ALBARAKA TÜRK KATILIM BANKASI A.Ş. - Climate Change 2021

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 was founded by Albaraka Banking Group, one of the prominent groups of the Middle East, Islamic Development Bank, and a native industrial group of Turkey. Albaraka, in line with the principles of participation banking, is highly active in the field of manufacturing and trade financing. As of 31.12.2020 Albaraka Turk consists of foreign partners (62.12%), native partners (1.07%), and public shares (36.01%). As a participation bank, we regard the community interests at the highest level and 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 the products and services we provide to society interact with the environment. We both aim to minimize the impact of this interaction on climate change and to be a pioneer among the industry's major players by assuming a leading role in mobilizing finance for sustainability. 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 with training programs and implementation of climate change management modules within the departments of Credit Risk Management, Strategic Planning, and Administrative Affairs with the assistance of The Sustainability Committee. In 2017, Albaraka expanded its efforts by initiating a program on ESG. With this program, the bank initiated a three-year scheme to introduce all E&S risks to all credit and banking decisions. Albaraka continues to build capacity to become the center of excellence in sustainability finance by combining ESG efforts with a science-based targets program and build back better principles in line with the COVID19 pandemic. In 2020, progress regarding ESG capacity has been substantial as the design of mechanisms to evaluate E&S risks of lending portfolios in selected sectors and digital infrastructure to monitor outcome has been completed. In 2021, these mechanisms are expected to be fully put in place. Also, we will incorporate ESG in our retail strategy and mobilizing new finance mechanisms, especially for SMEs to stimulate their activities in both climate change mitigation and adaptation. The carbon pricing initiative was started to match with TCFD recommendations in near future. We plan to set the final price by 2021 and implement it in all our banking decisions. We also aim at estimating the climate impact of our lending portfolio in line with TCFD. We just completed building our own climate-centered taxonomy to institutionally define “green” and categorize the project activities that are sustainable for lending. The taxonomy, to be published by the end of 2021 as part of our post COVID19 build-back better program, is now revised to be in line with EU Taxonomy. In 2020, Albaraka accelerated the preparations and capacity building to issue a green sukuk in near term. With that purpose, bank customer profile and financial products marketing strategies were reviewed to analyze the potential project origination and eligibility. Certain teams attended workshops to understand green bond process and ICMA requirements. Albaraka is determined to make green sukuk an essential instrument for the green recovery process. In addition, we ultimately care about our own carbon footprint and maintaining resource efficiency in planning our business operations. Our HQ building awarded with LEED Gold Certificate making is the first HQ building in the banking industry in Turkey. Based on our climate change capacity-building activities, we aim at taking a leadership role at two levels. We continuously promote the idea of sustainable banking principles to our peers at TKBB (Participation Banks Association of Turkey). Second, at the global level, our experience started to expand across all group companies and triggered our parent company ABG to sustainable banking. Also, our proactive approach in defining a role in the green rebooting of the economy post-pandemic has attracted attention from the banking sector in the region. Based on all the achievements in developing a robust 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. Albaraka Türk was included in the Istanbul Stock Exchange Sustainability Index for the second time, and repeated its title as the first and only participation bank in this index. In addition, Albaraka has been qualified to participate in the A- List of 2020 CDP Climate Change Program in Turkey.

C0.2

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

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas 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 chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)

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, 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, Social Responsibility and Communication 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. It 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 has just reached the end of a three year program of incorporating ESG in business. As part of the governance plan in the second ESG phase between 2020 and 2023, a recent reorganization assigned the Unit of Strategic Planning and Economic Research to lead all sustainable banking projects. A Sustainability Unit is now designed under strategic planning and options to enlarge the unit and define a C level presence to the unit by the end of the second phase is being explored.

C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities The impact of our bank lending activities on the climate The impact of other products and services on the climate	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 has been prepared by the Sustainability Committee with the assistance of Credit Risk Department but from mid 2020 on the Sustainability Unit under Strategic Planning Department will take over this role. 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. For adoption and internalization of process by the Board, on going executive trainings for the Board and the executive management are provided. New topics in the field of climate change policy and management are regularly introduced through case studies and peer reviews. As part of its ESG program, theExecutive Management of Albaraka Turk targets annual reporting on gap analysis for climate change risk management. The subject report on gap analysis and a road map for institutional capacity building including structural and business strategy changes will also be presented to the Board annually.

C1.2

(C1.2) 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)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Please select	Please select	<Not Applicable>	Please select	<Not Applicable>
Sustainability committee	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Chief Risks Officer (CRO)	Risk - CRO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our insurance underwriting activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Corporate responsibility committee	Corporate Sustainability/CSR reporting line	Assessing climate-related risks and opportunities	Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	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 GHG mitigation and climate change adaptation. For Albaraka Turk, sustainability is an important issue supported by corporate culture and vision. In this context, we carry 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 into 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 the bank's core values and ethical principles. Supervises the impacts of the Bank's activities on the 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 the Sustainability Committee and also, -Implements the Sustainability and Social Responsibility projects that reflect the corporate identity and enhance 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 first phase of ESG between 2017 and 2020 included strengthening of capacity for sustainable banking with the support of the two committees above. The Chief Credit Officer (CRO) has been responsible for the implementation of ESG tools within the department to reflect climate change-related issues in banking strategy. The CRO assured that all loan decisions include the monitoring of climate-related risks. The CRO reported the process and a briefing to the CEO in cooperation with the Sustainability Committee. A recent reorganization at the bank as part of the second phase ESG program between 2020 and 2023 assigned the Strategic Planning and Economic Research Unit to develop and implement sustainable banking projects including TCFD and SBTs. As part of the transition, the two committees above will assist the unit and eventually form a seed Sustainability Department at the bank with the goal of reaching a C-level executive role by 2023. A robust ESG mechanism and a Sustainability Department with a strong capacity to lead the bank to take a strong stance in tackling climate change and assisting the financing of SDGs is the ultimate goal.

C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C1.3a

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

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Business unit manager	Monetary reward	Efficiency project	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).
Chief Procurement Officer (CPO)	Monetary reward	Energy reduction target	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 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.
Risk manager	Monetary reward	Energy reduction target	All risk managers are expected to embed sustainability and climate change risks in risk evaluation process.
All employees	Non-monetary reward	Emissions reduction target	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.
All employees	Non-monetary reward	Emissions reduction target	There is an institutionalized improvement and innovation proposal program, which also covers sustainability improvement proposals.
Environment/Sustainability manager	Monetary reward	Portfolio/fund alignment to climate-related objectives	The head of the new unit under Strategic Planning that improves and implements the new ESG mechanisms is designated with the goal of pushing the portfolio toward sclimate friendly objectives.

C-FS1.4

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

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No, but we plan to do so in the next two years	An employment based retirement scheme will be incorporated to the second phase of ESG program.

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

	From (years)	To (years)	Comment
Short-term	0	3	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	15	Long-term planning covers a time-horizon between 6 to 15 years as our financing usually runs for up to 15 years.

C2.1b

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

Identification and assessment of substantive financial and strategic impact is one of the goals in the second phase of ESG and Sustainable Banking Program to be implemented between 2020 and 2023 by Albaraka Turk. In 2020, progress regarding ESG capacity has been substantial as the design of mechanisms to evaluate environmental and social risks of lending portfolios in selected sectors and digital infrastructure to monitor outcome has been completed. It is expected that in 2021 these mechanisms will be fully put in place. In the second phase, we will incorporate ESG in our retail strategy and mobilizing new finance mechanisms, especially for SMEs to stimulate their activities in both climate change mitigation and adaptation. We are now analyzing all our banking products and simulate the reduction of the profitability of those products based on various climate related risks. We aim at defining a quantified threshold for the reduction of profitability to assign a "substantive financial risk" and utilize the outcome in the TCFD process. We are also working on the simulation of our potential work in SBTs as we were recently admitted to the initiative and we will come up with a plan of designing a science based GHG reduction target within the next 12 months. Our financial impact simulation includes climate risks, SBTs as well as other institutional goals to switch to sustainable banking. Recently, we have decided to incorporate different parameters of post pandemic economic growth case to address our potential role in build back better as well as avoiding the impact of post pandemic rapid financial mobilization that could include non climate friendly banking products. By the end of 2020, the management will be presented with quantified substantive impact figures under different scenarios and the identified impact threshold will be part of our business strategy between 2021 and 2023.

C2.2

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

Value chain stage(s) covered
Direct operations

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
Annually

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
As part of the first phase of ESG program, we have closely looked at all our banking services and products. All sustainability risks including climate related risks were identified and assessed by the Sustainability Committee, Credit Risk Unit and Strategic Planning. A risk and opportunity matrix has been prepared for a snapshot picture of potential risks and opportunities in short, medium and long-term. The report including the assessment matrix was shared with the Executive Management and Strategic Planning to be integrated into corporate risk management modules. The matrix is to be updated annually and at least three case studies to be conducted every year to implement best practice. Continuous capacity building including staff training, consultancy and peer review is part of the assessment and disclosure program. Strategic Planning Unit plays an instrumental role to integrate the outcome in business plans for business opportunities and Credit Risk Department is responsible to reflect the results in risk management modules. As part of our goal to implement TCFD the quantified risks will be disclosed by 2023.

Value chain stage(s) covered
Upstream

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
Annually

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
One of the key players in the upstream is the government and banking regulating agencies. Albaraka Turk closely observes the potential sustainability regulations by the banking regulation agency of Turkey and provides consultancy when needed. Our review of global practice for sustainability regulations and green taxonomies guide us in assessing the potential risks and opportunities. Another key player is Borsa Istanbul where Albaraka Turk is listed as a public company. We are integrating the sustainability reporting requirements and related risks into our corporate risk management strategy. Not but not least, we are looking into our suppliers and how their sustainability risks could be assessed and integrated into our sustainability strategy. In 2019 we have closely worked with various local governments to reduce our climate impact by reducing waste and water especially from the HQ buildings.

Value chain stage(s) covered
Downstream

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
Annually

Time horizon(s) covered
Short-term
Medium-term

Description of process
As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of risks. In terms of opportunities, the clients of those sectors were assessed to be included in a priority list.

