

C0. Introduction

C0.1

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

Albaraka Turk Participation Bank, the first financial institution and the pioneer in the field of interest-free (participation) banking commenced its operations in 1985. Albaraka Turk, in line with the principles of participation banking, is highly active in the field of manufacturing and trade financing. Albaraka Turk was founded by Albaraka banking Group (ABG), one of the prominent groups of the Middle East, Islamic Development Bank (IDB) and a native industrial group of Turkey, which served the Turkish economy for more than half a century. As of 31.12.2018, Albaraka Turk consists of foreign partners (65.87%), native partners (8.91%) and public shares (25.22%). As participation banking should regard the community interests at the highest level, climate change is the most important sustainability threat faced by the communities we serve. With the vision of becoming a value-based intermediate in the financial sector, we are aware that all activities we perform as well as our products and services we provide to the society interact with the environment. We do not only aim to minimize the impact from this interaction on the climate change but also our ultimate goal is to be a pioneer among the industry's major players by assuming a leading role in mobilizing the finance for sustainability. The climate change management in the company is considered at three levels; awareness, institutional capacity building and leadership. In 2016, we started an internal capacity building program through training programs and implementation of climate change management modules within the departments of Credit Risk Management, Strategic Planning and Administrative Affairs. The Sustainability Committee that was established by the attendance of staff from those departments received various capacity building trainings to construct a roadmap for leadership in sustainability with a special focus in climate. As a result, the credit departments at the HQ as well as all 230 branches that market our lending products started giving specific consideration to sustainable energy and resource efficiency lending while incorporating the potential transition risks from carbon intensive industries and other businesses under the threat of physical disruption by climate change. In 2017, Albaraka expanded its efforts by initiating a program on Environmental and Social Governance (ESG). With this program, the bank initiated a three-year scheme to introduce all environmental and social risks to all credit and banking decisions. Ultimately, we plan to set science-based targets for emission reduction in near future and adopt a carbon pricing policy while matching our reporting standards with TCFD (Task Force on Climate related Financial Disclosures) recommendations in near future. The internal carbon pricing initiative became active early 2019 as we plan to set the final price by 2021 and implement it in all our banking decisions. Our ESG Program continues in full force as all decision-making mechanisms have been analysed, restructuring options for better governance have been formed and credit risk analysis systems have been established. As next steps, we aim at advancing our ESG activities further by developing projects in the fields of digital finance, incorporating the sustainability in our retail strategy and mobilizing new finance mechanisms especially for small and medium enterprises for both climate change mitigation and adaptation. We are also building our own climate centered taxonomy to institutionally define "green" and categorize the project activities that are most sustainable for lending. In 2018, our efforts paid back in terms of tangible increase in lending to renewable energy projects and energy efficiency projects.

In addition, as Albaraka Turk we ultimately care about our own carbon footprint and maintaining resource efficiency while planning our business operations. Our HQ building has been awarded with LEED Gold Certificate making it the first HQ building in the banking industry in Turkey. Based on our climate change awareness and capacity building activities, we aim at taking a leadership role in climate change at two levels. First, we introduced the concept to our peers at TKBB (Participation Banks Association of Turkey) where our CEO is the chair and encouraged them to take a stance against climate change. Second, at the global level, we succeeded in drawing the attention of our parent company ABG to the issue and triggered similar work a short while ago. Our experience started to expand across all group companies as well. Based on all the achievements in developing a sound ESG scheme and the green taxonomy, as well as adopting a roadmap for financial disclosure of climate risks and pursuing a sustainability strategy at different transaction levels including SMEs and retail, Albaraka Turk is destined to be one of the major actors of climate finance in near future.

