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Paper is the most significant waste generated by Albaraka. The purchase of paper and the related GHG emissions are included. It has been verified by third parties.

**Business travel**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

172.99

**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

**Explanation**

**Upstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

There are no upstream leased assets, not relevant.

**Downstream transportation and distribution**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

There is no downstream transportation and distribution, not relevant.

**Processing of sold products**

---

**Evaluation status**

Not relevant, explanation provided

**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

**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

**Explanation**

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

**Downstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

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

**Franchises**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

Albaraka Bank does not provide any franchising activities.

**Investments**

---

**Evaluation status**

Not relevant, explanation provided

**Explanation**

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

**Other (upstream)**

---

**Evaluation status**

**Explanation**

**Other (downstream)**

---

**Evaluation status**

## Explanation

### C6.7

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

No

### C6.10

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

---

**Intensity figure**

0.0000028

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

11,164.8

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

4,000,000,000

**Scope 2 figure used**

Location-based

**% change from previous year**

33.4

**Direction of change**

Decreased

**Reason for change**

The decrease in Albaraka's CO<sub>2</sub> intensity per unit of total revenue is driven by two main factors:

Thanks to extensive investments in the field of digital transformation, our revenues increased by 33% to TL 4 billion . On the other hand emission reduction activities which reduced total gross Scope 1+2 emissions from 12,763 mt CO<sub>2</sub>e in 2017 to 11,164.80 mt CO<sub>2</sub>e in 2018.

## C7. Emissions breakdowns

### C7.1

**(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?**

Yes

### C7.1a

**(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).**

Greenhouse gas	Scope 1 emissions (metric tons of CO <sub>2</sub> e)	GWP Reference
CO <sub>2</sub>	3,247.81	IPCC Fifth Assessment Report (AR5 – 100 year)
CH <sub>4</sub>	6.08	IPCC Fifth Assessment Report (AR5 – 100 year)
N <sub>2</sub> O	30.73	IPCC Fifth Assessment Report (AR5 – 100 year)
Other, please specify R-410	241.48	IPCC Fifth Assessment Report (AR5 – 100 year)
Other, please specify R-22	20.59	IPCC Fifth Assessment Report (AR5 – 100 year)

### C7.2

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

Country/Region	Scope 1 emissions (metric tons CO <sub>2</sub> e)
Turkey	3,546.69

### 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	1,053.71
Vehicles	2,176.3
Refrigerants	262.07
Power Generators	54.61

## 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	7,618.11		15,503	

## C7.6

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

By activity

### C7.6c

**(C7.6c) Break down your total gross global Scope 2 emissions by business activity.**

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Head Quarters	2,914.74	
Branches&Regional Management Buildings	4,497.41	
Stand-alone ATMs	205.95	

## C7.9

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

Decreased



## C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption				Albaraka Bank did not purchase renewable energy in 2018.
Other emissions reduction activities	1,598.2	Decreased	12.52	Total GHG emissions in 2017 are 12,763 tCO <sub>2</sub> eq. GHG emissions in 2018 are 11,164.79 tCO <sub>2</sub> eq. (Scope 1+2)
Divestment				There had been no any divestment activities in the reporting period.
Acquisitions				There had been no any acquisition activities in the reporting period.
Mergers				Albaraka Bank was not involved in any mergers in the reporting period.
Change in output				There was no change in output.
Change in methodology				There was no changes in Albaraka's calculation methodology that resulted in a variation to our emissions in the reporting period.
Change in boundary	206	Increased	1.84	This reporting year, we also add our 79 ATMs to in our Scope 2 calculations. This year is the first year that we calculate the impact of our ATMs to Scope 2 emissions.
Change in physical operating				There were no changes in physical operating conditions that resulted in a variation to our

conditions				emissions in the reporting period.
Unidentified				
Other				

## 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	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

### C8.2a

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

	Heating value	MWh from	MWh from non-	Total
--	---------------	----------	---------------	-------

		renewable sources	renewable sources	MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)			3,004.83
Consumption of purchased or acquired electricity				15,503
Total energy consumption				45,507.83

## 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 heat	No
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

5,951.66

### MWh fuel consumed for self-generation of electricity

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

5,951.66

## Comment

---

### Fuels (excluding feedstocks)

Coking Coal

### Heating value

LHV (lower heating value)

### Total fuel MWh consumed by the organization

149.35

### MWh fuel consumed for self-generation of electricity

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

149.35

## Comment

Only two branches (Balıkesir and Tatvan) have consumption of coal to heating.

---

### Fuels (excluding feedstocks)

Diesel

### Heating value

LHV (lower heating value)

### Total fuel MWh consumed by the organization

287.35

### MWh fuel consumed for self-generation of electricity

287.35

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

## Comment

---

### Fuels (excluding feedstocks)

Diesel

### Heating value

LHV (lower heating value)

### Total fuel MWh consumed by the organization

8,078.36

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

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

**Comment**

---

**Fuels (excluding feedstocks)**

Motor Gasoline

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

34.96

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

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

**Comment**

## **C8.2d**

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

**Coking Coal**

---

**Emission factor**

94.6

**Unit**

kg CO<sub>2</sub> per GJ

**Emission factor source**

IPCC Volume 2-Table 2.4 Default Emission Factors for Stationary Combustion in the Commercial/Institutional Category

CH<sub>4</sub>: 0.28 kg CO<sub>2</sub>e per GJ

N<sub>2</sub>O: 0.3975 kg CO<sub>2</sub>e per GJ

**Comment**

Methane, Nitrogen dioxide gasses are converted to CO<sub>2</sub>e using Global Warming Potential (GWP) values. (latest values)

## Diesel

---

### Emission factor

74.1

### Unit

kg CO<sub>2</sub> per GJ

### Emission factor source

IPCC Volume 2-Table 2.4 Default Emission Factors for Stationary Combustion in the Commercial/Institutional Category

CH<sub>4</sub>: 0.1092 kg CO<sub>2</sub>e per GJ

N<sub>2</sub>O: 1.0335 kg CO<sub>2</sub>e per GJ

### Comment

Methane, Nitrogen dioxide gasses are converted to CO<sub>2</sub>e using Global Warming Potential (GWP) values. (latest values)

## Motor Gasoline

---

### Emission factor

69.3

### Unit

kg CO<sub>2</sub> per GJ

### Emission factor source

IPCC-Volume 2-Table 3.2.1 and Table 3.2.2 Road Transport Default Emission Factors

CH<sub>4</sub>: 0.7 kg CO<sub>2</sub>e per GJ

N<sub>2</sub>O: 2.12 kg CO<sub>2</sub>e per GJ

### Comment

Methane, Nitrogen dioxide gasses are converted to CO<sub>2</sub>e using Global Warming Potential (GWP) values. (latest values)

## Natural Gas

---

### Emission factor

56.1

### Unit

kg CO<sub>2</sub> per GJ

**Emission factor source**

IPCC Volume 2-Table 2.4 Default Emission Factors for Stationary Combustion in the Commercial/Institutional Category

CH4: 0.14 kg CO<sub>2</sub>e per GJ

N<sub>2</sub>O:0.0265 kg CO<sub>2</sub>e per GJ

**Comment**

Methane, Nitrogen dioxide gasses are converted to CO<sub>2</sub>e using Global Warming Potential (GWP) values. (latest values)

## 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**

**Region of consumption of low-carbon electricity, heat, steam or cooling**

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

**Emission factor (in units of metric tons CO<sub>2</sub>e per MWh)**

**Comment**

## C9. Additional metrics

### C9.1

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

---

**Description**

Other, please specify

### Water Consumption

**Metric value**

60,394

**Metric numerator**

Cubic meters

**Metric denominator (intensity metric only)****% change from previous year**

10.22

**Direction of change**

Decreased

**Please explain**

Total water consumption decreased 10.22 % from previous year.

---

**Description**

Other, please specify

Energy consumption intensity per worker

**Metric value**

7.52

**Metric numerator**

Energy consumption (MW)

**Metric denominator (intensity metric only)**

Number of employees

**% change from previous year**

4.31

**Direction of change**

Decreased

**Please explain**

In 2018: Number of employees (persons) : 3,988 Metric value : 7.52

In 2017: Number of employees (persons) : 3,899 Metric value : 7.86 In 2018, the number of employees increased by 89 from 2017. However, energy consumption decreased by 4.31%.

This is due to various GHG and energy reduction activities implemented in 2018.



## 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**

Limited assurance

**Attach the statement**

 Albaraka Turk\_GHGINV\_VER\_REP\_Rev 1\_0\_17072019.pdf

 Albaraka Turk\_2018 CDP statement\_carbon\_29072019\_docx.pdf

**Page/ section reference**

Page: 1-2

**Relevant standard**

ISO14064-3

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

100

---

**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**

Limited assurance

**Attach the statement**

 Albaraka Turk\_GHGINV\_VER\_REP\_Rev 1\_0\_17072019.pdf

 Albaraka Turk\_2018 CDP statement\_carbon\_29072019\_docx.pdf

**Page/ section reference**

Page: 1-2

**Relevant standard**

ISO14064-3

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

100

## C10.1b

**(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\_GHGINV\_VER\_REP\_Rev 1\_0\_17072019.pdf

 Albaraka Turk\_2018 CDP statement\_carbon\_29072019\_docx.pdf

**Page/section reference**

Page: 1-2

### Relevant standard

ISO14064-3

## C10.2

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

Yes

### C10.2a

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

📎 Albaraka Turk\_GHGINV\_VER\_REP\_Rev 1\_0\_17072019.pdf

📎 Albaraka Turk\_2018 CDP statement\_carbon\_29072019\_docx.pdf

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C6. Emissions data	Year on year change in emissions (Scope 1)	Third Party Assurance-Limited Assurance	Our Scope 1 emissions in 2018 compared to 2017.
C6. Emissions data	Year on year change in emissions (Scope 2)	Third Party Assurance-Limited Assurance	Our Scope 2 emissions in 2018 compared to 2017.
C6. Emissions data	Year on year change in emissions (Scope 3)	Third Party Assurance-Limited Assurance	Our Scope 3 emissions in 2018 compared to 2017.