C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	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. AAs of May 2020, all qualifying new buildings must meet minimum design requirements for energy efficiency. Our HQ is LEED certified so fulfilling the criteria for the new legislation has already been completed. Albaraka aims to reassessing operational cost for the bank and setting the strategy for relocating the branches in new buildings.
Market	Relevant, always included	Physical changes of climate change may result in economic recession as some of our customers face will face new business challenges. Albaraka Bank's performance is dependent on prevailing economic conditions where an economically depressed market reduces demand for credit and other financial products.
Reputation	Relevant, always included	Reputational risk associated with climate change may impact us in two areas • Lending and investing : As a financial institution, some of clients are in carbon intensive industries. As such, we face reputational risks as NGOs and other stakeholders may scrutinize our role in lending to and investing in industry sectors of this nature. • Company operations : We may face reputational risks if we do not proactively take steps towards reducing our emissions from own operations.
Acute physical	Relevant, 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.

C-FS2.2b

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. The opportunities in those sectors are quantified with respect to GHG mitigation parameter. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	Albaraka Turk intends to analyze its other financial intermediary services including financial guarantees and bond issuances. These products will be included in the second phase of the ESG Program between 2020 and 2023.

C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. The opportunities in those sectors are quantified with respect to GHG mitigation parameter. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	Albaraka Turk intends to analyze water related portfolio exposure in the second phase of the ESG Program between 2020 and 2023.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	<Not Applicable>	Albaraka Turk intends to analyze water related portfolio exposure for other financial products in the second phase of the ESG Program between 2020 and 2023.

C-FS2.2e

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	Albaraka Turk intends to analyze forests related portfolio exposure in the second phase of the ESG Program between 2020 and 2023.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	<Not Applicable>	Albaraka Turk intends to analyze forests related portfolio exposure for other financial products in the second phase of the ESG Program between 2020 and 2023.

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. The opportunities in those sectors are quantified with respect to GHG mitigation parameter. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation. The clients that fall in the pre-identified sectors with an existing or potential exposure with certain thresholds are required to provide climate related information for lending.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	Albaraka Turk intends to include climate related information for other financial products especially for guarantees in the second phase of the ESG Program between 2020 and 2023.

C2.3

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

Yes

C2.3a

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

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical	Other, please specify (Sea level rise and extreme weather events)

Primary potential financial impact

Increased capital expenditures

Bank clients facing increased capital expenditures and operational cost to cope with physical changes and lose their bankability.

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Businesses that depend on logistics and transportation could be impacted severely because Turkey is surrounded by water. Our clients 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)

<Not Applicable>

Potential financial impact figure – minimum (currency)

13676205.5

Potential financial impact figure – maximum (currency)

22185844.4

Explanation of financial impact figure

Increase in the capital cost for certain industries that rely on naval transportation and logistics. Estimates of the impact of climate change over the course of this century on the PV of global financial assets. Along the DICE baseline or business-as-usual (BAU) emissions scenario, in which the expected increase in the global mean temperature in 2100, relative to pre- industrial, is about 2.5°C (see Supplementary Information), the expected climate VaR of global financial assets today is 1.8% at median. https://eprints.lse.ac.uk/66226/1/Dietz_Climate%20Value%20at%20risk.pdf

Cost of response to risk
240000

Description of response and explanation of cost calculation
Assessing the customers with this perspective and providing them with guidance to seek help for risk management. It is also imperative to build a robust risk monitoring scheme.

Comment
Albaraka Turk pays attention to supply chain conditions of its clients and how those conditions change along with rapidly changing business and economic environment. As part of that, we continuously analyze our credit risk with logistics or or logistics dependent clients based on physical conditions.

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

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

Primary potential financial impact
Increased indirect (operating) costs

Bank operational cost increasing due to extreme weather events and energy consumption to tackle extreme heat.

Climate risk type mapped to traditional financial services industry risk classification
Operational risk

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. • Other climate related disasters (floods) 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
Medium

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
551152.35

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Having to replace equipment and building facility sooner with new technology to adjust new temperature conditions. We use scientific estimations to display "Increase in renovation due to shortened life cycle, annual cost increase 9%" that estimate climate change effects over the lifecycle of a building. https://www.diva-portal.org/smash/get/diva2:859945/FULLTEXT01.pdf

Cost of response to risk
600000

Description of response and explanation of cost calculation
Replacing the equipment and other facility to cope with temperature changes as well as extreme weather to sustain banking operations where renovation and material used are monitored for durability.

Comment
Albaraka Turk gives special concern to maintaining its HQ and branches sustainable in terms of resources and operational conditions. There have been cases of disasters such as earthquakes, floods or other extreme weather events that required retrofitting of physical environment. In the light of that, we analyze all our physical assets and plan how our branches, servers and staff will function under extreme weather.

Identifier
Risk 3

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

Risk type & Primary climate-related risk driver

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

Primary potential financial impact
Decreased revenues due to reduced production capacity

Bank clients facing business interruption to cope with physical changes and lose their bankability.

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
5708487.61

Potential financial impact figure – maximum (currency)
9260435.45

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.Estimates of the impact of climate change over the course of this century on the PV of global financial assets. Along the DICE baseline or business-as-usual (BAU) emissions scenario, in which the expected increase in the global mean temperature in 2100, relative to pre- industrial, is about 2.5°C (see Supplementary Information), the expected climate VaR of global financial assets today is 1.8%. https://eprints.lse.ac.uk/66226/1/Dietz_Climate%20Value%20at%20risk.pdf

Cost of response to risk
150000

Description of response and explanation of cost calculation
Risk analysis, assisting customers for seeking assistance in risk mitigation.

Comment
As part of our ESG program, we already categorized the sectors with respect to their needs for climate change adaptation. Starting with logistics and agro business, we monitor the clients based on their region, forecasts of climate change impact and their business content. Risk information will be shared with the clients regularly starting 2021.

Identifier
Risk 4

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

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact
Increased indirect (operating) costs

Bank clients facing increased indirect operational cost due to price of carbon and losing bankability.

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Bank customers face new emission costs due to new GHG regulations and a cap and trade system. They also face new investment requirements such as energy efficiency to meet new standards.

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Customers not well prepared a new regulation with cap and trade system cannot handle new operating costs.

Cost of response to risk

Description of response and explanation of cost calculation
Analyzing the customers readiness for a new GHG cap and trade system with respect to potential regulations

Comment
Turkey is on the verge of creating an ETS. The new GHG law clearly identifies the business that are mandated with GHG monitoring before 2018 and possible reduction by 2022. We already categorized our clients and identified those under the compliance and potential financial impact from such compliance.

Identifier
Risk 5

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

Risk type & Primary climate-related risk driver

Market	Changing customer behavior

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Bank clients losing business due to a rapidly changing customer demand for climate friendly products.

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

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
High

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Customers losing business because their products and services are not relevant in low carbon economy.

Cost of response to risk

Description of response and explanation of cost calculation
Analyzing the customers with a new perspective, assure risk mitigation measures and raise awareness with the customers..

Comment
In this risk category, until 2020 we particularly focus on fossil fuel based energy sector. By 2021, we will focus on clients that manufacture or trade carbon intensive or non-green products.

Identifier
Risk 6

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

Risk type & Primary climate-related risk driver

Market	Changing customer behavior

Primary potential financial impact
Increased capital expenditures

Bank clients may have to invest n expensive new generation climate friendly technologies.

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Customers being unsuccessful with new technology development for adapting the low carbon economy or stretching their Capex to match the new low carbon economy conditions losing liquidity at the end.

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Customers investing in new technology development with no return.

Cost of response to risk

Description of response and explanation of cost calculation
Analyzing customer technology and project implementation for low carbon economy and identifying risks, assisting customers to understand their risks.

Comment
As part of our new ESG Program, all our clients and their investments are monitored on the basis of fitting into climate friendly best available technologies.

Identifier
Risk 7

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

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Bank clients face negative response from the stakeholders for their products or services or investments being not climate friendly.

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
As part of our ESG, we have now incorporated new parameters to analyze potential reputation risks of our clients and their business endeavors including climate. The parameters cover health and safety, pollution, gender equality and other social risks. We also implement a new scheme to record the existing negative feedback and propose remedy or grievance mechanisms with our clients.

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Customers investing new practice for emission reduction and low carbon products face long run returns.

Cost of response to risk

Description of response and explanation of cost calculation
Developing new financial instruments for investments with relatively risky investments.

Comment
As part of second ESG Program between 2020 and 2023, Albaraka Turk will start investing in developing new financial instruments to respond to the needs of the clients for

long term financing of climate investments. That initiate includes analysis of business risks for the bank for certain client segment that is need of long term financing for climate change mitigation and adaptation.

Identifier
Risk 8

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

Risk type & Primary climate-related risk driver

Emerging regulation	Regulation and supervision of climate-related risk in the financial sector

Primary potential financial impact
Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification
Policy and legal risk

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Bank facing new regulations to assure climate responsible banking

Cost of response to risk

Description of response and explanation of cost calculation
Understanding potential banking regulations and adjusting new low carbon banking timely. Developing a new business model with ESG and value integrated banking.

Comment
We continuously conduct peer reviews and gap analysis to assess the global sustainable financing requirements and upcoming domestics regulations.

Identifier
Risk 9

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

Risk type & Primary climate-related risk driver

Market	Changing customer behavior

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification
Strategic risk

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?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
25220000

Potential financial impact figure – maximum (currency)
37830000

Explanation of financial impact figure
Customers demanding new climate friendly banking products and services and the bank cannot meet that demand. A sensitivity analysis for loss of clients and resulting loss of corporate banking revenue is estimated.

Cost of response to risk
500000

Description of response and explanation of cost calculation
Understanding the future of low carbon banking and organize business restructuring.

Comment
As Albaraka Turk, we conduct projects to understand our role in transition to low carbon economy. Our assessments include the investment needed for operational transformation as well as capacity needed to mobilize finance for our clients.

Identifier
Risk 10

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

Risk type & Primary climate-related risk driver

Market	Changing customer behavior

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification
Market risk

Company-specific description
Customers favor climate friendly banks for banking services especially in retail banking.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium-high

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
13005000

Potential financial impact figure – maximum (currency)
26010000

Explanation of financial impact figure
Customers shifting to climate friendly banks due to consumer awareness. A sensitivity analysis for loss of clients and resulting loss of retail banking revenue is estimated.

Cost of response to risk
200000

Description of response and explanation of cost calculation
Planning for future and promote the bank as a climate friendly bank.

Comment

Identifier
Risk 11

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Market	Uncertainty in market signals

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification
Market risk

Company-specific description
Bank losing market share due to stigmatization. A sensitivity analysis for loss of clients and resulting loss of operational revenue is estimated.

Time horizon
Long-term

Likelihood
More likely than not

Magnitude of impact
Medium-high

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
4800000

Potential financial impact figure – maximum (currency)
7200000

Explanation of financial impact figure
Sectoral stigmatization and loss of business.