C0.2

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

| | Start date | End date | Indicate if you are providing emissions data for past reporting years | Select the number of past reporting years you will be providing emissions data for |
|-------|----------------|------------------|---|--|
| Row 1 | January 1 2018 | December 31 2018 | No | <Not Applicable> |

C0.3

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

Turkey

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

TRY

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

| Position of individual(s) | Please explain |
|---|--|
| Board-level committee | The highest level of responsibility for climate change lies within the Albaraka Turk's Board of Directors. The CEO organizes regular meetings with the staff from departments involved with sustainability risks to assure that environmental and social issues are integrated in the decision making processes and the overall business strategy of the bank. Apart from that, The Sustainability Committee reports to the CEO regularly where the outcome of that communication is reported to the Board by the CEO regularly. |
| Chief Risk Officer (CRO) | As Albaraka Turk activated a new credit risk analysis system that targets Environmental and Social Governance (ESG) for banking decisions, the CRO and the Credit Risk Department takes a new responsibility in tracking the climate risks and identifying the risk mitigation measures. With the new system which is still under implementation, the CRO and their department analyzes the bankability of all loan applications from a climate risk perspective based on the forms and monitoring tools established via the ESG program. The tools consist the analysis of loan applications based on climate risks while proposing risk mitigation measures for different sectors. The ESG mechanism also includes a monitoring tool for existing loans and related risks. |
| Other, please specify (Sustainability and Social Responsibility Committee) | The committee consists of 3 board members. The Committee has responsibility for reviewing, monitoring and approving Banks's climate change and other sustainability objectives and providing advice to management on sustainability issues including climate change. Prioritizes the consideration of economic, environmental and social factors in the Bank's activities and decision mechanisms in addition to corporate governance principles in order to ensure the internalization of Corporate Sustainability awareness within the organization, to introduce the objective of sustainable banking in a concrete manner and to establish long-term values. |
| Other, please specify (Sustainability, Social Responsibility and Communication Executive Committee) | The committee consists of 4 assistant general managers and 1 chairman and 8 department managers under the chairmanship of the general manager. The Committee makes the pre-assessment of the Sustainability and Social Responsibility projects proposed by the Strategic Planning Department at certain periods of the year, puts them on the agenda of the Sustainability and Social Responsibility Committee and follows the projects implemented. |
| Chief Sustainability Officer (CSO) | In 2020, Albaraka is reaching the end of a three year program of incorporating ESG in business. The executive management of the bank is already evaluating the options of establishing a Sustainability Unit and linking the unit to the executive management through a CSO. |

C1.1b

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

| Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Please explain |
|---|--|--|
| Scheduled – all meetings | 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 risk issues is on the agenda of all board meetings regularly where the CEO includes a section on climate and ESG in his (her) briefing to the Board. The briefing is prepared by the Sustainability Committee with the assistance of Credit Risk Department. The briefing includes the comments on ongoing business strategy, risk management policies and climate. The targets priorly set for climate change management and ESG is reviewed and when necessary new targets and objectives are presented. In case of major business decisions such as capital expenditures and other business acquisitions the climate and ESG related risks are explained for decision making. All briefings include progress in climate related issues. For adoption and internalization of process by the Board, on going executive trainings for the Board and the executive management are provided. New topics in the field of climate change policy and management are regularly introduced through case studies and peer reviews. As part of its ESG program, the Executive Management of Albaraka Turk targets annual reporting on gap analysis for climate change risk management. The subject report on gap analysis and a road map for institutional capacity building including structural and business strategy changes will also be presented to the Board annually. |

C1.2

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

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

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

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

For Albaraka Türk, sustainability is an important issue supported by corporate culture and vision. In this context, Albaraka Türk carries out projects such as Green Building Project (LEED EBOM), Carbon Disclosure Project (CDP) and Zero Waste Project in line with sustainability goals. The highest level of responsibility for climate change lies within the Albaraka Turk's Board of Directors. The CEO organizes regular meetings with the staff from departments involved with sustainability risks to assure that environmental and social issues are integrated in the decision-making processes and the overall business strategy of the bank. Our Sustainable Banking Program is managed by two committees under the Board of Directors at the Headquarters.