## C11. Carbon pricing

### C11.1

**(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

**(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

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

No

## C11.3

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

Yes

## C11.3a

**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

---

### **Objective for implementing an internal carbon price**

Change internal behavior

### **GHG Scope**

Scope 1

Scope 2

Scope 3

### **Application**

Starting 2019, Albaraka surveyed an internal carbon price through two different methods. The most direct and transparent method to set the price for carbon is regulatory pricing which is not available in Turkey yet. Albaraka analyzed its own portfolio for shadow pricing cases and engaged also peer pricing from different banks and FIs for simulations of impact of decision making for different carbon intensive investments.

### **Actual price(s) used (Currency /metric ton)**

16

### **Variance of price(s) used**

A variance of prices between 12 and 20 per metric ton was used.

### **Type of internal carbon price**

Shadow price

Internal fee

Implicit price

### **Impact & implication**

The simulations of impact still continue. Albaraka will release its own report on climate change taxonomy and internal carbon pricing in 2020.

## **C12. Engagement**

### **C12.1**

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

Yes, our customers

Yes, other partners in the value chain

### **C12.1b**

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

---

##### **Type of engagement**

Education/information sharing

##### **Details of engagement**

Run an engagement campaign to education customers about your climate change performance and strategy

##### **% of customers by number**

75

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

40

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

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

### **C12.1c**

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

Based on our climate change and water related issues awareness and capacity building activities, we aim at taking a leadership role in sustainability banking at two levels. First, we introduced the concept to our peers at TKBB and encouraged them to take a strong role in combating climate change. Second, at the global level, we succeeded in drawing the attention

of our parent company ABG to the issue and triggered similar work a short while ago. Our experience started to expand across all group companies as well. All in all, as 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.

## 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.
Carbon tax	Support	Albaraka Bank has participated in working group in order to discuss the development of a Carbon Market in Turkey.	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. Thus, Carbon pricing and related carbon markets are an important policy tool that would help Turkey meet its climate change objectives, in particular with regards to meeting its greenhouse gas emission reduction targets in a cost-effective way.

## 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. Albaraka Bank supports the

Sustainable Development Goals implemented by the United Nations Development Program (UNDP).

## C12.4

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

---

### Publication

In mainstream reports

### Status

Underway – previous year attached

### Attach the document

 Albaraka Bank-2018-Annual Report.pdf

### Page/Section reference

Page 60-61

### Content elements

Governance  
Strategy  
Emissions figures  
Other metrics

### Comment

---

### Publication

In voluntary communications

### Status

Complete

### Attach the document

 Albaraka Bank-Katilimfinansdergisi.docx

### Page/Section reference

Page 16-40

### Content elements

Governance  
Strategy  
Other metrics

## Comment

## C14. Signoff

### C-FI

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

For more information, please visit Sustainability Web Site

: : <https://www.albaraka.com.tr/en/albaraka-turk-sustainable-banking-program.aspx>

For more information, please see attached ESG Report, Annual Report and GHG Emission Summary Report.

📎 Albaraka Turk GHG Emission Summary.docx

📎 Albaraka\_ÇSY\_Sistemi sunum Aug 2018.ppt

📎 Albaraka Bank-ÇSY Raporu.docx

📎 Albaraka Bank-2018-Annual Report.pdf

📎 Albaraka Turk\_GHGINV\_VER\_REP\_Rev 1\_0\_17072019.pdf

📎 Albaraka Turk\_2018 CDP statement\_carbon\_29072019\_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	General Manager	Chief Executive Officer (CEO)

## 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

# Welcome to your CDP Water Security Questionnaire 2019

## W0. Introduction

### W0.1

**(W0.1) Give a general description of and introduction to your organization.**

Albaraka Turk Participation Bank, the first financial institution and the pioneer in the field of interest-free (participation) banking commenced its operations in 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 31.12.2018, Albaraka Turk consists of foreign partners (65.87%), native partners (8.91%) and public shares (25.22%). As participation banking should regard the community interests at the highest level, climate change is the most important sustainability threat faced by the communities we serve. With the vision of becoming a value-based intermediate in the financial sector, we are aware that all activities we perform as well as our products and services we provide to the society interact with the environment. We do not only aim to minimize the impact from this interaction on the climate change but also our ultimate goal is to be a pioneer among the industry's major players by assuming a leading role in mobilizing the finance for sustainability. The climate change management in the company is considered at three levels; awareness, institutional capacity building and leadership. In 2016, we started an internal capacity building program through training programs and implementation of climate change management modules within the departments of Credit Risk Management, Strategic Planning and Administrative Affairs. The Sustainability Committee that was established by the attendance of staff from those departments received various capacity building trainings to construct a roadmap for leadership in sustainability with a special focus in climate. As a result, the credit departments at the HQ as well as all 230 branches that market our lending products started giving specific consideration to sustainable energy and resource efficiency lending while incorporating the potential transition risks from carbon intensive industries and other businesses under the threat of physical disruption by climate change. 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. 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. The internal carbon pricing initiative became active early 2019 as we plan to set the final price by 2021 and implement it in all our banking decisions. Our ESG Program continues in full force as all decision-making mechanisms have been analysed,

restructuring options for better governance have been formed and credit risk analysis systems have been established. As next steps, we aim at advancing our ESG activities further by developing projects in the fields of digital finance, incorporating the sustainability in our retail strategy and mobilizing new finance mechanisms especially for small and medium enterprises for both climate change mitigation and adaptation. We are also building our own climate centered taxonomy to institutionally define “green” and categorize the project activities that are most sustainable for lending. In 2018, our efforts paid back in terms of tangible increase in lending to renewable energy projects and energy efficiency projects.

In addition, as Albaraka Turk we ultimately care about our own carbon footprint and maintaining 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. 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 introduced the concept to our peers at TKBB (Participation Banks Association of Turkey) where our CEO is the chair and encouraged them to take a stance against climate change. Second, at the global level, we succeeded in drawing the attention of our parent company ABG to the issue and triggered similar work a short while ago. Our experience started to expand across all group companies as well. Based on all the achievements in developing a sound ESG scheme and the green taxonomy, as well as adopting a roadmap for financial disclosure of climate risks and pursuing a sustainability strategy at different transaction levels including SMEs and retail, Albaraka Turk is destined to be one of the major actors of climate finance in near future.

## W0.2

**(W0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date
Reporting year	January 1, 2018	December 31, 2018

## W0.3

**(W0.3) Select the countries/regions for which you will be supplying data.**

Turkey

## W0.4

**(W0.4) Select the currency used for all financial information disclosed throughout your response.**

TRY

## W0.5

**(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.**

Companies, entities or groups over which operational control is exercised

## W0.6

**(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?**

No

## W1. Current state

### W1.1

**(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.**

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	Although Albaraka's operations are not significantly based on water use, they still rely on sufficient amounts of good quality freshwater to operate. As such, water quality and quantity are important and Albaraka is focused on the effective management of this resource. One example is the recent introduction of an effluent reduction and water reuse programme within the company.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	At Albaraka Türk: Treated artesian water rather than city water is used in the toilets and sinks of the Head Office building. Treated artesian water rather than city water is used in garden irrigation and decorative pools. A gray water system was established to filter and treat used water from the sinks at the Head Office; the resulting water is used in the reservoirs, leading to the recycling of 747 m <sup>3</sup> of water during the year. As a result, 32% less water was consumed in 2018.

### W1.2

**(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?**

	% of	Please explain
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	sites/facilities/operations	
Water withdrawals – total volumes	100%	Albaraka Bank has 230 branches and Head Office&Regional Management Buildings. Water withdrawals are measured regularly, monitored and reported monthly to Albaraka Head Office by all facilities.
Water withdrawals – volumes from water stressed areas	100%	There are 25 major river basins in Turkey. When total water potentials are considered, Büyük Menderes, Konya and Gediz basins are close to the absolute water stress level. It is predicted that many basins will experience very serious water shortages in the coming years, with the increase in population and in water needs.
Water withdrawals – volumes by source	100%	All facilities obtain water from the municipal water system.
Water withdrawals quality	Not relevant	<p>We do not have the information on the water withdrawal quality but in Turkey; The Chemical Laboratory Departments of Water and Sewerage Administrations seeks the compliance of water to TSE-266 Standards for Potable and Use Water parameters.</p> <p>Various analyses are conducted to make sure the water bears no unhealthy conditions in chemical terms. From physical look of the water to its rigidity, from anions and cations to materials causing odour and taste, from pesticides to disinfection by-products, various parameters are measured.</p>
Water discharges – total volumes	100%	All water discharges from the Bank's facilities are sent to municipal treatment plants.
Water discharges – volumes by destination	100%	Water is discharged directly to the municipal sewage system.
Water discharges – volumes by treatment method	Not relevant	Water is discharged directly to the municipal sewage system. Albaraka Turk does not produce waste water that would require heavy treatment (tertiary), rather our waste water is similar to domestic waste water, thus requiring lighter treatment per volume at the WTP.
Water discharge quality – by standard	Not relevant	Water is discharged directly to the municipal sewage system.

effluent parameters		
Water discharge quality – temperature	Not relevant	Water is discharged directly to the municipal sewage system. Due to there is no manufacturing, the discharge is only domestic content so the temperature is not monitored.
Water consumption – total volume	100%	Water use is linked to employees , to cleaning , gardening activities. There is not a productive process that consumes water and water withdrawal is estimated to be the same as water discharge, so there is no consumption because of there is no water incorporated to product.
Water recycled/reused	100%	A gray water system was established to filter and treat used water from the sinks at the Head Office; the resulting water is used in the reservoirs, leading to the recycling of 747 m <sup>3</sup> of water during the year. As a result, 32% less water was consumed in 2018.
The provision of fully-functioning, safely managed WASH services to all workers	100%	The importance of providing potable water, adequate sanitation and hygiene for all employees is recognised. All facilities ensure the availability of fully-functioning WASH services for employees. However, this is not reported separately.