Cost of response to risk

Description of response and explanation of cost calculation
Investing in new marketing tools to protect the market share.

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

Primary potential financial impact
Increased revenues through access to new and emerging markets

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, a single figure estimate

Potential financial impact figure (currency)
2820938000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

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. Pilot Climate Change Adaptation Study has been used. The study by EBRD and IFC estimate the private sector investment opportunities in sectors for climate change adaptation. With

respect to that, market share of Albaraka Bank has been applied to overall market size for investments in sectors selected by the study.* https://www.ebrd.com/downloads/sector/sei/turkey-adaptation-study.pdf

Cost to realize opportunity
200000

Strategy to realize opportunity and explanation of cost calculation
Developing new portfolios and funds for sustainable energy and resource efficiency projects market development for new financial tools.

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

Primary potential financial impact
Reduced indirect (operating) costs

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
Medium-term

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
489913.2

Potential financial impact figure – maximum (currency)
918587.25

Explanation of financial impact figure
The reduction of operational cost plays positive role in the financials of the bank. A sensitivity analysis for potential savings on bank' operational cost has been conducted.

Cost to realize opportunity
100000

Strategy to realize opportunity and explanation of cost calculation
Continue to seek for new options for resource efficiency.

Comment

Identifier
Opp3

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

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?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
24000000

Potential financial impact figure – maximum (currency)
72000000

Explanation of financial impact figure
The increase of awareness will lead the customers to choose the banking products of sustainable and climate friendly banks. A sensitivity analysis for potential increase in bank's operational revenue has been conducted.

Cost to realize opportunity
100000

Strategy to realize opportunity and explanation of cost calculation
Maintaining the brand with climate friendly aspects and promote the well being of communities as central to bank's business strategy. Market development and innovative financial tools are needed.

Comment

Identifier
Opp4

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Use of more efficient production and distribution processes

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
The customers will create new business for the bank as they shift to resource efficient technologies.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
Assisting the customers to shift to low carbon economy for increased business.

Comment

Identifier
Opp5

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Markets

Primary climate-related opportunity driver
Access to new markets

Primary potential financial impact
Increased revenues through access to new and emerging markets

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. Green Sukuk is one of the target tools in near term.

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
1676000

Potential financial impact figure – maximum (currency)
2353000

Explanation of financial impact figure
The bank will have access to new tools and borrowers. A hypothetical profit analysis was conducted for green sukuk issuance between 200 Mn and 500 Mn USD:

Cost to realize opportunity
400000

Strategy to realize opportunity and explanation of cost calculation
Develop new products such as Green Bonds or Climate Bonds.

Comment

Identifier
Opp6

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Resilience

Primary climate-related opportunity driver
Resource substitutes/diversification

Primary potential financial impact
Increased access to capital

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
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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
New financial tools and loan mechanisms for infrastructure finance

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
Develop financing models for climate change adaptation and develop capacity for infrastructure finance

Comment

Identifier
Opp7

Where in the value chain does the opportunity occur?
Upstream

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Use of more efficient production and distribution processes

Primary potential financial impact
Reduced indirect (operating) costs

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
Short-term

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)
<Not Applicable>

Potential financial impact figure – minimum (currency)
55903.44

Potential financial impact figure – maximum (currency)
104818.95

Explanation of financial impact figure
Based on reduction in operational cost via suppliers analysis for resource efficiency, sensitivity analysis for potential savings on supplier expenses was conducted.

Cost to realize opportunity
100000

Strategy to realize opportunity and explanation of cost calculation
Maintain communication with suppliers and create incentive mechanisms for resource efficiency.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?
Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	Yes	The meeting agenda included a review of accomplishments from the past year regarding ESG and other climate risk management efforts. The meeting resolved to approve the program to progress in carbon pricing efforts, SBTs and TCFD.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?
Yes, qualitative and quantitative

C3.2a

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

Climate-related scenarios and models applied	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 CO2emissions 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 CO2 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 CO2 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 is 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.

C3.3

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

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	We are 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 ESG 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.
Supply chain and/or value chain	Yes	Albaraka operates a procurement process based on resource efficiency criteria. For instance all purchases of paper, stationary and other resources should evaluated with a resource efficiency and waste minimization perspective.
Investment in R&D	Yes	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.
Operations	Yes	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.

C3.4

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

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Access to capital Assets	Climate change issues are directly evaluated by our Strategic Planning department which also is responsible with strategic financial planning. A unit under Strategic Planning Department is responsible with incorporating all feedback from Sustainability Committee, Executive Sustainability Committee and the CEO into the strategic financial planning. A key activity in that process is the ESG Planning Project and its output. The department uses two two aspects of climate change, mitigation and adaptation, from both RISK and OPPORTUNITY perspective. In terms of risks, the impact of all identified climate change related risk parameters on revenues, direct costs, indirect costs, access to capital and assets are evaluated. The evaluation includes qualitative and quantitative assessments. In general, the content of the RISK evaluation is as follows: Revenues: The break down of all revenue streams from all products and services are analyzed with respect to potential impact of climate change related risks under different scenarios. Direct and Indirect Costs: The cost items, especially those stem from banking operations and maintenance of physical assets such as branches, servers and HQ buildings are evaluated with respect to forecasted physical changes. Operational cost and over head are part of this section. Assets: All banking assets are revalued with respect to economic forecasts and market outlook. Recently, we incorporated certain climate change related parameters into that evaluation and ear tagged our brown assets and green assets to distinguish increasing and diminishing future value. Access to Capital: As part of strategic planning is improving financial mobility and provision of capital, we now look into climate related risks and how the bank could mitigate the risk of diminishing access to capital. For the OPPORTUNITY section, the content of the evaluation is generating new revenue through climate friendly streams of services and products (Revenues), reducing cost with climate change investments (DIRECT and INDIRECT cost) and increasing asset value while greening of assets. Access to capital is a key factor in conducting a strategic financial planning and considering climate related opportunities. The outcome of greening our bank services and products and a robust ESG mechanism is considered in strategizing for access to capital.

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

Climate related issues have highly influenced our strategic financial planning process. In the past, we had a conventional planning procedure that only considered business as usual banking risks and market opportunities. With the identification of risks and opportunities and establishing a robust ESG mechanism, we have now data and information that can be used to generate assessments to reflect the strategic value of considering climate-related risks and opportunities. As a matter of fact, as we have a better understanding of why Albaraka Turk should position itself as a sustainable bank, we also develop a good sense of how our future activities could be strategized to generate the utmost value. That also helps us to internalize the bank's greening process as a whole, not only with all departments and units but also executive management and the Board.

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.6a

(C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Engagement policy	Majority of the portfolio	As a participation bank that already excludes certain businesses and commercial activities such as tobacco, alcohol and defense industry based on ethical values, it is also customary for Albaraka Turk to disengage with certain client segments. Hence, we already have an engagement policy where it is currently expanded to non climate friendly investments. The policy is expected to be rigid and well documented at the end of second phase of ESG Planning by 2023.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	

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

Year target was set

2021

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2018

Covered emissions in base year (metric tons CO2e)

11164.8

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)
35

Covered emissions in target year (metric tons CO2e) [auto-calculated]
7257.12

Covered emissions in reporting year (metric tons CO2e)
9994.35

% of target achieved [auto-calculated]
29.952554968677

Target status in reporting year
Revised

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

Target ambition
1.5°C aligned

Please explain (including target coverage)
Albaraka Turk has medium and long-term targets milestones (see 'Abs 1' and 'Abs 2'). Our Abs1 emission reduction target includes a 35% reduction in Scope 1 and 2 GHG emissions by 2030 against the 2018 baseline. Albaraka's 2020 scope 1 and 2 emissions were 9,994.35 tCO2-e, equivalent to a 9.99% emission reduction from the 2018 base year emissions,meaning we are reaching our target (9.99/35 = 29.95%). Furthermore, Albaraka Turk signed the science-based targets letter for financial Institutions in 2020 and this target was also submitted to the SBTi Validation Team.

Target reference number
Abs 2

Year target was set
2021

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Base year
2018

Covered emissions in base year (metric tons CO2e)
11164.8

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2036

Targeted reduction from base year (%)
65

Covered emissions in target year (metric tons CO2e) [auto-calculated]
3907.68

Covered emissions in reporting year (metric tons CO2e)
9994.35

% of target achieved [auto-calculated]
16.1282988292876

Target status in reporting year
Revised

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

Target ambition
1.5°C aligned

Please explain (including target coverage)
Albaraka Turk has medium and long term targets milestones (see 'Abs 1' and 'Abs 2'). Our Abs2 emission reduction target includes a 65% reduction in Scope 1 and 2 GHG emissions by 2036 against the 2018 baseline. Albaraka's 2020 scope 1 and 2 emissions were 9,994.35 tCO2-e, equivalent to a 9.99% emission reduction from the 2018 base year emissions,meaning we are reaching our target (9.99/65 = 16.12%). Furthermore, Albaraka Turk signed the science-based targets letter for financial Institutions in 2020 and this target was also submitted to the SBTi Validation Team.

C4.1b

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

Target reference number
Int 1

Year target was set
2021

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Intensity metric
Metric tons CO2e per unit FTE employee

Base year
2018

Intensity figure in base year (metric tons CO2e per unit of activity)
2.8

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure
100

Target year
2030

Targeted reduction from base year (%)
35

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]
1.82

% change anticipated in absolute Scope 1+2 emissions

% change anticipated in absolute Scope 3 emissions

Intensity figure in reporting year (metric tons CO2e per unit of activity)
2.95

% of target achieved [auto-calculated]
-15.3061224489796

Target status in reporting year
Revised

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

Target ambition
1.5°C aligned

Please explain (including target coverage)
Our Int1 emission reduction target includes a 35% reduction in Scope 1+2 (location-based) emissions by 2030 against the 2018 baseline. Albaraka's 2020 scope 1 and 2 emissions were 9,994.35 tCO2-e, equivalent to a 9.99% emission reduction from the 2018 base year emissions. Normalized base year emissions in 2018 was 1.82 metric tons CO2e in 2020 this value is 2.95 metric tons CO2e. The intensity figure has increased 5.3%. The main reason behind this, the number of employees decreased by 15% between 2018 and 2020. Furthermore, Albaraka Turk signed the science-based targets letter for financial Institutions in 2020 and this target was also submitted to the SBTi Validation Team.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?
Target(s) to increase low-carbon energy consumption or production

C4.2a

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

Target reference number
Low 1

Year target was set
2021

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: energy carrier
Electricity

Target type: activity
Consumption

Target type: energy source
Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)
Percentage

Target denominator (intensity targets only)
<Not Applicable>

Base year
2018

Figure or percentage in base year
0

Target year
2030

Figure or percentage in target year
60

Figure or percentage in reporting year
0

% of target achieved [auto-calculated]
0

Target status in reporting year
Revised

Is this target part of an emissions target?
Target is to achieve 60 percent renewable electricity consumption in 2030. Albaraka Turk signed the science-based targets letter for financial Institutions in 2020 and this target was also submitted to the SBTi Validation Team.