1-Sustainability and Social Responsibility Committee

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

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

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

2- Sustainability and Social Responsibility and Communication Executive Committee

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

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

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

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

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

C1.3

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

Yes

C1.3a

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

Who is entitled to benefit from these incentives?

Business unit manager

Types of incentives

Monetary reward

Activity incentivized

Efficiency project

Comment

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

Who is entitled to benefit from these incentives?

Chief Procurement Officer (CPO)

Types of incentives

Monetary reward

Activity incentivized

Energy reduction target

Comment

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

Who is entitled to benefit from these incentives?

Risk manager

Types of incentives

Monetary reward

Activity incentivized

Energy reduction target

Comment

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

Who is entitled to benefit from these incentives?

All employees

Types of incentives

Other non-monetary reward

Activity incentivized

Emissions reduction target

Comment

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

Who is entitled to benefit from these incentives?

All employees

Types of incentives

Recognition (non-monetary)

Activity incentivized

Emissions reduction target

Comment

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

C2. Risks and opportunities

C2.1

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

| | From (years) | To (years) | Comment |
|-------------|--------------|------------|--|
| Short-term | 0 | 3 | Short-term for Albaraka means less than 3 year. |
| Medium-term | 3 | 6 | The medium-term planning covers a time-horizon between 3 to 6 years as our financing usually runs for up to 6 years. |
| Long-term | 6 | 10 | Long-term planning covers a time-horizon between 6 to 15 years as our financing usually runs for up to 15 years. |

C2.2

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

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

C2.2a

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

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

C2.2b

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

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

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

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

C2.2c

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

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

C2.2d

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

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

C2.3

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

Yes

C2.3a

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

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Customer

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Rising sea levels

Type of financial impact

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

Company- specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)**Potential financial impact figure – maximum (currency)****Explanation of financial impact figure**

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

Management method

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

Cost of management

200000

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Rising mean temperatures

Type of financial impact

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

Company- specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

500000

Potential financial impact figure – maximum (currency)

700000

Explanation of financial impact figure

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

Management method

Replacing the equipment and other facility

Cost of management

250000

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Customer

Risk type

Physical risk

Primary climate-related risk driver

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

Type of financial impact

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

Company- specific description

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

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

20000000

Potential financial impact figure – maximum (currency)

45000000

Explanation of financial impact figure

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

Management method

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

Cost of management

1500000

Comment**Identifier**

Risk 4

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact

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

Company- specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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.

Management method

Analyzing with respect to potential regulations

Cost of management

200000

Comment**Identifier**

Risk 5

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

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

Type of financial impact

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

Company- specific description

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

Time horizon

Long-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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.

Management method

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

Cost of management

200000

Comment

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Technology: Unsuccessful investment in new technologies

Type of financial impact

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

Company- specific description

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

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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.

Management method

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

Cost of management

200000

Comment

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Technology: Costs to transition to lower emissions technology

Type of financial impact

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

Company- specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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.

Management method

Developing new financial instruments for investments with relatively risky investments.

Cost of management

500000

Comment

Identifier

Risk 8

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

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

Type of financial impact

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

Company- specific description

Bank facing new regulations or mandates for climate responsible banking

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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

Management method

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

Cost of management

3000000

Comment**Identifier**

Risk 9

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Market: Changing customer behavior

Type of financial impact

Reduced demand for products and services

Company- specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

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

Management method

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

Cost of management

1000000

Comment**Identifier**

Risk 10

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Reputation: Shifts in consumer preferences

Type of financial impact

Reduced demand for products and services

Company- specific description

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

Time horizon

Long-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Customers shifting to climate friendly banks due to consumer awareness.

Management method

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

Cost of management

300000

Comment

Identifier

Risk 11

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Reputation: Stigmatization of sector

Type of financial impact

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

Company- specific description

Bank losing market share due to stigmatization.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Sectoral stigmatization and loss of business.