## W1.2b

**(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?**

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	60.39	Lower	The total water withdrawal decreased from 66.57 megaliters in 2017 to 60.39 megaliters in 2018 due to decreases in water use at facilities.
Total discharges	60.39	Lower	The total water discharges decreased from 66.57 megaliters in 2017 to 60.39 megaliters in 2018 due to decreases in water use at facilities.

Total consumption	60.39	Lower	The total water consumption decreased from 66.57 megaliters in 2017 to 60.39 megaliters in 2018 due to decreases in water use at facilities.
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## W1.2d

**(W1.2d) Provide the proportion of your total withdrawals sourced from water stressed areas.**

	% withdrawn from stressed areas	Comparison with previous reporting year	Identification tool	Please explain
Row 1	5.3	Lower	WWF Water Risk Filter	Water withdrawal from water stressed areas decreased 6.3% due to several initiatives to reduce water withdrawal in 2018.

## W1.2h

**(W1.2h) Provide total water withdrawal data by source.**

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant			We do not source water from fresh surface water, including rainwater, water from wetlands, rivers, and lakes (that is why 'Not relevant' was chosen).
Brackish surface water/Seawater	Not relevant			We do not source water from fresh surface water, including rainwater, water from wetlands, rivers, and lakes (that is why 'Not relevant' was chosen).
Groundwater – renewable	Not relevant			We do not source water from fresh surface water, including rainwater, water from wetlands, rivers, and lakes (that is why 'Not

				relevant' was chosen).
Groundwater – non-renewable	Not relevant			We do not source water from fresh surface water, including rainwater, water from wetlands, rivers, and lakes (that is why 'Not relevant' was chosen).
Produced/Entrained water	Not relevant			We do not source water from fresh surface water, including rainwater, water from wetlands, rivers, and lakes (that is why 'Not relevant' was chosen).
Third party sources	Relevant	60.39	Lower	We are supplying all our water needs from municipal sources. Albaraka's municipal water withdrawal decreased from 66.57 megaliters in 2017 to 60.39 megaliters in 2018.

## W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Not relevant			This water discharge destination is not relevant for Albaraka, since it does not discharge in it in any of its facilities.
Brackish surface water/seawater	Not relevant			This water discharge destination is not relevant for Albaraka, since it does not discharge in it in any of its facilities.
Groundwater	Not relevant			This water discharge destination is not relevant for Albaraka, since it does



				not discharge in it in any of its facilities.
Third-party destinations	Relevant	60.39	Lower	Municipal treatment plant discharge decreased from 66.57 megaliters in 2017 to 66.39 megaliters in 2018.

## W1.2j

### (W1.2j) What proportion of your total water use do you recycle or reuse?

	% recycled and reused	Comparison with previous reporting year	Please explain
Row 1	1-10	Higher	A gray water system was established to filter and treat used water from the sinks at the Head Office; the resulting water is used in the reservoirs, leading to the recycling of 747m <sup>3</sup> of water during the year.

## W1.4

### (W1.4) Do you engage with your value chain on water-related issues?

Yes, our customers or other value chain partners

## W1.4c

### (W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Albaraka damaged by reputations if they are perceived as mismanaging scarce water resources— particularly problematic when company operations negatively affect basic human and environmental needs or contravene legal requirements. Such problems can reduce investors' and consumers' confidence in a business or sector. Although Albaraka's operations are not significantly based on water use, they still rely on sufficient amounts of good quality freshwater to operate. Besides, Albaraka expanded its efforts by initiating a program on Environmental and Social Governance (ESG) in 2017. With this program, the bank initiated a three year scheme to introduce all environmental and social risks to all credit and banking decisions. We started to assess environmental and technical issues during the all project finance transactions by due diligence. This due diligence form includes details of water needs and supplies (details on source – municipal, groundwater etc. – and volumes ). Forms are presented to the Risk Committee.

In addition, our main suppliers are service or office equipment providers therefore they also have insignificant water footprints. Hence why Albaraka has not requested their suppliers to report on their water use up-to-date.

## W2. Business impacts

### W2.1

**(W2.1) Has your organization experienced any detrimental water-related impacts?**

Yes

### W2.1a

**(W2.1a) Describe the water-related detrimental impacts experienced by your organization, your response, and total financial impact.**

---

**Country/Region**

Turkey

**River basin**

Other, please specify

Kızılırmak River Basin

**Type of impact driver**

Physical

**Primary impact driver**

Flooding

**Primary impact**

Increased operating costs

**Description of impact**

Flood disaster occurred in 2018 in Ankara which located in Kızılırmak basin and our 4 branches had negatively affected from flood.

**Primary response**

Develop flood emergency plans

**Total financial impact**

3,000

**Description of response**

Albaraka's response is a strategy that developing flood emergency plans.

### W2.2

**(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?**

No

## W3. Procedures

### W3.3

#### (W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

### W3.3a

#### (W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

##### Direct operations

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###### Coverage

Full

###### Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

###### Frequency of assessment

Six-monthly or more frequently

###### How far into the future are risks considered?

3 to 6 years

###### Type of tools and methods used

Tools on the market  
Enterprise Risk Management  
International methodologies

###### Tools and methods used

Water Footprint Network Assessment tool  
Environmental Impact Assessment  
IPCC Climate Change Projections

###### Comment

We perceive such risks from two perspectives. Our company operations are affected by the quality and quantity of water at some not very significant level whereas our clients both in manufacturing and agriculture are impacted severely by changes in the quantity and quality of water.

##### Supply chain

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###### Coverage

Partial

###### Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

3 to 6 years

**Type of tools and methods used**

Tools on the market  
Enterprise Risk Management  
International methodologies

**Tools and methods used**

Environmental Impact Assessment

**Comment**

We inquire with our paper suppliers to be informed on their risks of water security and their business sustainability.

**Other stages of the value chain**

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**Coverage**

Full

**Risk assessment procedure**

Water risks are assessed in an environmental risk assessment

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

3 to 6 years

**Type of tools and methods used**

Tools on the market  
Enterprise Risk Management

**Tools and methods used**

Water Footprint Network Assessment tool

**Comment**

We started to assess environmental and technical issues during the all project finance transactions by due diligence. This due diligence form includes details of water needs and supplies (details on source – municipal, groundwater etc. – and volumes ).

## W3.3b

**(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?**

Relevance &

Please explain

	inclusion	
Water availability at a basin/catchment level	Relevant, always included	Both from company and the client perspective, we analyze the availability of water.
Water quality at a basin/catchment level	Relevant, always included	Both from company and the client perspective, we analyze the quality of water.
Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, sometimes included	Especially for agricultural loans, we analyze risks from a potential water conflict.
Implications of water on your key commodities/raw materials	Not considered	As a bank, our activities are not water intensive. However for some sector such as agricultural loans, we analyze impact s of risks with regard to this.
Water-related regulatory frameworks	Relevant, always included	Climate change may bring about stricter restrictions on water withdrawal and discharge. Therefore Albaraka Turk is continuously monitoring regulations.
Status of ecosystems and habitats	Relevant, always included	Status of ecosystems and habitats is assessed with ESG Due Diligence under ESG criterias.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	We assure the existence of fully functioning WASH services at all times at all branches both for our staff and visitors.
Other contextual issues, please specify	Not considered	

### W3.3c

**(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?**

	Relevance & inclusion	Please explain
Customers	Relevant, always included	We assure that the customers' water risks are incorporated in our banking decisions. Especially for agricultural and pollution intensive manufacturing loans such as textile business loans, we analyze risks from a potential water conflict.
Employees	Relevant, always included	We assure that our employees have access to safe domestic and drinking water at all times for business continuity and public health. On the other hand Albaraka Turk aims to reduce total water consumption per employee thus annual water consumption. Therefore many trainings given to employees to raise awareness of water and energy efficiency projects.
Investors	Relevant, always	In this context, Albaraka Turk involved in the valuation of the Carbon Disclosure Project (CDP), which is considered to be the

	included	most comprehensive and prestigious environmental project in the world, aimed at collecting and sharing information that will enable companies, investors and governments to take precautions against climate change threat.
Local communities	Relevant, sometimes included	We consider that public health is an element of our business principles as local communities and public health lie in the heart of our banking business.
NGOs	Relevant, sometimes included	We cooperate with environmental NGOs to raise awareness in water security.
Other water users at a basin/catchment level	Relevant, sometimes included	All customers are potential water users in our business that may face the water security challenges from time to time.
Regulators	Relevant, always included	Albaraka Turk is closely following up regulations and standards . On the other hand company engages in risk-related communication and environmental safety management-related dialog with the local governmental authorities.
River basin management authorities	Relevant, always included	
Statutory special interest groups at a local level	Not considered	
Suppliers	Relevant, sometimes included	
Water utilities at a local level	Relevant, not included	
Other stakeholder, please specify	Not considered	

### W3.3d

**(W3.3d) Describe your organization’s process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.**

Risk management provides the basis for the identification, assessment and management of water-related risks across the business which provides a regional understanding of our risks informing the risk landscape at a company-wide level. By embedding risk management into work processes and critical business systems, our response and strategy development is based on valid data. However, as the topic of water risk and awareness is relatively new in Turkey, it is an issue that we have begun to follow more closely as of last year, and are open in

the future to developing mechanisms and feedback tools to better understand our suppliers' water impact and risks.