Is this target part of an overarching initiative?
Science-based targets initiative

Please explain (including target coverage)
Albaraka Bank committed to increasing the annual sourcing of renewable electricity from 0% in 2018 to 60% by 2030. At the end of 2020, budget planning was made for the purchase of IREC certificates. The Bank started negotiations with energy companies to sign a renewable energy agreement in 2021.

C4.3

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

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*	2	4000
Implementation commenced*		
Implemented*	2	1451
Not to be implemented		

C4.3b

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

Initiative category & Initiative type

Waste reduction and material circularity	Waste reduction

Estimated annual CO2e savings (metric tonnes CO2e)
50

Scope(s)
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
216000

Investment required (unit currency – as specified in C0.4)
400000

Payback period
1-3 years

Estimated lifetime of the initiative
11-15 years

Comment
Albaraka Bank is an active participant in the Zero Waste Project launched by the Ministry of Environment and Urban Planning. The bank undertakes saving-oriented projects in the fields of prevention/ reduction, reuse, and procurement. We significantly reduce paper consumption by successfully executing the digital transformation process and contribute to the Zero Waste Project.The Bank has undertaken a wide range of efforts to further boost its performance in prevention/reduction, reuse and procurement. In 2020, the Bank implemented the following Zero Waste related projects: By reprogramming the photocopiers, unnecessary printouts that were sent to the printer and forgotten to be taken or sent again were prevented, and the duplex printing option was set as default on devices. Waste papers are delivered to companies assigned by the municipalities. Thanks to successfully executing its digital transformation drive, Albaraka Türk significantly reduced its paper consumption and contributed to the Zero Waste Project in 2020.

Initiative category & Initiative type

Energy efficiency in buildings	Lighting

Estimated annual CO2e savings (metric tonnes CO2e)
1401

Scope(s)
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
2925445

Investment required (unit currency – as specified in C0.4)
1000000

Payback period
1-3 years

Estimated lifetime of the initiative
11-15 years

Comment
Timers of the light sensors in the Head Office offices have been re-adjusted, resulting in approximately 6% less energy consumption. The operating system of the garden lights has been changed, leading to approximately 50% less energy consumption. Solar Window Film: Use of air conditioners has been reduced and greenhouse gas emissions dropped thanks to the solar window films placed on the facade of the Head Office building. Please see more information 2020 Integrated Report: https://www.albaraka.com.tr/documents/investor-relations/2020-annual-report.pdf

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 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.
Employee engagement	In line with our objective of continuous development, we continued to invest in our human resources and, in 2020, training time per employee was 42.04 hours. To raise awareness on the issues of environment and climate change trainings are organized for the personnel. About 90% of these trainings took place in the digital platform.
Compliance with regulatory requirements/standards	Albaraka has developed all necessary steps to ensure compliance with current regulations, considering the investment needed for this. Albaraka Türk shapes its business activities in line with its vision of “Becoming the World’s Best Participation Bank.” The Bank conducts environmental sustainability activities according to ISO 14001 Environmental Management Systems. Albaraka Türk is aware that its products and services are in constant interaction with the environment. Therefore, the Bank strives to minimize the environmental impact of this interaction and contribute to the fight against climate change. Incorporating a sustainable approach in all aspects of its corporate culture, Albaraka Türk is a pioneer of environmental sustainability among participation banks. The Bank moves steadily forward to achieve its sustainability goals. Albaraka Türk conducts and participates in a wide range of sustainability initiatives, including the Borsa Istanbul (BIST) Sustainability Index, Green Building Project (LEED EBOM), Carbon Disclosure Project (CDP), and Zero Waste Project.

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

% of total portfolio value

Asset classes/ product types

Please select

Comment

A sector standout with its robust capital structure, digital transformation investments and innovative subsidiaries, Albaraka Türk consistently adds value to its stakeholders. Driven by the widespread service network and innovative product portfolio of ABG as well as its solid financial structure, Albaraka Türk operates in line with ABG Objectives (2021-2025). ABG’s focus areas in sustainability and corporate social responsibility activities: Financing for Sustainability/ Renewable Energy Projects: USD 150 million (Group Target: USD 444 Million) • Financing for Circular Economy Projects: USD 5.5 million (Group Target: USD 226 million) • Financing for Agricultural Projects: USD 450 million (Group Target: USD 682 million)

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 2018

Base year end
December 31 2018

Base year emissions (metric tons CO2e)
3546.69

Comment

Scope 2 (location-based)

Base year start
January 1 2018

Base year end
December 31 2018

Base year emissions (metric tons CO2e)
7618.11

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

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019
IPCC Guidelines for National Greenhouse Gas Inventories, 2006
ISO 14064-1
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 CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
3114.61

Start date
<Not Applicable>

End date
<Not Applicable>

Comment
The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (1,617.48 t CO2e). Moreover, the other part is caused by energy consumption from fossil fuel sources for heating, generators and refrigerants. (1,497.13 tCO2e). During the reporting period we were able to compile data from 100% of the facilities. 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 a market-based.

C6.3

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

Reporting year

Scope 2, location-based
6879.74

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

Start date
<Not Applicable>

End date
<Not Applicable>

Comment
During the reporting period, we were able to compile electricity consumption data from 100% of the facilities. (All 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 2019 Turkish Electricity Transmission Corporation data, which is the most recently available official data in Turkey, was used for the calculation of scope 2 emissions in 2020.

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 gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
87.16

Emissions calculation methodology
Defra Voluntary 2020 Reporting Guidelines Emission Factors. Scope 3 – Material Use

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

Please explain
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. Thanks to successfully executing its digital transformation drive, Albaraka Türk significantly reduced its paper consumption and contributed to the Zero Waste Project in 2020.

Capital goods

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
There was no purchase 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

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

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

Upstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

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

Waste generated in operations

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
34.89

Emissions calculation methodology
EPA Emission Factors for GHG Inventories, Business Travel Emission Factors have been used.

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

Please explain
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. Business travel emissions due to Covid-19 have fallen sharply compared to the previous reporting period.

Employee commuting

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
There are no upstream leased assets, not relevant.

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
There is no downstream transportation and distribution, not relevant.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

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

Use of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

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

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

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

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

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

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
Albaraka Bank does not provide any franchising activities.

Other (upstream)

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Other (downstream)

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

C6.10

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

Intensity figure
0.00000208

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
9994.35

Metric denominator
unit total revenue

Metric denominator: Unit total
4800000000

Scope 2 figure used
Location-based

% change from previous year
22.9

Direction of change
Please select

Reason for change
In 2020, Albaraka Bank's revenue was TL 4.8 billion with an increase of 4.35%. Scope 1+2 (location based) emissions was 9,934.35tCO2e. Compared to the previous reporting period the intensity figure has been decreased by 22.9%. The main reason for this is the 10.5% decrease in emissions covering the same periods. Additionally, the second reason is the 4.35% increase in the amount of revenue between 2019-2020.

C7. Emissions breakdowns

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		<Not Applicable>		Albaraka Bank did not purchase renewable energy in 2019.
Other emissions reduction activities	1451	Decreased		
Divestment		<Not Applicable>		There had been no divestment activities in the reporting period.
Acquisitions		<Not Applicable>		There had been no acquisition activities in the reporting period.
Mergers		<Not Applicable>		Albaraka Bank was not involved in any mergers in the reporting period.
Change in output		<Not Applicable>		There was no change in output.
Change in methodology	496	Decreased	6.7	The grid emission factor based on 2019 TEİAŞ data was used for the calculation of scope 2 emissions in 2020. (Emission factor is 0.455 which is most recent available official data) Change in grid emission factor caused an increase in Scopes 1 and 2 emissions. Compared to last year, the emission factor decreased by 6.7%, therefore, the emission reduction due to the emission factor compared to last year is approximately is 6.7%
Change in boundary		<Not Applicable>		There was no change in boundary.
Change in physical operating conditions		<Not Applicable>		There were no changes in physical operating conditions that resulted in a variation to our emissions in the reporting period.
Unidentified		<Not Applicable>		There were no unidentified reason that resulted in a variation to our emissions in the reporting period.
Other		<Not Applicable>		There has been a decrease in consumption amounts due to remote working due to Covid19.

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)		15038	15038
Consumption of purchased or acquired electricity	<Not Applicable>	0	12295	12295
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>		27963	27963

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
0.01

Metric numerator
Cubic meters

Metric denominator (intensity metric only)
FTE

% change from previous year

Direction of change
<Not Applicable>

Please explain

Description
Energy usage

Metric value
8.24

Metric numerator
MW

Metric denominator (intensity metric only)
FTE

% change from previous year
2.12

Direction of change
Decreased

Please explain
In 2020, the number of employees was 3,390 and the total energy consumption was 27,963MW. During the reporting period, electricity consumption per FTE is approximately 8.24. Total energy consumption per full-time employee decreased by 2.12% compared with the previous year. (The number of employees was 3,791 and intensity figure was 8.42 MW/FTE in 2019)

C10. Verification

C10.1

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

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

C10.1a

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

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
Albaraka Türk-2020 Annual Reportt.pdf

Page/ section reference
1-3

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 2 emissions and attach the relevant statements.

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Reasonable assurance

Attach the statement
Albaraka Türk-2020 Annual Reportt.pdf

Page/ section reference
1-3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1c

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

Scope 3 category
Scope 3: Purchased goods and services

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

Page/section reference
1-3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

Scope 3 category
Scope 3: Business travel

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 2020 CDP GHG Statement.pdf

Page/section reference
1-3

Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.2

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

C10.2a

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C9. Additional metrics	Other, please specify (Water consumption)	Third-Party Assurance-Water Footprint Assesment Manual	Please see the Albaraka Water Security 2021 Report

C11. Carbon pricing

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. Due to Covid 19, Albaraka postponed releasing its own report on climate change taxonomy and internal carbon pricing to 2021.

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
100

% of customer - related Scope 3 emissions as reported in C6.5
100

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
We are focusing on all our clients while sharing information on our climate strategy including resource efficiency, green branches and climate change awareness.