## W4. Risks and opportunities

### W4.1

**(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes, both in direct operations and the rest of our value chain

#### W4.1a

**(W4.1a) How does your organization define substantive financial or strategic impact on your business?**

We assess our water risks from two different aspects: 1)Risks to our physical operations 2)Risks transferred to us through our costumer portfolio.

We think that the first group of risks is limited and manageable. However, second group of risks may have more important effects on our long-term business. Therefore, we try to follow and manage these risks through our "risk management" tools developed in-house. Water related risks may force us to change our product portfolio and customer profile.

#### W4.1b

**(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?**

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	24	1-25	There are 25 major river basins in Turkey. When total water potentials are considered, Büyük Menderes, Konya and Gediz basins are close to the absolute water stress level. It is predicted that many basins will experience very serious water shortages in the coming years, with the increase in population and in water needs.

#### W4.1c

**(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive impact on your business, and what is the potential business impact associated with those facilities?**

**Country/Region**

Turkey

**River basin**

Other, please specify

Gediz

**Number of facilities exposed to water risk**

5

**% company-wide facilities this represents**

1-25

**% company's total global revenue that could be affected**

1-25

**Comment**

As a local bank active all over the country, we have operations in all water basins of Turkey. These river basins have different index values with respect to Falkenmark Indicators and have different problems with respect to water including water availability, water contamination etc. Among these river basins, Gediz, Buyuk Menderes and Konya Closed river basin carriers the highest water risk which affects the Bank in terms of client potential. Our agricultural loan portfolio can be negatively affected extended to agriculture and industry in this region.

---

**Country/Region**

Turkey

**River basin**

Other, please specify

Konya Kapali Havzasi

**Number of facilities exposed to water risk**

13

**% company-wide facilities this represents**

1-25

**% company's total global revenue that could be affected**

1-25

**Comment**

As a local bank active all over the country, we have operations in all water basins of Turkey. These river basins have different index values with respect to Falkenmark Indicators and have different problems with respect to water including water availability, water contamination etc. Among these river basins, Gediz, Buyuk Menderes and Konya Kapali river basin carriers the highest water risk which affects the Bank in terms of client



potential. Our agricultural loan portfolio can be negatively affected extended to agriculture and industry in this region.

---

**Country/Region**

Turkey

**River basin**

Other, please specify  
Buyuk Menderes Havzasi

**Number of facilities exposed to water risk**

6

**% company-wide facilities this represents**

1-25

**% company's total global revenue that could be affected**

1-25

**Comment**

As a local bank active all over the country, we have operations in all water basins of Turkey. These river basins have different index values with respect to Falkenmark Indicators and have different problems with respect to water including water availability, water contamination etc. Among these river basins, Gediz, Buyuk Menderes and Konya Kapali river basin carriers the highest water risk which affects the Bank in terms of client potential. Our agricultural loan portfolio can be negatively affected extended to agriculture and industry in this region.

## W4.2

**(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

---

**Country/Region**

Turkey

**River basin**

Other, please specify  
Gediz, Buyuk Menderes, Konya

**Type of risk**

Physical

**Primary risk driver**

Other, please specify

Loans

**Primary potential impact**

Reduced revenues from lower sales/output

**Company-specific description**

Our physical activities may be hampered due to water scarcity in these regions. On the other hand our loan portfolio can be negatively affected extended to agriculture and industry in these regions. We closely monitor our customers carrying water risks in the river basins.

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

1,000,000

**Potential financial impact figure - maximum (currency)**

3,000,000

**Explanation of financial impact**

**Primary response to risk**

Greater due diligence

**Description of response**

**Cost of response**

250,000

**Explanation of cost of response**

---

**Country/Region**

Turkey

**River basin**

Other, please specify  
All Albaraka branches in Turkey.

**Type of risk**

Regulatory

**Primary risk driver**

Higher water prices

**Primary potential impact**

Increased operating costs

**Company-specific description**

If water prices increase significantly, operating costs will increase.

**Timeframe**

4 - 6 years

**Magnitude of potential impact**

Medium

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

**Primary response to risk**

Engage with regulators/policymakers

**Description of response**

This risk is managed through engagement with local authorities on water pricing and through the implementation of initiatives that increase water efficiency and/or offer alternative sources of water. An example would be the effluent reduction and water re-use programme in the company.

**Cost of response**

300,000

## Explanation of cost of response

---

### Country/Region

Turkey

### River basin

Other, please specify

### Type of risk

Physical

### Primary risk driver

Flooding

### Primary potential impact

Other, please specify

Increased credit risk (e.g., increased probability of default and/or loss given default)

### Company-specific description

Logistics and business that depends on logistics and transportation could be impacted severely .

### Timeframe

1 - 3 years

### Magnitude of potential impact

Medium

### Likelihood

Likely

### Are you able to provide a potential financial impact figure?

No, we do not have this figure

### Potential financial impact figure (currency)

### Potential financial impact figure - minimum (currency)

### Potential financial impact figure - maximum (currency)

### Explanation of financial impact

### Primary response to risk

Other, please specify

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

**Description of response**

**Cost of response**

100,000

**Explanation of cost of response**

---

**Country/Region**

Turkey

**River basin**

Other, please specify

**Type of risk**

Technology

**Primary risk driver**

Transitioning to water efficient and low water intensity technologies and products

**Primary potential impact**

Other, please specify

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company-specific description**

Customers losing business because their products and services are not demanded in the new low water intensity technology .

**Timeframe**

More than 6 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Very likely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

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

**Primary response to risk**

Adopt water efficiency, water re-use, recycling and conservation practices

**Description of response**

Adopt water efficiency, water re-use, recycling and conservation practices

**Cost of response**

150,000

**Explanation of cost of response**

## W4.2a

**(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.**

---

**Country/Region**

Turkey

**River basin**

Other, please specify  
Kızılırmak Basin

**Stage of value chain**

Supply chain

**Type of risk**

Physical

**Primary risk driver**

Flooding

**Primary potential impact**

Supply chain disruption

**Company-specific description**

Flood disaster occurred in 2018 in Ankara located in Kızılırmak basin.

**Timeframe**

1 - 3 years

**Magnitude of potential financial impact**

Medium-low

**Likelihood**

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

**Primary response to risk**

Develop supplier flood emergency plans

**Description of response**

**Cost of response**

**Explanation of cost of response**

---

**Country/Region**

Turkey

**River basin**

Other, please specify

**Stage of value chain**

Other, please specify

Customer

**Type of risk**

Technology

**Primary risk driver**

Transitioning to water efficient and low water intensity technologies and products

**Primary potential impact**

Other, please specify

Increased credit risk (e.g., increased probability of default and/or loss given default)

**Company-specific description**

Customers to reply new practices to lower intensity technologies and products face new investment challenges due to long run investment returns

**Timeframe**

>6 years

**Magnitude of potential financial impact**

Medium-high

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure - minimum (currency)**

**Potential financial impact figure - maximum (currency)**

**Explanation of financial impact**

**Primary response to risk**

Develop new products and/or markets

**Description of response**

Developing new financial instruments for investments with relatively risky investments.

**Cost of response**

400,000

**Explanation of cost of response**

## **W4.3**

**(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes, we have identified opportunities, and some/all are being realized



## W4.3a

**(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.**

---

**Type of opportunity**

Markets

**Primary water-related opportunity**

Increased brand value

**Company-specific description & strategy to realize opportunity**

**Estimated timeframe for realization**

1 to 3 years

**Magnitude of potential financial impact**

Medium

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact**

---

**Type of opportunity**

Resilience

**Primary water-related opportunity**

Increased resilience to impacts of climate change

**Company-specific description & strategy to realize opportunity**

Based on all the achievements in developing a sound ESG scheme and the green taxonomy, as well as adopting a roadmap for financial disclosure of climate risks and pursuing a sustainability strategy at different transaction levels including SMEs and

retail, Albaraka Turk is destined to be one of the major actors of climate finance in near future.

**Estimated timeframe for realization**

1 to 3 years

**Magnitude of potential financial impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact**

---

**Type of opportunity**

Efficiency

**Primary water-related opportunity**

Improved water efficiency in operations

**Company-specific description & strategy to realize opportunity**

Improve water efficiency project will reduce operating costs with lower water consumption.

**Estimated timeframe for realization**

4 to 6 years

**Magnitude of potential financial impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

1,000,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

### **Explanation of financial impact**

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.

---

### **Type of opportunity**

Products and services

### **Primary water-related opportunity**

New R&D opportunities

### **Company-specific description & strategy to realize opportunity**

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

### **Estimated timeframe for realization**

4 to 6 years

### **Magnitude of potential financial impact**

Medium

### **Are you able to provide a potential financial impact figure?**

Yes, an estimated range

### **Potential financial impact figure (currency)**

### **Potential financial impact figure – minimum (currency)**

3,000,000

### **Potential financial impact figure – maximum (currency)**

5,000,000

### **Explanation of financial impact**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues. Increase in demand for loans for new sustainable energy and resource efficiency products resulting in new business and increased revenue for the bank.

## **W5. Facility-level water accounting**

### **W5.1**

**(W5.1) For each facility referenced in W4.1c, provide coordinates, total water accounting data and comparisons with the previous reporting year.**

---

**Facility reference number**

Facility 1

**Facility name (optional)**

13 Service Buildings in Konya Closed River Basin

**Country/Region**

Turkey

**River basin**

Other, please specify  
Konya Closed Water Basin

**Latitude**

37

**Longitude**

32

**Total water withdrawals at this facility (megaliters/year)**

1.9

**Comparison of withdrawals with previous reporting year**

About the same

**Total water discharges at this facility (megaliters/year)**

1.9

**Comparison of discharges with previous reporting year**

About the same

**Total water consumption at this facility (megaliters/year)**

1.9

**Comparison of consumption with previous reporting year**

About the same

**Please explain**

Amount of water withdrawal is about same.

---

**Facility reference number**

Facility 2

**Facility name (optional)**

5 Service Buildings in Gediz River Basin

**Country/Region**

Turkey

**River basin**

Other, please specify  
Gediz River Basin

**Latitude**

37

**Longitude**

32

**Total water withdrawals at this facility (megaliters/year)**

0.5

**Comparison of withdrawals with previous reporting year**

Much lower

**Total water discharges at this facility (megaliters/year)**

0.5

**Comparison of discharges with previous reporting year**

Much lower

**Total water consumption at this facility (megaliters/year)**

0.5

**Comparison of consumption with previous reporting year**

Much lower

**Please explain**

Water withdrawal decreased 33% due to several initiatives to reduce water withdrawal in 2018.

Amount of water withdrawal was 0.7 megaliters/year in 2017.

---

**Facility reference number**

Facility 3

**Facility name (optional)**

6 Service Buildings in Büyük Menderes River Basin

**Country/Region**

Turkey

**River basin**

Other, please specify  
Büyük Menderes River Basin

**Latitude**

37

**Longitude**

27

**Total water withdrawals at this facility (megaliters/year)**

0.7

**Comparison of withdrawals with previous reporting year**

Lower

**Total water discharges at this facility (megaliters/year)**

0.7

**Comparison of discharges with previous reporting year**

Lower

**Total water consumption at this facility (megaliters/year)**

0.7

**Comparison of consumption with previous reporting year**

Lower

**Please explain**

Water withdrawal decreased 28% due to several initiatives to reduce water withdrawal in 2018.

Amount of water withdrawal was 1 megaliters/year in 2017.

## W5.1a

**(W5.1a) For each facility referenced in W5.1, provide withdrawal data by water source.**

---

**Facility reference number**

Facility 1

**Facility name**

13 Service Buildings in Konya Closed River Basin

**Fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Brackish surface water/seawater**

0

**Groundwater - renewable**

0

**Groundwater - non-renewable**

0

**Produced/Entrained water**

0

**Third party sources**

1.9

**Comment**

Albaraka Turk obtains all water withdrawals from municipality.

---

**Facility reference number**

Facility 2

**Facility name**

5 Service Buildings in Gediz River Basin

**Fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Brackish surface water/seawater**

0

**Groundwater - renewable**

0

**Groundwater - non-renewable**

0

**Produced/Entrained water**

0

**Third party sources**

0.5

**Comment**

Albaraka Turk obtains all water withdrawals from municipality.

---

**Facility reference number**

Facility 3

**Facility name**

6 Service Buildings in Büyük Menderes River Basin

**Fresh surface water, including rainwater, water from wetlands, rivers and lakes**

0

**Brackish surface water/seawater**

0

**Groundwater - renewable**

0

**Groundwater - non-renewable**

0

**Produced/Entrained water**

0

**Third party sources**

0.7

**Comment**

Albaraka Turk obtains all water withdrawals from municipality.

## W5.1b

(W5.1b) For each facility referenced in W5.1, provide discharge data by destination.

---

**Facility reference number**

Facility 1

**Facility name**

13 Service Buildings in Konya Closed River Basin

**Fresh surface water**

0

**Brackish surface water/Seawater**

0

**Groundwater**

0

**Third party destinations**

1.9

**Comment**

Water is discharged directly to the municipal sewage system.

---

**Facility reference number**

Facility 2



**Facility name**

5 Service Buildings in Gediz River Basin

**Fresh surface water**

0

**Brackish surface water/Seawater**

0

**Groundwater**

0

**Third party destinations**

0.5

**Comment**

Water is discharged directly to the municipal sewage system.

---

**Facility reference number**

Facility 3

**Facility name**

6 Service Buildings in Büyük Menderes River Basin

**Fresh surface water**

0

**Brackish surface water/Seawater**

0

**Groundwater**

0

**Third party destinations**

0.7

**Comment**

Water is discharged directly to the municipal sewage system.

## W5.1c

**(W5.1c) For each facility referenced in W5.1, provide the proportion of your total water use that is recycled or reused, and give the comparison with the previous reporting year.**

---

**Facility reference number**

Facility 1

**Facility name**

Albaraka Head Office

**% recycled or reused**

1-10%

**Comparison with previous reporting year**

Higher

**Please explain**

A gray water system was established to filter and treat used water from the sinks at the Head Office; the resulting water is used in the reservoirs, leading to the recycling of 747m<sup>3</sup> of water during the year. Thus percentage of recycled&reused water is %1.22.

## W5.1d

**(W5.1d) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?**

**Water withdrawals – total volumes**

---

**% verified**

76-100

**What standard and methodology was used?**

Water Footprint Network: Water Footprint Assessment Manual  
See verification statement attached in section W-FI.

**Water withdrawals – volume by source**

---

**% verified**

76-100

**What standard and methodology was used?**

Water Footprint Network: Water Footprint Assessment Manual  
See verification statement attached in section W-FI.

**Water withdrawals – quality**

---

**% verified**

Not verified

**What standard and methodology was used?**

Water is supplied by the municipal system thus we do not measure water quality.

**Water discharges – total volumes**

---

**% verified**

Not verified

**What standard and methodology was used?**

Water is discharged directly to the municipal sewage system thus we do not verify our discharge.

**Water discharges – volume by destination**

---

**% verified**

Not verified

**What standard and methodology was used?**

Water is discharged directly to the municipal sewage system thus we do not verify.

**Water discharges – volume by treatment method**

---

**% verified**

Not verified

**What standard and methodology was used?**

Water is discharged directly to the municipal sewage system thus we do not verify.

**Water discharge quality – quality by standard effluent parameters**

---

**% verified**

Not verified

**What standard and methodology was used?**

Water is discharged directly to the municipal sewage system thus we do not verify.

**Water discharge quality – temperature**

---

**% verified**

Not verified

**What standard and methodology was used?**

Water is discharged directly to the municipal sewage system thus we do not verify.

**Water consumption – total volume**

---

**% verified**

76-100

### What standard and methodology was used?

Water Footprint Network: Water Footprint Assessment Manual  
See verification statement attached in section W-FI.

### Water recycled/reused

#### % verified

Not verified

### What standard and methodology was used?

We did not verify amount of recycled/reused water during this monitoring period.

## W6. Governance

### W6.1

#### (W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

### W6.1a

#### (W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Reference to international standards and widely-recognized water initiatives Company water	Albaraka Türk formulated its environmental policy, which was approved by the Board of Directors. The Bank demonstrated sensitivity and respect to the environment, meticulousness in using the world's resources, resolve to leave a habitable environment to the next generation through participation in various initiatives. These include the Green Building Project, Carbon Disclosure Project, Studies on Gray Water and Waste Water Use, Zero Waste Project, among many others. Also we give priority to considering economic, environmental and social factors as well as corporate governance principles in all Banking operations and decision-making processes in order to raise Corporate Sustainability awareness across the organization, set forth concrete sustainable banking targets and to create long-term values. Please see Albaraka's Environmental Policy ( <a href="https://www.albaraka.com.tr/assets/en/pdf/cevre-politikasi.pdf">https://www.albaraka.com.tr/assets/en/pdf/cevre-politikasi.pdf</a> )

	<p>targets and goals</p> <p>Commitment to align with public policy initiatives, such as the SDGs</p> <p>Recognition of environmental linkages, for example, due to climate change</p>	
--	---	--

## W6.2

**(W6.2) Is there board level oversight of water-related issues within your organization?**

Yes

### W6.2a

**(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.**

Position of individual	Please explain
Board-level committee	The highest level of responsibility for water-related issues 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 activated 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.
Other, please specify	The committee consists of 3 board members. The Committee has

Sustainability and Social Responsibility Committee	responsibility for reviewing, monitoring and approving Banks's climate change and other sustainability objectives and providing advice to management on sustainability issues including water related issues. Prioritizes the consideration of economic, environmental and social factors in the Bank's activities and decision mechanisms in addition to corporate governance principles in order to ensure the internalization of Corporate Sustainability awareness within the organization, to introduce the objective of sustainable banking in a concrete manner and to establish long-term values.
Other, please specify Sustainability, Social Responsibility and Communication Executive Committee	The committee consists of 4 assistant general managers and 1 chairman and 8 department managers under the chairmanship of the general manager. The Committee makes the pre-assessment of the Sustainability and Social Responsibility projects proposed by the Strategic Planning Department at certain periods of the year, puts them on the agenda of the Sustainability and Social Responsibility Committee and follows the projects implemented.
Chief Sustainability Officer (CSO)	In 2020, Albaraka is reaching the end of a three year program of incorporating ESG in business. The executive management of the bank is already evaluating the options of establishing a Sustainability Unit and linking the unit to the executive management through a CSO.

## W6.2b

### (W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business	Water related issues is on the agenda of all board meetings regularly where the CEO includes a section on sustainability 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 priorly set for water 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

	<p>plans</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding strategy</p> <p>Reviewing and guiding corporate responsibility strategy</p> <p>Reviewing innovation/R&amp;D priorities</p>	<p>progress in sustainability issues.</p>
--	---	---

### W6.3

**(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).**

---

**Name of the position(s) and/or committee(s)**

Other committee, please specify

Sustainability and Social Responsibility Committee

**Responsibility**

Both assessing and managing water-related risks and opportunities

**Frequency of reporting to the board on water-related issues**

More frequently than quarterly

**Please explain**

Gives priority to considering environmental factors (which includes water related issues too) as well as corporate governance principles in all Banking operations and decision-making processes in order to raise Corporate Sustainability awareness across the organization, set forth concrete sustainable banking targets and to create long-term values.