Impact of engagement, including measures of success
Our clients report in customer surveys that they are aware of Albaraka climate and resource efficiency related initiatives. They also claim to appreciate those activities.

Type of engagement
Engagement & incentivization (changing customer behavior)

Details of engagement
Encourage better climate-related disclosure practices

% of customers by number
20

% of customer - related Scope 3 emissions as reported in C6.5
20

Portfolio coverage (total or outstanding)
Minority of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
As part of our ESG, we encourage our clients or loan applications above a certain size to disclose their climate related risks during the know your customer or loan application process.

Impact of engagement, including measures of success
So far, a significant number of loan applicants and new clients started, although voluntarily, discussing their climate related risks.

C12.1d

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

Our climate-related engagement so far consisted of downstream activities and our suppliers especially for green procurement. Downstream, our engagement strategy is based on managing E&S risks as well as raising awareness of the opportunities of transitioning to a low carbon economy. With the suppliers, we have a clear policy that our process of transition to become a green bank gives special consideration to sustainable use of resources. Hence, we regularly communicate with our suppliers to encourage them to adopt green business practices.

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).

At Albaraka Türk, we adopt a multi-dimensional environmental sustainability approach by keeping close track of global developments in this key area. Our Head Office Building located in Istanbul, Ümraniye was deemed worthy of LEED Gold Green Building certification. Efforts are ongoing to arrange our financials in a manner that reflects climate risks. We aim to implement TCFD-Task Force on Climate-Related Financial Disclosure recommendations. Additionally, we remain committed to determining SBTi-Science-Based Targets within two years and reducing our carbon emissions by calculating our entire climate load. Albaraka Türk aims to achieve net-zero greenhouse gas emissions on a global scale with these studies pursuant to our sustainable banking approach.

As Turkey's first participation bank and the only participation banking institution traded on Borsa Istanbul (BIST), Albaraka Türk achieved significant success in 2020, thanks to its expert human resources as well as its technological competencies. The Bank plans to set up the

Environmental Social Governance (ESG) system within the organization. With this system, Albaraka Türk aims to achieve zero-emission and become the leader in this arena by taking voluntary steps to address pressing environmental issues, such as the climate crisis. During the

year, the Bank was deemed worthy of the CDP Turkey 2020 Climate Leadership award in recognition of its commitment in this area. Thanks to its inclusion in the Borsa Istanbul Sustainability Index for the second time, Albaraka Türk reclaimed its title as the first and only participation

bank in this index.

New targets within the scope of TCFD

Keeping a close track on efforts to combat climate change, Albaraka Türk conducts scope 3 greenhouse gas emission calculation studies to determine the financial risks arising from climate change in line with TCFD. For this purpose, it is aimed to calculate the risk of greenhouse

gas emissions caused by the loan portfolio and commercial risks and to convert it into financial risk with the determined internal carbon price. In parallel with the scope 3 emission inventory studies, the

efforts to determine the internal carbon price will be completed in the second half of 2021. Scope 3 emissions will also play a major role in Albaraka Türk's net-zero emission target. By simulating the methods determined for reduction over various scenarios in addition to the current inventory, the cost-effective methods will be made a part of strategic growth.

With all these efforts, our aim is to become a "net-zero" bank. At the Board of Directors of Albaraka Türk, combating climate change and pursuing sustainable finance remains its central focus.

C12.4

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

Publication
In mainstream reports

Status
Complete

Attach the document
Albaraka Türk-2020 Annual Reportt.pdf

Page/Section reference

Content elements
Governance
Strategy
Emissions figures
Emission targets
Other metrics

Comment
In addition, verified emission figures for 2020 have been published on our website. (https://www.albaraka.com.tr/surdurulebilirlik/surdurulebilirlik-calismalari.aspx)

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Please select	
Industry initiative	Science-Based Targets Initiative for Financial Institutions (SBTi-FI)	Albaraka Turk recently applied the SBTI and was admitted to the initiative. We have completed capacity building to understand the process technically and implement the models in the first part of ESG. We now aim at developing a reduction plan within the next 6 months, in a time less than as dictated by SBTI.
Commitment	Please select	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	A quantified model based on SBTI process and ESG building, we will quantify the impact of our portfolio.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No, but we plan to do so in the next two years	<Not Applicable>	We will complete TCFD defined alternative foot printing by 2022.

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 “Investments” emissions or alternative carbon footprinting and/or exposure metrics)

While building a robust ESG mechanism between 2017 and 2020, we developed a good understanding of climate related risks of our portfolio and developed internal capacity to conduct assessments to quantify such impact. We aim at finalizing our assessments through TCFD defined alternative foot-printing process by 2022.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	We were recently admitted by SBTI. We plan to complete our emission reduction plan within the next 12 months.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	No	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees’ business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	We will categorize our portfolio along with 2-degree world and take action to prioritize clients that are aligned to a well below 2 degree world.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No	
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C15. 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 for ALBARAKA TÜRK

https://www.albaraka.com.tr/en/about-us/sustainability

For more information, please see the 2020 Annual Report of Albaraka Bank

https://www.albaraka.com.tr/documents/investor-relations/2020-annual-report.pdf

For more information, please see the 2020 Sustainability Report of Albaraka Bank

https://www.albaraka.com.tr/documents/hakkimizda/surdurulebilirlik/pdf/albaraka-turk-2020-sustainability-report.pdf

You can find Albaraka's SBT Commitment Letter as attached.

Albaraka Turk_FINAL WFP_REPORT_rev 1_0_31072020.pdfAlbaraka Turk_Commitment Letter_SBT.pdf
Albaraka Türk-2020 Annual Reportt.pdf

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

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

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

Please confirm below
I have read and accept the applicable Terms

Welcome to your CDP Water Security Questionnaire 2021

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 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. Albaraka, in line with the principles of participation banking, is highly active in the field of manufacturing and trade financing. As of 31.12.2020 Albaraka Turk consists of foreign partners (62.12%), native partners (1.07%), and public shares (36.01%). As a participation bank, we regard the community interests at the highest level and 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 the products and services we provide to society interact with the environment. We do not only aim to minimize the impact of this interaction on climate change but also to be a pioneer among the industry's major players by assuming a leading role in mobilizing finance for sustainability. 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 with training programs and implementation of climate change management modules within the departments of Credit Risk Management, Strategic Planning, and Administrative Affairs with the assistance of The Sustainability Committee that was established by the attendance of staff from those departments. 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 E&S risks to all credit and banking decisions. Albaraka continues to build capacity to become the center of excellence in sustainability finance by combining ESG efforts with a science-based targets program and build back better principles in line with the COVID19 pandemic. In 2020, progress regarding ESG capacity has been substantial as the design of mechanisms to evaluate E&S risks of lending portfolios in selected sectors and digital infrastructure to monitor outcome has been completed. It is expected that in 2021 these mechanisms will be fully put in place. In the second phase, we will incorporate ESG in our retail strategy and mobilizing new finance mechanisms, especially for SMEs to stimulate their activities in both climate change mitigation and adaptation. The carbon pricing initiative was started to match with TCFD recommendations in near future. We plan to

set the final price by 2021 and implement it in all our banking decisions. We also aim at estimating the climate impact of our lending portfolio in line with TCFD. We just completed building our own climate-centered taxonomy to institutionally define “green” and categorize the project activities that are sustainable for lending. The taxonomy, to be published by the end of 2021 as part of our post COVID19 build-back better program, is now revised to be in line with EU Taxonomy. In 2020, Albaraka accelerated the preparations and capacity building to issue a green sukuk in near term. With that purpose, bank customer profile and financial products marketing strategies were reviewed to analyze the potential project origination and eligibility. Certain teams attended workshops to understand the green bond process and ICMA requirements. Albaraka is determined to make green sukuk an essential instrument for the green recovery process. In addition, as Albaraka Turk we ultimately care about our own carbon footprint and maintaining resource efficiency in planning our business operations. Our HQ building awarded with LEED Gold Certificate making is the first HQ building in the banking industry in Turkey. Based on our climate change capacity-building activities, we aim at taking a leadership role at two levels. We continuously promote the idea of sustainable banking principles to our peers at TKBB (Participation Banks Association of Turkey). Second, at the global level, our experience started to expand across all group companies and triggered our parent company ABG to sustainable banking. Also, our proactive approach in defining a role in the green rebooting of the economy post-pandemic has attracted attention from the banking sector in the region. Based on all the achievements in developing a robust 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. Albaraka has been qualified to participate in the A- List of 2020 CDP Climate Change Program in Turkey.

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, 2020	December 31, 2020

W0.3

(W0.3) Select the countries/areas 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	Within the scope of the Gray Water Project, the waste water used in sinks was treated and reused in the reservoir.Water efficiency was achieved by adopting drip irrigation systems and sprinkler systems in green areas. Treated water was used in lavatories and for the purposes of irrigation in the green areas of the Head Office.

W1.2

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

	% of sites/facilities/operations	Please explain
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 by source	100%	All facilities obtain water from the municipal water system.
Water withdrawals quality	100%	Water withdrawal quality is monitored by the Municipalities&Water and Sewerage Administrations 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. Various analyses are conducts to make sure the water bears no unhealthy conditions in chemical terms.
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	100%	Water is discharged directly to the municipal sewage system.
Water discharge quality – by standard effluent parameters	Not monitored	Water is discharged directly to the municipal sewage system. The municipalities are responsible for the monitoring of the discharge quality of water used.
Water discharge quality – temperature	Not monitored	Water is discharged directly to the municipal sewage system. The municipalities are responsible for the monitoring of the discharge quality of water used.
Water consumption – total volume	100%	Water use for drinking, cooking and personal and domestic hygiene.
Water recycled/reused	100%	Thanks to the Gray Water Project, the waste water used in sinks was treated and reused in the reservoir. In this way, leading to the recycling of 827 m^3 of water during the year.
The provision of fully-functioning,	100%	The importance of providing potable water, adequate sanitation and hygiene for all