---

**Name of the position(s) and/or committee(s)**

Chief Risk Officer (CRO)

**Responsibility**

Both assessing and managing water-related risks and opportunities

**Frequency of reporting to the board on water-related issues**

More frequently than quarterly

### Please explain

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

## W6.5

**(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?**

- Yes, direct engagement with policy makers
- Yes, trade associations
- Yes, other

## W6.5a

**(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?**

Based on our climate change and water related issues awareness and capacity building activities, we aim at taking a leadership role in sustainability banking at two levels. First, we introduced the concept to our peers at TKBB and encouraged them to take a strong role in combating climate change. Second, at the global level, we succeeded in drawing the attention of our parent company ABG to the issue and triggered similar work a short while ago. Our experience started to expand across all group companies as well. All in all, as 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.

## W6.6

**(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?**

- No, but we plan to do so in the next two years

## W7. Business strategy

### W7.1

**(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain



Long-term business objectives	Yes, water-related issues are integrated	5-10	Our long term strategy includes reducing the environmental impact of our businesses and promoting the sustainability of the natural resources on which we depend, of which water-related issues such as quality and quantity are integrated.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	Albaraka Turk set water reduction targets. Our water reduction target is to decrease water consumption by 25% in the following 5 years period. (until 2022)
Financial planning	Yes, water-related issues are integrated	5-10	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 and Administrative Affairs. 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 environmental and social risk management. As a result, the credit departments at the HQ as well as all 230 branches that market our lending products started giving specific consideration to sustainable energy and resource efficiency projects while embedding the risks of carbon intensive industries in transition to low carbon economy and other businesses under the threat of physical disruption by 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 addition Albaraka Turk also allocated a certain budget to support water-related organizations and capacity building programme.

## W7.2

**(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?**

Row 1

**Water-related CAPEX (+/- % change)**

**Anticipated forward trend for CAPEX (+/- % change)**

**Water-related OPEX (+/- % change)**

12.1

**Anticipated forward trend for OPEX (+/- % change)**

15

**Please explain**

The unit price of municipality water has increased 12.10% in 2018.

### W7.3

**(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?**

	Use of climate-related scenario analysis	Comment
Row 1	Yes	<p>Albaraka Turk's scenario analysis is based on IEA Sustainable Development Scenario. We prefer to use this scenario because we strongly opt for the commitments to meet criteria set by the Paris Agreement.</p> <p>There are three aspects of scenario analysis by Albaraka Turk;</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Innovative Investment: Our bank aims at financing the implementation of innovative technologies by new loan products and partnerships.</li> <li>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.</li> </ol>

### W7.3a

**(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?**

Yes

## W7.3b

**(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization's response?**

	Climate-related scenario(s)	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	IEA Sustainable Development Scenario	Water is essential for all phases of energy production, from fossil fuels to biofuels and power generation. Based on IEA scenarios with higher shares of renewable energy require much less water.	Sustainable Energy and Energy Efficiency Loans

## W7.4

**(W7.4) Does your company use an internal price on water?**

Row 1

**Does your company use an internal price on water?**

No, and we do not anticipate doing so within the next two years

**Please explain**

Albaraka Türk doesn't yet apply an internal price of water and we do not anticipate doing so within the next two years.

## W8. Targets

### W8.1

**(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.**

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Business level specific targets and/or goals Activity level specific targets and/or goals Site/facility specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Albaraka aims to reduce total water consumption per employee thus annual water consumption.  We set medium-term reduction target to be achieved by 2020 for all facilities

## W8.1a

**(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.**

---

**Target reference number**

Target 1

**Category of target**

Water consumption

**Level**

Company-wide

**Primary motivation**

Reduced environmental impact

**Description of target**

Albaraka 's water reduction target is to decrease water consumption by 25% in the following 5 years period.

**Quantitative metric**

% reduction in total water consumption

**Baseline year**

2017

**Start year**

2017

**Target year**

2022

**% achieved**

37

**Please explain**

As part of our initiative to better monitor our water footprints we have developed a comprehensive database to monitor and track consumption in these area. Albaraka has long-term target milestones . Our absolute reduction in total water consumption target from 01 January 2017( because of the first verification date) includes a 25% reduction in water consumption by 2022 against 2017 baseline. Albaraka's 2018 water consumption was 60.39 megaliters, equivalent to a 9.28% reduction from the 2017 base year amount,meaning we are reaching our target ( $9.28/25 = 37\%$ ).

---

**Target reference number**

Target 2

**Category of target**

Water consumption

**Level**

Company-wide

**Primary motivation**

Climate change adaptation and mitigation strategies

**Description of target**

Albaraka 's water reduction target is to decrease water consumption per employee by 25% in the following 5 years period.

**Quantitative metric**

Other, please specify  
% reduction per employee

**Baseline year**

2017

**Start year**

2017

**Target year**

2022

**% achieved**

45

**Please explain**

Albaraka 's water reduction target is to decrease water consumption per employee by 25% in the following 5 years period. In 2018 , water consumption was %15.1 m<sup>3</sup> per employee , the amount was %15.1 m<sup>3</sup> per employee in 2017.

With 11.3% reduction from the 2017 base year amount, meaning we are reaching our target ( $11.3/25 = 45\%$ )

## W8.1b

**(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.**

---

**Goal**

Other, please specify  
Awareness raising activities

**Level**

Company-wide

**Motivation**

Reduced environmental impact

**Description of goal**

Carrying out environmental awareness trainings to our employees for helping them minimize operational and domestic environmental impacts related with water and other.

**Baseline year**

2017

**Start year**

2017

**End year**

2018

**Progress**

In 2018 , water consumption was %15.1 m<sup>3</sup> per employee , the amount was %15.1 m<sup>3</sup> per employee in 2017.

---

**Goal**

Engaging with customers to help them minimize product impacts

**Level**

Company-wide

**Motivation**

Shared value

**Description of goal**

We started to assess environmental and technical issues during the all project finance transactions by due dilligence.

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

**Baseline year**

2018

**Start year**

2018

**End year**

2020

**Progress**

---

**Goal**

Other, please specify  
Climate change adaptation and mitigation strategies

**Level**

Company-wide

**Motivation**

Commitment to the UN Sustainable Development Goals

**Description of goal**

Albaraka Türk Participation Bank (Albaraka Türk); aims to achieve the United Nations 2030 Sustainable Development Goals by working with all its stakeholders to produce projects that are sensitive to human and environment and that will support economic and global development for a livable world within the scope of Sustainable Banking Program and aims to be a pioneer in participation banks in this regard. In addition, it is documented that Albaraka Türk minimizes the destruction of natural environment as a result of the values it adds to urban living spaces and it is aimed to ensure its recognition on international platforms and to increase its prestige.

**Baseline year**

2017

**Start year**

2017

**End year**

2025

**Progress**

As part of our initiative to better monitor our carbon and water footprints we have developed a comprehensive database to monitor and track consumption in these areas.

---

**Goal**

Providing access to safely managed Water, Sanitation and Hygiene (WASH) in workplace

**Level**

Company-wide

**Motivation**

Commitment to the UN Sustainable Development Goals

**Description of goal**

The importance of providing potable water, adequate sanitation and hygiene for all employees is recognised. All facilities ensure the availability of fully-functioning WASH services for employees

**Baseline year**

2017

**Start year**

2017

**End year**

2022

**Progress**

During the monitoring period all employees have access to WASH facilities.

## W9. Linkages and trade-offs

### W9.1

**(W9.1) Has your organization identified any linkages or tradeoffs between water and other environmental issues in its direct operations and/or other parts of its value chain?**

Yes

### W9.1a

**(W9.1a) Describe the linkages or tradeoffs and the related management policy or action.**

---

**Linkage or tradeoff**

Linkage

**Type of linkage/tradeoff**

Other, please specify  
Decreased GHG Emissions

**Description of linkage/tradeoff**

Based on IEA scenarios with higher shares of renewable energy require much less water also the greenhouse gas (GHG) emissions associated with water consumption.

**Policy or action**

Albaraka Turk achieved 12.52% emission reduction from the 2017 base year emissions, meaning we are reaching our target ( $12.52/30 = 41\%$ ). Albaraka Turk contributes to the prevention of greenhouse gas emissions by implementing innovative energy management and business models based on renewable materials.



**Linkage or tradeoff**

Linkage

**Type of linkage/tradeoff**

Decreased energy use

**Description of linkage/tradeoff**

Water is essential for all phases of energy production, from fossil fuels to biofuels and power generation. Based on IEA scenarios with higher shares of renewable energy require much less water. Therefore, energy consumption decreased by 4.31% per employee.

**Policy or action**

Albaraka Turk contributes to the prevention of greenhouse gas emissions by implementing innovative energy management and business models based on renewable materials.

## W10. Verification

### W10.1

**(W10.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1d)?**

Yes

### W10.1a

**(W10.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**





Disclosure module	Data verified	Verification standard	Please explain
W10. Verification	Total water consumption by source	Other, please specify Water Footprint Network: Water Footprint Assessment Manual	The total water consumption mainly coming from municipality by Albraka Turk Bank's operations in Turkey.

## W11. Sign off

### W-FI

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

For more information, please visit Sustainability Web Site for Albaraka Turk: <https://www.albaraka.com.tr/en/albaraka-turk-sustainable-banking-program.aspx>  
For more information, please visit Annual Report 2018 for Albaraka Turk <https://www.albaraka.com.tr/assets/en/pdf/investor-relations/2018-annual-report.pdf>  
For more information, please see Albaraka Turk Environmental Policy <https://www.albaraka.com.tr/assets/en/pdf/cevre-politikasi.pdf>  
Please see the attached Water Footprint Verification Report and Statement.  
Please see the attached WF calculation excell spreadsheet and WF summary document.