safely managed WASH services to all workers		employees is recognised. All facilities ensure the availability of fullyfunctioning 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	46.86	Lower	The total water withdrawal decreased from 60.01 megaliters in 2019 to 46.86 megaliters in 2020 . With the Covid 19 pandemic, Albaraka Bank switched to a remote working model at a certain capacity, so a 21.91% decrease was seen in the total water withdrawal. Albaraka Bank determined the threshold as follows: 0% - 10% about the same, 10%- 25% higher or lower, over %25: much higher or lower.
Total discharges	34.15	Lower	The amount of total discharges was 34.15 megaliters in 2020. Total discharges amount during the reporting period has decreased by 43.09% due to changing calculation methodology of water consumption. Another reason is was the transition to a remote working model in the months when the epidemic was widespread due to Covid 19. Albaraka Bank determined the threshold as follows: 0% - 10% about the same, 10%- 25% higher or lower, over %25: much higher or lower.
Total consumption	12.71	Much lower	Total basic water need per one person is determined between 7.5 and 15 liters per day according to the case study "Minimum Standards in Water Supply, Sanitation and Hygiene Promotion (https://ec.europa.eu/echo/files/evaluation/watsan2005/annex_files/Sphere/SPHERE2%20-%20chapter%202%20-%20Min%20standards%20in%20water,%20sanitation%20and%20hygiene%20prom.pdf pape 64) . The report states that this value (15 litres per person) is applicable for eight hours of water access, which is approximately equal to the work shift. Therefore, the daily water consumption is determined as 15 litres per person. There is a sharp decline in water consumption mainly

			due to changing calculation methodology of water consumption. Another reason is was the transition to a remote working model in the months when the epidemic was widespread due to Covid 19. Albaraka Bank determined the threshold as follows: 0% - 10% about the same, 10%- 25% higher or lower, over %25: much higher or lower.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	100%	About the same	WRI Aqueduct	Water demand in Turkey approximately has doubled in the second half of the last century. The overall water demand in Turkey continues to increase, even more in the light of the effects of drought (or climate change). Turkey will suffer from water scarcity in the next years. Albaraka Bank determines water stressed areas through WRI Aqueduct's global water risk mapping tool. All our operational facilities are in water-stressed areas. While the proportion of water withdrawal from water-stressed areas has not changed the amount of water withdrawn is lower (21.91%) as a result of global pandemic effects.

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			No withdrawal from this source is why 'Not relevant' was chosen.
Brackish surface water/Seawater	Not relevant			No withdrawal from this source is why 'Not relevant' was chosen.
Groundwater – renewable	Not relevant			No withdrawal from this source is why 'Not relevant' was chosen.
Groundwater – non-renewable	Not relevant			No withdrawal from this source is why 'Not relevant' was chosen.
Produced/Entrained water	Not relevant			No withdrawal from this source is why 'Not relevant' was chosen.
Third party sources	Relevant	46.86	Lower	The total water withdrawal decreased from 60.01 megaliters in 2019 to 46.86 megaliters in 2020 . With the Covid 19 pandemic, Albaraka Bank switched to a remote working model at a certain capacity, so a 21.91% decrease was seen in the total water withdrawal.

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			No discharge to this source is why 'Not relevant' was chosen.
Brackish surface water/seawater	Not relevant			No discharge to this source is why 'Not relevant' was chosen.
Groundwater	Not relevant			No discharge to this source is why 'Not relevant' was chosen.
Third-party destinations	Relevant	34.15	Much lower	Third-party destination is relevant because Albaraka Bank discharges its wastewater to

				municipal sewer systems. Total discharges amount during the reporting period has decreased by 43.09% compared to the previous reporting year.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Not relevant				There is no Bank's operation that requires tertiary treatment.
Secondary treatment	Not relevant				There is no Bank's operation that requires secondary treatment.
Primary treatment only	Not relevant				There is no Bank's operation that requires primary treatment.
Discharge to the natural environment without treatment	Not relevant				Albaraka Bank does not discharge to the natural environment without treatment.The wastewater is discharged

					to the municipal sewer.
Discharge to a third party without treatment	Relevant	34.15	Much lower	100%	The wastewater is discharged to the municipal sewer.
Other	Not relevant				There is no Bank's operation that requires other treatment.

W1.4

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

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

None currently, but we plan to request this within the next two years

Rationale for this coverage

Comment

Albaraka Turk, intends to request to disclose of the suppliers' water uses, risks and / or management information in the second phase of the ESG Program between 2021 and 2023.

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

No other supplier engagements

Details of engagement

% of suppliers by number

% of total procurement spend

Rationale for the coverage of your engagement

Albaraka Turk, intends to request to disclose of the suppliers' water uses, risks and / or management information in the second phase of the ESG Program between 2020 and 2023.

Impact of the engagement and measures of success

Comment

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 refrains from being 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 dilligence. This due dilligence form includes details of water needs and supplies (details on source – municipal, groundwater etc. – and volumes). Furthermore, we plan to conduct an assessment study taking into account water-related information of our suppliers. As part of the second phase of the ESG between 2020 and 2023, we plan to introduce new parameters of water use to our credit risk due diligence process.

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 the total financial impact.

Country/Area & River basin

Turkey

Other, please specify

Fırat-Dicle

Type of impact driver & Primary impact driver

Physical

Drought

Primary impact

Reduced revenues from lower sales/output

Description of impact

Turkey is a “water stressed” country and has faced several droughts since the 1980s due to a combination of population growth, industrialisation, urban sprawl and climate change Recently, the amount of electricity generation in hydro projects in our loan portfolio has decreased.

Primary response

Greater due diligence

Total financial impact

2,000,000

Description of response

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 dilligence. This due dilligence form includes details of water needs and supplies (details on source – municipal, groundwater etc. – and volumes). Furthermore, we plan to conduct an assessment study taking into account water-related information of our suppliers. As part of the second phase of the ESG between 2020 and 2023, we plan to introduce new parameters of water use to our credit risk due diligence

process.

Country/Area & River basin

Turkey

Other, please specify

Doğu Karadeniz Basin

Type of impact driver & Primary impact driver

Physical

Drought

Primary impact

Reduced revenues from lower sales/output

Description of impact

Turkey is a “water stressed” country and has faced several droughts since the 1980s due to a combination of population growth, industrialisation, urban sprawl and climate change Recently, the amount of electricity generation in hydro projects in our loan portfolio has decreased.

Primary response

Greater due diligence

Total financial impact

4,000,000

Description of response

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 dilligence. This due dilligence form includes details of water needs and supplies (details on source – municipal, groundwater etc. – and volumes). Furthermore, we plan to conduct an assessment study taking into account water-related information of our suppliers. As part of the second phase of the ESG between 2020 and 2023, we plan to introduce new parameters of water use to our credit risk due diligence process.

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

Coverage

Full

Risk assessment procedure

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

Frequency of assessment

More than once a year

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

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

Annually

How far into the future are risks considered?

More than 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

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

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 assess environmental and technical issues during the all project finance transactions by due dilligence. This due dilligence 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 & inclusion	Please explain
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, always included	Especially for agricultural loans, we analyze risks from a potential water conflict.
Implications of water on your key commodities/raw materials	Relevant, always included	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	Not considered	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 included	In this context, Albaraka Turk involved in the valuation of the Carbon Disclosure Project (CDP), which is considered to be the 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	We observe the amount of water withdrawal in regions with high water stress, especially in drought.
Statutory special interest groups at a local level	Not considered	
Suppliers	Relevant, not included	We plan to conduct an assessment study taking into account various factors such as the water use, risks and/or management information of our suppliers.
Water utilities at a local level	Not considered	
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.

Management of water-related risks in the company is considered at three levels; awareness, institutional capacity building and leadership. In 2016, we started an internal capacity-building

program with training programs and implementation of climate change and water management modules within the departments of Credit Risk Management, Strategic Planning, and Administrative Affairs with the assistance of The Sustainability Committee that was established by the attendance of staff from those departments. 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 E&S risks to all credit and banking decisions. Albaraka continues to build capacity to become the center of excellence in sustainability finance by combining ESG efforts with a science-based targets program and build back better principles in line with the COVID19 pandemic. In 2020, progress regarding ESG capacity has been substantial as the design of mechanisms to evaluate E&S risks of lending portfolios in selected sectors and digital infrastructure to monitor outcome has been completed. It is expected that in 2021 these mechanisms will be fully put in place. In the second phase, we will incorporate ESG in our retail strategy . In 2020, Albaraka accelerated the preparations and capacity building to issue a green sukuk in near term. With that purpose, bank customer profile and financial products marketing strategies were reviewed to analyze the potential project origination and eligibility. Certain teams attended workshops to understand green bond process and ICMA requirements. Albaraka is determined to make green sukuk an essential instrument for green recovery process. In addition, as Albaraka Turk we ultimately care about our own carbon footprint and maintaining resource efficiency in planning our business operations. Combining its innovative products approach and its environmental responsibilities, Albaraka Türk introduced the Gray Water/ Environment Loan product. Gray Water Loan Project was launched with the aim to fund projects focusing on enabling the reuse of recycled water obtained from gray water in areas such as reservoir feeding, garden irrigation, vehicle washing, rough cleaning works, cooling tower feeding and laundry washing. The intended audience of the product was determined as retail and commercial customers in need of funding for environmentally friendly projects aiming to contribute to sustainability, water efficiency, energy efficiency, environmental awareness of materials and resources, interior-exterior building environmental quality, preventing waste of resources by recycling, etc. Albaraka Türk offers its customers a grace period, a long-term loan facility, profit rate reduction, and interest-free financing within the scope of the Gray Water/ Environmental Loan. Reducing water consumption levels generated from its operations: In the Head Office, watersaving apparatus were installed in the lavatory faucets, helping reduce water consumption by around 20%. Water efficiency was achieved by adopting drip irrigation system and sprinkler systems in green areas.

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?

Albaraka continues to build capacity to become the center of excellence in sustainability finance by combining ESG efforts with a science-based targets program and build back better principles in line with the COVID19 pandemic. In 2020, progress regarding ESG capacity has been substantial as the design of mechanisms to evaluate E&S risks of lending portfolios in selected sectors and digital infrastructure to monitor outcome has been completed. It is expected that in 2021 these mechanisms will be fully put in place.

As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate and water-related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate and water related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation.

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 financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Turkey

Other, please specify

Gediz, Buyuk Menderes, Konya

Number of facilities exposed to water risk

24

% company-wide facilities this represents

1-25

% company's total global revenue that could be affected

1-10

Comment

Among the river basins, Gediz (5 facilities), Buyuk Menderes (6 facilities) and Konya Closed (13 facilities) river basin carriers the highest water risk which affects the Bank in terms of client potential. Our agricultural and renewable energy loan portfolio can be negatively affected 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/Area & River basin

Turkey

Other, please specify

All Albaraka branches in Turkey

Type of risk & Primary risk driver

Regulatory

Higher water prices

Primary potential impact

Increased operating costs

Company-specific description

If water prices increase significantly, operating costs will increase.

Timeframe

Current up to one year

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

The unit price of water increased by %12.66 in Turkey. However, Albaraka Bank's water withdrawal amount has decreased by 21.91% due to the global pandemic and water-saving projects.