-  Albaraka Turk Bank Water Consumption Summary.pdf
-  Albaraka\_Water\_Dataset\_final\_10072019.xlsx
-  Albaraka Turk\_2018 CDP water statement\_17072019\_docx.pdf
-  Albaraka Turk\_FINAL WFP\_REPORT\_rev 1\_0\_17072019.pdf

### W11.1

**(W11.1) Provide details for the person that has signed off (approved) your CDP water response.**

	Job title	Corresponding job category
Row 1	General Manager	Chief Executive Officer (CEO)

### W11.2

**(W11.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].**

## 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



# **VERIFICATION REPORT ON VOLUNTARY ASSERTIONS RELATED TO GREENHOUSE GAS INVENTORIES**

“Albaraka Turk CDP – Climate Verification Report”

Reporting period: from 01/01/2018 to 31/12/2018

Report N°2019-XT-MD-10

Revision N°1.0

<b>Client (Name and Address):</b>	<b>Client's contact person:</b>
Albaraka Turk Katilim Bankasi A.S.	
<b>Organisation verified (Name and Address)::</b>	
Albaraka Turk Katilim Bankasi A.S. Saray Mahallesi Dr.Adnan Büyükdeniz Caddesi No:6 34768 Ümraniye / Istanbul / Turkey	
<b>Organisation's activity</b>	
Bank	
<b>Title of the assertion:</b>	<b>Reporting period:</b>
Albaraka Turk CDP – Climate Verification Report	01/01/2018 to 31/12/2018
<b>Boundary of assertion:</b>	<b>tCO<sub>2</sub>e verified:</b>
Headquarters and Branches	13,503.81
<b>RINA Report No.:</b>	<b>Revision:</b>
19-XT-MD-10	1.0
<b>Verification Team:</b>	
<b>Approved by (on the Final Report):</b>	<b>Date of approval:</b>
	17/07/2019
<b>Verification criteria:</b>	
<ul style="list-style-type: none"> <li>UNI EN ISO 14064-1:2006 “Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals”</li> </ul>	
<p>RINA Services S.p.A. (RINA) has been appointed to verify the voluntary assertion related to the greenhouse gas inventory of the company Albaraka Turk Katilim Bankasi A.S., for the reference period from 01/01/2018 to 31/12/2018 for compliance with the identified Verification Criteria. ISO 14064-1 “Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals”.</p> <p>RINA is carrying out the verification through:</p> <ul style="list-style-type: none"> <li>a documentary review of the organisation's documentation;</li> <li>an on-site visit to interview the organisation's representatives and check the evidence supporting the assertion;</li> </ul> <p>verification that the findings, for which the organisation is responsible and which emerged as a result of the analysis of the documentation and of the on-site visit, have been satisfactorily resolved.</p> <p>The emissions considered are those related to greenhouse gases such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) correlated to the activities of the companies and classified in the following categories:</p> <ul style="list-style-type: none"> <li>direct greenhouse gas emissions originating from sources owned or controlled by the organisation;</li> <li>energy indirect greenhouse gas emissions from the generation of imported electricity,</li> <li>other indirect greenhouse gas emissions from the consequence of the operations of an organization, but are not directly owned or controlled by the organization,</li> </ul> <p>In summary, it is RINA's opinion that Albaraka Turk Katilim Bankasi A.S. correctly applies the ISO 14064-1.</p>	

## Abbreviations

CAR	Non conformity/Corrective Action Request
CL	Request for clarification
GHG	Greenhouse gas
GWP	Global Warming Potential
IPCC	Intergovernmental Panel on Climate Change
R	Recommendation
RINA	RINA Services S.p.A.
t CO <sub>2</sub> e	tons of CO <sub>2</sub> equivalent
CDP	Carbon Disclosure Project

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Appendix A: RESOLUTION OF FINDINGS



## 1 METHODOLOGY

Verification has been undertaken, in compliance with the RINA procedures, through the following 3 phases:

- a documentary review of the organisation's documentation;
- an on-site visit to interview the organisation's representatives and check the evidence supporting the assertion;

verification that the findings for which the organisation is responsible have been satisfactorily resolved.

### 1.1 Documentary review

The examined documents are shown in the table below:

/1/	Albaraka Turk: Greenhouse Gas and Energy Calculation Table "Albaraka_Carbon footprint_Dataset_2019_v01.xlsx" version 01 of 28/06/2019 Albaraka Turk: Greenhouse Gas and Energy Calculation Table "Albaraka_Carbon footprint_Dataset_2019_v02.xlsx" version 02 of 10/07/2019 Albaraka Turk: Greenhouse Gas and Energy Calculation Table "Albaraka_Carbon footprint_Dataset_2019_v02.xlsx" version 03 of 11/07/2019 Albaraka Turk: Greenhouse Gas and Energy Calculation Table "Albaraka_Carbon footprint_Dataset_2019_v02_17072019.xlsx" version 04 of 17/07/2019
/2/	Albaraka Turk: Cooking Coal Invoices for Balikesir and Tatvan Branches, submitted on 20/06/2019
/3/	Albaraka Turk: Air Conditioning Maintenance Forms, submitted on 20/06/2019
/4/	Albaraka Turk: Natural Gas Invoices of Headquarter and Branches for the reference period from 01/01/2018 to 31/12/2018, submitted on 20/06/2019
/5/	Albaraka Turk: Electricity Invoices of Headquarter and Branches for the reference period from 01/01/2018 to 31/12/2018, submitted on 20/06/2019
/6/	Albaraka Turk: Flight Data for the reference period from 01/01/2018 to 31/12/2018, submitted on 03/07/2019

The reference criteria/requirements are given in the following table:

/A/	ISO, ISO 14064-1, Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, 2012
/B/	ISO, ISO 14065 "Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition" of 2012
/C/	ISO, ISO 14064-3 "Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions" of 2012
/D/	IAF, IAF MD 6:2009 "Application of ISO 14065:2007"
/E/	ACCREDIA, RG-15 REV. 00 "Rules for the accreditation of Verification Bodies"
/F/	RINA: Guidelines for the validation and verification of greenhouse gas assertions, date of 25/09/2013
/G/	Turk Standardlari Enstitusu: TS ISO 14064-1: Sera Gazı Emisyonlarının ve Uzaklaştırmalarının Kuruluş Seviyesinde Hesaplanmasına ve Rapor Edilmesinde Hesaplanmasına ve Rapor Edilmesine Kılavuz ve Ozellikler of June 2007
/H/	Intergovernmental Panel on Climate Change: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2, Chapter 1, Table 1.4 "Default CO <sub>2</sub> Emission Factors for



Combustion”
-------------

## 1.2 On-site visit/s

On 03/07/2019, the RINA team visited the Albaraka Turk Katilim Bankasi A.S. in Umraniye District, Istanbul Province of Turkey. During the visit, the team examined the documentation, carried out the on-site visit, examined the information flow, the quality assurance procedures, the records supporting the report, re-checked the calculations and interviewed the organisation’s key personnel.

During the on-site visit, the personnel who were interviewed provided adequate evidence and offered their availability and collaboration, ensuring adequate confidence in compliance of the inventory with the agreed verification criteria.

The interviewed personnel, the organisation and responsibility are shown in the following table:

	Date	Name and Role	Organization	Topic
/a/	03/07/2019	Director	Albaraka Turk	Responsible from the coordination of the CDP data collection.
/b/	03/07/2019	Authorized	Albaraka Turk	Responsible from data of electricity, generator, water and natural gas consumption for Headquarter.
/c/	03/07/2019	Director	Albaraka Turk	Responsible from data of electricity, generator, water and natural gas consumption for Headquarter.
/d/	03/07/2019	Director	Albaraka Turk	Responsible from data of water, heating, diesel cars and natural gas consumption of branches for CDP.
/e/	03/07/2019	System Support Assistant Specialist	Albaraka Turk	Responsible from data of paper consumption.

## 1.3 Resolution of findings

The purpose of this phase is to resolve all the findings, which emerged from the document review and on-site visit in order to proceed with the verification.

In appendix A of this report, the 1<sup>st</sup> column contains the findings issued by RINA (CAR, CL, R). RINA required these findings to be resolved before continuing the verification process (dealing with the R is optional).

The organisation was asked to resolve the findings issued, including its answers in appendix A, Table 2, 2<sup>nd</sup> column and amending the reference documents where necessary.

No CARs/CRs were issued.

## 2 VERIFICATION TEAM

The team consist of the following personnel:

Surname	Name	Role
		Team Leader - Verifier

## 3 VERIFICATION

The outcome of the verification is shown below.

### 3.1 Boundary, GHG Emissions considered

Albaraka Turk Participation Bank was founded in 1984 by pioneering interest-free banking in Turkey and began actively serving in 1985. Having founded under the guidance of the strong capital groups in the Middle East, Albaraka Banking Group (AGB), Islamic Development Bank (IDB) and another industry group serving the Turkish economy for more than a half century, they continue operating in Turkey in compliance with the 5411 Banking Law.

The organisation has included, within the operational boundaries, head office and all their branches.

The emissions considered are those related to greenhouse gases such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O), correlated to the following categories of emissions:

Direct GHG emissions originating from sources owned or controlled by the Organisation. Emissions due to the combustion of fuels for heating and auxiliary generators in buildings by the organisation, emissions due to the combustion of fuels in on-road vehicles and the emissions sourcing from refrigerants.

Energy indirect GHG emissions are due to electricity consumption in all locations.

Other Indirect GHG emissions are due to the paper consumption and air travelling taken into account.

The number of branches of the organization has been increased and operation boundaries have been changed compared to the previous year. However, for your opinion, the amount of emissions last year is listed below.

Emissions	Scope	Emissions of GHG period 2017 [tCO <sub>2</sub> e]
Direct greenhouse gas emissions	1	5,198.4
Indirect greenhouse gas emissions from energy consumption	2	7,564.6
Other indirect greenhouse gas emissions	3	2,143.9

### 3.2 Greenhouse gas emissions verified

The following table shows the GHG emissions divided according to type

Emissions	Scope	Emissions of GHG period 2018 [tCO <sub>2</sub> e]
Direct greenhouse gas emissions	1	3,546.69
Indirect greenhouse gas emissions from energy consumption	2	7,618.11
Other indirect greenhouse gas emissions	3	23,39.02
<b>Total</b>		<b><u>13,503.81</u></b>

## 4 VERIFICATION OPINION

RINA Services S.p.A. (RINA) has verified the voluntary assertion relevant to the inventory of greenhouse gases of the Albaraka Turk Katilim Bankasi A.S., for the reference period from 01/01/2018 to 31/12/2018 for compliance with the identified Verification Criteria.

RINA carried out the verification through:

- a document review of the documentation prepared by the organisation;
- an on-site visit to interview the organisation's representatives and check the evidence supporting the assertion;
- verification that the organisation has satisfactorily resolved the findings which emerged from the document review and from the on-site visit.

In conclusion, on the basis of the evidence provided and of the visit carried out on site, RINA declares that the assertion related to the greenhouse gases of the organisation Albaraka Turk CDP Inventory Calculation Spreadsheet for the period from 01/01/2018 to 31/12/2018:

- is essentially correct and a fair representation of the greenhouse gas data and information
- has been prepared according to the pertinent international standards on quantification, monitoring and reporting of greenhouse gases or according to pertinent national standards or practice.

RINA also declares that the inventory was developed in accordance with ISO 14064-1 "Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals".

It can be concluded that the data given in the GHG assertion do not contain omissions, non-conformities, errors of any kind which could lead to erroneous statements as regards the total volume of emissions. The total greenhouse gas emissions are **13,503.81** tCO<sub>2e</sub>.

### 4.1 Observations and reservations

NA



# WATER FOOTPRINT VERIFICATION

**Final report**

“Albaraka Turk CDP Report”

Report N°2019-XT-MP-12

Revision N°1.0

# WATER FOOTPRINT VERIFICATION REPORT

<b>Products/Services:</b> Albaraka Turk Katilim Bankasi A.S.	<b>Water Footprint Study:</b> Water Footprint Spreadsheets “2018 Yılı Su Kullanımı Genel Md..xlsx” and “Albaraka_Water_Dataset_v01_10072019.xlsx”, submitted on 10/07/2019	
<b>Client:</b> Albaraka Turk Katilim Bankasi A.S.	<b>Client contact:</b>	
<b>Report No.:</b> 2019-XT-MP-12	<b>Revision:</b> 1.0	<b>Date of this report:</b> 17/07/2019
<b>Approved by :</b>		<b>Date of approval:</b> 17/07/2019
<b>Type of Water Footprint Study:</b> <input type="checkbox"/> Comparative <input type="checkbox"/> Disclosed to the public <input checked="" type="checkbox"/> Not comparative <input checked="" type="checkbox"/> Not disclosed to the public		
<b>Boundary:</b> <input type="checkbox"/> Cradle-to-gate <input type="checkbox"/> Cradle-to-grave <input checked="" type="checkbox"/> Inventory (gate-to-gate)		
<b>Type of water footprint:</b>		
<input type="checkbox"/> Complete <input checked="" type="checkbox"/> Partial (referred just to one or more than one indicators)		<input type="checkbox"/> One aggregated indicator (WFP aggregated) <input type="checkbox"/> WFP disaggregated (water footprint profile)
<b>In case of partial water footprint, specify which indicator:</b> <input type="checkbox"/> Water scarcity footprint <input type="checkbox"/> Water availability footprint <input type="checkbox"/> Water ecotoxicity footprint <input type="checkbox"/> Water eutrophication footprint <input type="checkbox"/> Water acidification footprint		
<b>Reference Standard/Scheme:</b> Water Footprint Network: Water Footprint Assessment Manual		
<p>RINA Denizcilik ve Belgelendirme Ltd. Sti. (RINA), commissioned by Albaraka Turk Katilim Bankasi A.S., has performed the verification of the water consumption which is basis of CDP Water Questionnaire.</p> <p>In conclusion the Corrective action requests (CARs) and the Clarification requests (CLs) have been solved. Thus to the RINA judgment, the water footprint calculation is in compliance to the standard requirements Water Footprint Network: Water Footprint Assessment Manual.</p>		
<b>Work carried out by:</b>  <b style="text-align: center;">Team Leader</b>		<input checked="" type="checkbox"/> No distribution without permission from the Client or organizational unit responsible <input type="checkbox"/> Strictly confidential <input type="checkbox"/> Unrestricted distribution



## Abbreviations

WFP: Water Footprint

BOD: Biochemical oxygen demand

COD: Chemical oxygen demand

SS: Suspended solid

## 1 INTRODUCTION

This report summarizes the findings of the verification of the WFP of the Albaraka Turk Katilim Bankasi A.S. reported in the cover, performed on the basis of the verification criteria of Water Footprint Network: Water Footprint Assessment Manual.

Verification is not meant to provide any consultancy towards the client.

However, recommendations may have provided input for improvement of the WFP.

## 2 METHODOLOGY

The verification consisted of the following three phases:

- Desk review;
- On-site assessment;
- The resolution of outstanding issues and the issuance of the final verification report and certification.

### 2.1 Verification team and the technical reviewer(s)

The verification team and the technical reviewers consist of the following personnel:

Role	Last Name	First Name	Country
Lead Auditor, Verifier			Turkey

### 2.2 Documents

The following table lists the documentation that was reviewed during the verification:

/1/	Albaraka Turk: Water Consumption Excel Sheet for Head Office "2018 Yılı Su Kullanımı Genel Md.xlsx", Ver 01 submitted on 01/07/2019
/2/	Albaraka Turk: Water Consumption Excel Sheet for Branches "Albaraka_Water footprint_Dataset_v01.xlsx", Ver 01 submitted on 01/07/2019 Albaraka Turk: Water Consumption Excel Sheet for Branches "Albaraka_Water_Dataset_v01_10072019.xlsx", Ver 02 submitted on 10/07/2019
/3/	Albaraka Turk: Regional Offices Water & Wastewater Invoices for period 01/01/2018-31/12/2018, submitted on 28/06/2019
/4/	Albaraka Turk: Head Office Water & Wastewater Invoices for period 01/01/2018-31/12/2018, submitted on 01/07/2019

### 2.3 Desk Review

Following the documentation analysis, that has taken a part of desk audit, a number of clarification and corrective actions has been requested to the client.

The complete outcomes of the desk review process have been laid down in the enclosed documentary review report WFP\_DR\_REP and no Corrective Action Requests (CARs) reported in Annex A.

## 2.4 Data sampling

For head office, all data of water consumption has been checked, therefore, data sampling is not applied. However, for 235 branches, sampling is applied. Those whose consumption seems to be high, and with only "TL" information given in the invoices are exemplified in the branches.

## 2.5 On-site assessment

On 03/07/2019, RINA, visited the Albaraka Turk Katilim Bankasi A.S. in Umraniye District, Istanbul Province of Turkey. During the on-site assessment RINA verified the taking in charge of the comments coming from the desk review, assessed relevant documents, sample-checks on activity data, verified data sources and quality, methodological approach and assumptions made, raw data collection and verified the consistency of the collected data against the data reported inside the report, interviewed key personnel.

The interviewed personnel, the organisation and responsibility are shown in the following table:

	Date	Name and Role	Organization	Topic
/a/	03/07/2019	<i>Director</i>	Albaraka Turk	Responsible from the coordination of the CDP data collection.
/b/	03/07/2019	<i>Authorized</i>	Albaraka Turk	Responsible from data of electricity, generator, water and natural gas consumption for Headquarter.
/c/	03/07/2019	<i>Director</i>	Albaraka Turk	Responsible from data of electricity, generator, water and natural gas consumption for Headquarter.
/d/	03/07/2019	<i>Director</i>	Albaraka Turk	Responsible from data of water, heating, diesel cars and natural gas consumption of branches for CDP.
/e/	03/07/2019	<i>System Support Assistant Specialist</i>	Albaraka Turk	Responsible from data of paper consumption.

Against the on site visit no CARs (Corrective Action Requests) have been issued.

## 2.6 Recommendations for improvement

N/A

## 2.7 Resolution of outstanding issues

The objective of this phase of the verification is to resolve any outstanding issues which need to be clarified for RINA's positive conclusion.

A corrective action request (CAR) is raised if one of the following occurs:

- The requirements have not been met.
- Mistakes have been made in applying assumptions, data or calculations of emission

A clarification request (CL) is raised if information is insufficient or not clear enough to determine whether the applicable requirements have been met.

No CARs are arisen in the verification protocol in Appendix A of this report.

### 3 VERIFICATION AND CERTIFICATION OPINION

RINA, commissioned by Albaraka Turk Katilim Bankasi A.S., has performed the verification of the water consumption with regard to the relevant requirements for Water Footprint Network: Water Footprint Assessment Manual.

Based on documented evidence and corroborated by an on-site assessment RINA can confirm that the Water Footprint is fairly stated.

RINA is able to certify that the water footprint calculation of the Albaraka Turk Katilim Bankasi A.S. as given below.

Consumed Water (m <sup>3</sup> )
60,394 m <sup>3</sup>

RINA Denizcilik ve Belgelendirme Ltd. Sti.

Team Leader