Primary response to risk

Adopt water efficiency, water reuse, recycling and conservation practices

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.

Cost of response

50,000

Explanation of cost of response

Albaraka Turk continued its activities to reduce water consumption in 2020 as well. Water saving apparatus was installed on Albaraka Türk Headquarter's sink faucets, thereby reducing water consumption. Water-saving apparatus, which provides the same effect with less water consumption by increasing the pressure of the water, were installed on the sink faucets in the Headquarters building.

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/Area & River basin

Turkey
Not known

Stage of value chain

Other, please specify

Downstrean

Type of risk & Primary risk driver

Physical

Severe weather events

Primary potential impact

Reduced revenues from lower sales/output

Company-specific description

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

Timeframe

1-3 years

Magnitude of potential impact

Medium

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)

13,676,205.5

Potential financial impact figure - maximum (currency)

22,185,844.4

Explanation of financial impact

Increase in the capital cost for certain industries that rely on naval transportation and logistics. Estimates of the impact of climate change over the course of this century on the PV of global financial assets. Along the DICE baseline or business-as-usual (BAU) emissions scenario, in which the expected increase in the global mean temperature in 2100, relative to pre- industrial, is about 2.5°C (see Supplementary Information), the expected climate VaR of global financial assets today is 1.8% at median. https://eprints.lse.ac.uk/66226/1/Dietz_Climate%20Value%20at%20risk.pdf

Primary response to risk

Supplier engagement

Promote adoption of waste water management procedures among suppliers

Description of response

Assessing the customers with this perspective and providing them with guidance to seek help for risk management. It is also imperative to build a robust risk monitoring scheme.

Cost of response

240,000

Explanation of cost of response

Albaraka Turk pays attention to supply chain conditions of its clients and how those conditions change along with rapidly changing business and economic environment. As part of that, we continuously analyze our credit risk with logistics or or logistics dependent clients based on physical conditions.

Country/Area & River basin

Turkey

Other, please specify

All of the basin

Stage of value chain

Other, please specify

Downstream

Type of risk & Primary risk driver

Primary potential impact

Other, please specify

Credit risk

Company-specific description

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

Timeframe

1-3 years

Magnitude of potential impact

Medium-high

Likelihood

Very 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)

5,708,487.61

Potential financial impact figure - maximum (currency)

9,260,435.45

Explanation of financial impact

Customers' business interruption due to extreme weather events. More floods are observed in the northern parts of Turkey where businesses and agriculture are affected severely.Estimates of the impact of climate change over the course of this century on the PV of global financial assets. Along the DICE baseline or business-as-usual (BAU) emissions scenario, in which the expected increase in the global mean temperature in 2100, relative to pre- industrial, is about 2.5°C (see Supplementary Information), the expected climate VaR of global financial assets today is 1.8%. https://eprints.lse.ac.uk/66226/1/Dietz_Climate%20Value%20at%20risk.pdf

Primary response to risk

Direct operations

Other, please specify

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

Description of response

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

Cost of response

150,000

Explanation of cost of response

As part of our ESG program, we already categorized the sectors with respect to their needs for climate change adaptation. Starting with logistics and agro business, we monitor the clients based on their region, forecasts of climate change impact and their business content. Risk information will be shared with the clients regularly starting 2021.

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

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, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

489,913.2

Potential financial impact figure – maximum (currency)

918,587.25

Explanation of financial impact

The reduction of operational cost plays positive role in the financials of the bank. A sensitivity analysis for potential savings on bank' operational cost has been conducted.

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)

24,000,000

Potential financial impact figure – maximum (currency)

72,000,000

Explanation of financial impact

The increase of awareness will lead the customers to choose the banking products of sustainable and climate friendly banks. A sensitivity analysis for potential increase in bank's operational revenue has been conducted.

Type of opportunity

Products and services

Primary water-related opportunity

Increased sales of existing products/services

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

1 to 3 years

Magnitude of potential financial impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2,820,938,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact

Increase in demand for loans for new sustainable energy and resource efficiency products resulting in new business and increased revenue for the bank. Pilot Climate Change Adaptation Study has been used. The study by EBRD and IFC estimate the private sector investment opportunities in sectors for climate change adaptation. With respect to that, market share of Albaraka Bank has been applied to overall market size for investments in sectors selected by the study.*

https://www.ebrd.com/downloads/sector/sei/turkey-adaptation-study.pdf

Type of opportunity

Markets

Primary water-related opportunity

Expansion into new markets

Company-specific description & strategy to realize opportunity

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. Green Sukuk is one of the target tools in near term.

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?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

1,676,000

Potential financial impact figure – maximum (currency)

2,353,000

Explanation of financial impact

The bank will have access to new tools and borrowers. A hypothetical profit analysis was conducted for green sukuk issuance between 200 Mn and 500 Mn USD:

W5. Facility-level water accounting

W5.1

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

Facility reference number

Facility 1

Facility name (optional)

Albaraka Headquarters building

Country/Area & River basin

Turkey

Other, please specify

Marmara Basin

Latitude

28

Longitude

41

Located in area with water stress

Yes

Total water withdrawals at this facility (megaliters/year)

20.02

Comparison of total withdrawals with previous reporting year

Much lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

20.02

Total water discharges at this facility (megaliters/year)

18.34

Comparison of total discharges with previous reporting year

Much lower

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

18.34

Total water consumption at this facility (megaliters/year)

1.69

Comparison of total consumption with previous reporting year

Much lower

Please explain

Total water consumption at HQ has decreased by 30% compared to the previous year. There are two main reasons for this decline. The first is the decrease in water consumption due to the transition to the remote working model due to Covid 19. The second is the projects carried out by Albaraka Bank on water saving. For example, water-saving apparatus, which provides the same effect with less water consumption by increasing the pressure of the water, were installed on the sink faucets in the Headquarters building.

Facility reference number

Facility 2

Facility name (optional)

All of the Branches

Country/Area & River basin

Turkey

Other, please specify

All river basins in Turkey

Latitude

41

Longitude

29

Located in area with water stress

Yes

Total water withdrawals at this facility (megaliters/year)

26.84

Comparison of total withdrawals with previous reporting year

Lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

26.84

Total water discharges at this facility (megaliters/year)

15.82

Comparison of total discharges with previous reporting year

Much lower

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

0

Total water consumption at this facility (megaliters/year)

11.03

Comparison of total consumption with previous reporting year

Much lower

Please explain

Total water consumption at all of the branches has decreased by 14.3 compared to the previous year. There are two main reasons for this decline. The first is the decrease in water consumption due to the transition to the remote working model due to Covid 19. The second is the projects carried out by Albaraka Bank on water saving.

W5.1a

(W5.1a) 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. Please refer to 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. Please refer to verification statement attached in section W-FI.

Water withdrawals – quality

% verified

Not verified

Water discharges – total volumes

% verified

Not verified

Water discharges – volume by destination

% verified

Not verified

Water discharges – volume by treatment method

% verified

Not verified

Water discharge quality – quality by standard effluent parameters

% verified

Not verified

Water discharge quality – temperature

% verified

Not verified

Water consumption – total volume

% verified

Not verified

Water recycled/reused

% verified

Not verified

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	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 (https://www.albaraka.com.tr/assets/en/pdf/cevre-politikasi.pdf)

		Company water targets and goals Commitment to align with public policy initiatives, such as the SDGs Recognition of environmental linkages, for example, due to climate change	

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 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 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	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

		Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy Reviewing innovation/R&D priorities	acquisitions the climate and ESG related risks are explained for decision making. All briefings include progress in sustainability issues.

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.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	Albaraka set targets and goals for eco-efficiency, including water-related, which are accompanied by the top management of the company.C-Suite employees recognize the work done and the team's effort to continuous improvement, for the Bank's performance as a whole.

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward			
Non-monetary reward	Board/Executive board Chief Executive Officer (CEO) Chief Purchasing Officer (CPO) Chief Risk Officer (CRO) Chief Sustainability Officer (CSO) Other, please specify All employees	Reduction of water withdrawals Reduction in consumption volumes Improvements in efficiency - direct operations Improvements in efficiency - supply chain Improvements in waste water quality - supply chain	Albaraka recognises individuals and teams for the implementation of water-related projects and other sustainability projects by including them in internal communications. Albaraka got into the B- List for CDP Water 2020. This recognition has been communicated internally and recognized by everyone in the organization, including top management. 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 minimization of water consumption by developing solutions and offering innovation. Furhermore, accomplish of environmental targets namely water-related

		Implementation of employee awareness campaign or training program Increased access to workplace WASH	targets, are part of the performance evaluation of employees- and can help career progression of employees.

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?

Yes (you may attach the report - this is optional)

Albaraka Türk-2020 Annual Reportt.pdf

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 10% in the following 5 years period. (until 2025)
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 praogramme.

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)

0

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

100

Water-related OPEX (+/- % change)

-16

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

10

Please explain

Between 2019 and 2020, the average unit water price increased by 10.66%. However, our OPEX has been decreased by %16 due to lower water consumption during the reporting period. There was no change in CAPEX in 2020 due to global pandemic. We anticipate a 100% increase in CAPEX, as our work on water saving will continue in 2021. Again, we anticipate a 10% increase in OPEX due to the expenses we expect in water prices.

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	Our 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. The outcome of the scenarios is as follows; Albaraka needs to diminish its carbon intensive portfolio by X percent by 2030 and shift is 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.

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 scenarios and models applied	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 -Reducing water consumption levels generated from its operations

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 Turk 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 2025 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 15% in the following 5 years period.

Quantitative metric

% reduction in total water consumption

Baseline year

2019

Start year

2020

Target year

2025

% of target achieved

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 areas. Albaraka has medium-term target milestones. Our absolute reduction in total water consumption target include a 15% reduction in water consumption by 2025 against 2019 baseline. Albaraka's 2020 water consumption was 46.86 megaliters, equivalent to a 21.91% reduction compared to the previous reporting period. However, we are aware that this decrease is due to our energy efficiency projects as well as the effect of Covid 19 pandemic. Considering the effect of remote work, we did not enter the percentage of reaching the target this year.We will continue our extensive work to achieve our water reduction targets.

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 to water-related issues.

Baseline year

2018

Start year

2019

End year

2020

Progress

Albaraka's employees received a total of 153,810 hours of training, 42.04 hours per person during the reporting period. In order to increase awareness, online training on environmental issues including the water topic continued in 2020. Approximately 90% of these trainings were held in the digital environment.

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

2019

End year

2020

Progress

All sustainability risks including water-related risks were identified and assessed by the Sustainability Committee, Credit Risk Unit and Strategic Planning.

Goal

Other, please specify

Climate change adaptation and mitigation strategiess

Level

Company-wide

Motivation

Climate change adaptation and mitigation strategies

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 valuesit 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

2020

End year

2025

Progress

As an institution that supports 2030 UN Sustainable Development Goals, Albaraka Türk conducts its sustainability and social responsibility activities in line with these goals. Albaraka Türk supports the following purposes in line with its 2021-2025 targets in coordination with its main shareholder ABG. • No Poverty (1) • Good Health and Well-Being (3) • Quality Education (4) • Gender Equality (5) • Clean Water and Sanitation • Affordable and Clean Energy (7) • Decent Work and Economic Growth (8) • Industry,

Innovation and Infrastructure (9) • Reduced Inequalities (10) • Responsible Consumption and Production (12)
During the reporting period all employees have access to WASH facilities.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

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

W10. 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 TÜRK
https://www.albaraka.com.tr/en/about-us/sustainability
For more information, please see the 2020 Annual Report of Albaraka Bank
https://www.albaraka.com.tr/documents/investor-relations/2020-annual-report.pdf
For more information, please see the 2020 Sustainability Report of Albaraka Bank
https://www.albaraka.com.tr/documents/hakkimizda/surdurulebilirlik/pdf/albaraka-turk-2020-sustainability-report.pdf
You can find Water Footprint Verification Report and Statement as attached.
You can find Albaraka's SBT Commitment Letter as attached.
Albaraka Turk_FINAL WFP_REPORT_rev 1_0_31072020.pdfAlbaraka Turk_Commitment Letter_SBT.pdf

ALBARAKA TURK 2020 CDP Water Statement.pdf

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

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

W10.2

(W10.2) 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)].

Yes

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

Please confirm below

I have read and accept the applicable Terms

TÜRK LOYDU

ALBARAKA TURK KATILIM BANKASI A.Ş.

CARBON DISCLOSURE PROJECT

2020 YEAR
GHG VERIFICATION REPORT

TL Project No: 2021-0451

1. SUMMARY

Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. has made the CDP verification of the GHG Inventory of ALBARAKA TURK KATILIM BANKASI A.S. for 01.01.2020-31.12.2020 on the basis of the Greenhouse Gas Protocol and the Carbon Disclosure Project Reporting Guidance as well as criteria given to provide for consistent operations, monitoring and reporting in ISO 14064-3:2006.

The verification scope is defined as an independent and objective review of the GHG Inventory Assertion, monitoring plan and other relevant documents, and consisted of the following three phases: i) desk review of the GHG Calculation; ii) follow-up interviews with project stakeholders; iii) resolution of outstanding issues and the issuance of the final Verification report and opinion. The overall Verification, from Contract Review to Verification Report & Opinion, was conducted using Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. internal procedures.

In summary, it is Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş.'s opinion that the ALBARAKA TURK KATILIM BANKASI A.S. correctly applies the the Greenhouse Gas Protocol and the Carbon Disclosure Project Reporting Guidance to said Verification Period for the addressed head office, 8 regional management buildings and 228 branches (all in TURKEY).

Address:

ALBARAKA TURK KATILIM BANKASI A.S.
Saray Mahallesi Dr.Adnan Büyükdeniz Caddesi No:6 34768
Ümraniye, Istanbul / TURKEY

2. VERIFICATION CRITERIA

This report is a summary describing the principles and method regarding the preparation and calculation of ALBARAKA TURK KATILIM BANKASI A.S. GHG Inventory Assertion 2020.

The Greenhouse Gas Protocol and the Carbon Disclosure Project Reporting Guidance criteria are met and the calculation method and calculations of greenhouse gas emissions are verified.

3. ASSURANCE LEVEL

Greenhouse gas inventory verification activity was conducted with 5% level of assurance.

4. ORGANIZATION BOUNDARIES FOR GHG EMISSION INVENTORY

Greenhouse gases arising from the activities in ALBARAKA's facilities in Turkey in between 01.01.2020 and 31.12.2020 are within the scope of ALBARAKA TURK KATILIM BANKASI A.S. GHG Inventory.

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 (CO2), methane (CH4) and nitrous oxide (N2O), 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.

5. ACTIVITY BOUNDARIES FOR GHG EMISSION INVENTORY

The emissions of ALBARAKA TURK KATILIM BANKASI A.S. are separated into 3 groups;

a-Direct emissions
b-Energy Indirect Emissions
c-Other Indirect Emissions

Within the scope of the inventory, direct, energy indirect and other indirect emissions were calculated and included in the inventory calculation.

6. CALCULATION METHODOLOGY

The basis for choosing calculation method is to choose the method that will minimize uncertainties. For that matter, TIER 3: activity data-specific emission factors are primarily controlled with regards to technology. If Tier 3 values cannot be attained, then TIER 2: national emission factors of the emission source causing greenhouse gas. Where national sources are not sufficient, TIER 1: emission factors defined by IPCC should be employed.

The calculation for ALBARAKA TURK KATILIM BANKASI A.S.'s greenhouse gas inventory is based on formulas that are multiplications of activity data addressed in "2006 IPCC Guidelines for National Greenhouse Gas Inventories" and emission factors.

7. VERIFICATION ACTIVITIES

Türk Loydu verification team was performed a videoconference with Albaraka Turk Katilim Bankasi A.S. in Umraniye District, Istanbul Province of Turkey on 13/07/2021.

During the remote audit, the following verification activities were conducted:

- Review of documentation, calculation sheets and methodologies, including client assertion,
- Assessment of risks and verification planning,
- Assessment of documentation, control and methodologies,
- Interviews and observations by team to assess the client assertion,
- Assessment of verification findings and outstanding issues,

- Assessment and review of resolutions to outstanding issues,
- Follow-up and Closure by Lead Verifier,
- Recommendation by Lead Verifier and level of assurance,
- Internal technical review and determination of assurance by Türk Loydu,
- Issue of Verification Statement by Türk Loydu,
- Issuance of verification statement and completion of verification.

8. EMISSION RESULTS

GHG emissons divided according to type are shown in the following table:

TOTAL GREENHOUSE GAS EMISSIONS INVENTORY	2020 (tCO_2e)
Total Direct GHG Emissions from All Facilities (tCO_2e)	**3.114,61**
GHG Emissions From Stationary Combustion (tCO_2e)	1.151,72
GHG Emissions From Mobile Combustion (tCO_2e)	1.617,48
GHG Emissions From Fugitives (tCO_2e)	345,41
Total Indirect GHG Emissions from All Facilities (tCO_2e)	**6.879,74**
Total Other Indirect GHG Emissions from All Facilities (tCO_2e)	**122,04**
GHG Emissions From Air Travelling (tCO2e)	34,89
GHG Emissions From Paper Consumption (tCO2e)	87,16
TOTAL GHG EMISSIONS FROM ALL FACILITIES	**10.116,40**

9. VERIFICATION OPINION

View Declaration

The greenhouse gas emission data (Scope 1 & 2) for 2020 disclosed in the CDP Climate Change 2021 Information Request as a result of verification audit held on the basis of international standards has been verified with reasonable assurance.

The greenhouse gas emission data (Scope 3) for 2020 in the CDP Climate Change 2021 Information Request as a result of verification audit held on the basis of international standards has been verified with limited assurance.

Onur YILMAZ
Technical Manager
Greenhouse Gas Lead Verifier

TÜRK LOYDU

ALBARAKA TURK KATILIM BANKASI A.Ş.

CARBON DISCLOSURE PROJECT

2020 YEAR
WATER VERIFICATION REPORT

TL Project No: 2021-0451

1. SUMMARY

Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. has made the CDP verification of the water consumption of ALBARAKA TURK KATILIM BANKASI A.S. for 01.01.2020-31.12.2020 with regard to the relevant requirements for Water Footprint Network: Water Footprint Assessment Manual.

The verification scope is defined as an independent and objective review of the Water Footprint Calculation, monitoring plan and other relevant documents, and consisted of the following three phases: i) desk review of the water calculation; ii) follow-up interviews with project stakeholders; iii) resolution of outstanding issues and the issuance of the final Verification report and opinion. The overall Verification, from Contract Review to Verification Report & Opinion, was conducted using Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. internal procedures.

In summary, it is Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş.'s opinion that the ALBARAKA TURK KATILIM BANKASI A.S. correctly applies the Water Footprint Network: Water Footprint Assessment Manual to said Verification Period for the addressed head office, 8 regional management buildings and 228 branches (all in TURKEY).

Address:

ALBARAKA TURK KATILIM BANKASI A.S.
Saray Mahallesi Dr.Adnan Büyükdeniz Caddesi No:6 34768
Ümraniye, Istanbul / TURKEY

2. VERIFICATION CRITERIA

This report is a summary describing the principles and method regarding the preparation and calculation of ALBARAKA TURK KATILIM BANKASI A.S. Water Footprint Calculation 2020.

Water Footprint Network: Water Footprint Assessment Manual criteria are met and the calculation method and calculations of water consumption data are verified.

3. ORGANIZATION BOUNDARIES FOR GHG EMISSION INVENTORY

Water consumption arising from the activities in ALBARAKA's facilities in Turkey in between 01.01.2020 and 31.12.2020 are within the scope of ALBARAKA TURK KATILIM BANKASI A.S. Water Footprint Calculation.

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

4. WATER STATEMENT

Water footprint calculation is shown in the following table:

TOTAL CONSUMED WATER:	**46.862,85 m^3**

5. VERIFICATION ACTIVITIES

Türk Loydu verification team was performed a videoconference with Albaraka Turk Katilim Bankasi A.S. in Umraniye District, Istanbul Province of Turkey on 13/07/2021.

During the remote audit, the following verification activities were conducted:

- Review of documentation, calculation sheets and methodologies, including client assertion,
- Assessment of risks and verification planning,
- Assessment of documentation, control and methodologies,
- Interviews and observations by team to assess the client assertion,
- Assessment of verification findings and outstanding issues,
- Assessment and review of resolutions to outstanding issues,
- Internal technical review and determination of assurance by Türk Loydu,
- Issue of Verification Statement by Türk Loydu,
- Issuance of verification statement and completion of verification.

6. VERIFICATION OPINION

The water consumption data for 2020 disclosed in the CDP Climate Change 2021 Information Request as a result of verification audit held on the basis of international standards has been verified.

We have been informed that the results of our studies; the data and information contained in the assurance statement is clear, understandable, accessible, accurate and reliable without any material error or misstatement.

Onur YILMAZ
Technical Manager
Greenhouse Gas Lead Verifier