Management method

Investing in new marketing tools to protect the market share.

Cost of management

300000

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Ability to diversify business activities

Type of financial impact

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

Company-specific description

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

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

20000000

Potential financial impact figure – maximum (currency)

40000000

Explanation of financial impact figure

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

Strategy to realize opportunity

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

Cost to realize opportunity

300000

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Type of financial impact

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

Company-specific description

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

Time horizon

Current

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

4000000

Potential financial impact figure – maximum (currency)

6000000

Explanation of financial impact figure

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

Strategy to realize opportunity

Continue to seek for new options for resource efficiency.

Cost to realize opportunity

1000000

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Type of financial impact

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

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

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

Strategy to realize opportunity

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

Cost to realize opportunity

300000

Comment

Identifier

Opp4

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Type of financial impact

Increased production capacity, resulting in increased revenues

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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.

Strategy to realize opportunity

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

Cost to realize opportunity

1000000

Comment

Identifier

Opp5

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Type of financial impact

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

Company-specific description

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

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The bank will have access to new tools and borrowers.

Strategy to realize opportunity

Develop new products such as Green Bonds or Climate Funds.

Cost to realize opportunity

1000000

Comment

Identifier

Opp6

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resilience

Primary climate-related opportunity driver

Resource substitutes/diversification

Type of financial impact

Increased revenue through new products and services related to ensuring resiliency

Company-specific description

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

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<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

Strategy to realize opportunity

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

Cost to realize opportunity

1000000

Comment

Identifier

Opp7

Where in the value chain does the opportunity occur?

Supply Chain

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Type of financial impact

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

Company-specific description

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

Time horizon

Current

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Reduction in operational cost via suppliers

Strategy to realize opportunity

Maintain communication with suppliers and create incentive mechanisms for resource efficiency

Cost to realize opportunity

150000

Comment

C2.5

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

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

C2.6

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

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

C3. Business Strategy

C3.1

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

Yes

C3.1a

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

Yes, qualitative and quantitative

C3.1c

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

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

a) Climate change has influenced our short term strategy to reduce carbon emissions in our own operations and reduce our operational footprint. Organizational priorities include controlling operating costs, and reducing emissions. Climate change has influenced our long term strategy in that we remain focused operationally on energy costs and reducing the use of fossil fuel based resources. We continue to look for opportunities for alternative/renewable energy sources.

b) With the loan that Albaraka Bank has been granted from the World Bank, the projects that are harmful to the environment, waterways and basins and have effects to these regions have never been financed and for the all projects that are planned to be financed have been requested Environmental Impact Assessment (EIA) Reports to determine positive and negative environmental effects. Albaraka Turk Bank has continued its works to develop a corporate policy in providing finance for sustainable projects.

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

C3.1d

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

| Climate-related scenarios | Details |
|--------------------------------------|---|
| IEA Sustainable development scenario | <p>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 its investments to low carbon technologies. Under semi-ambitious and modest scenarios the numbers changed to Y percent and Z percent respectively. All the numbers indicating the shift from conventional energy mix to low carbon and the cost of action under each scenario will be made public by 2021. The executive management of the bank is committed to incorporate the results in its business strategy and disclose quantified risks under TCFD by 2024. Also, a recent study initiated by the bank introduced a monitoring scheme for the scenario analysis for disclosure.</p> |

C4. Targets and performance

C4.1

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

Both absolute and intensity targets

C4.1a

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

Target reference number

Abs 1

Scope

Scope 1+2 (location-based)

% emissions in Scope

100

Targeted % reduction from base year

30

Base year

2017

Start year

2017

Base year emissions covered by target (metric tons CO2e)

12763

Target year

2023

Is this a science-based target?

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

% of target achieved

41

Target status

Underway

Please explain

Albaraka Turk has medium and long term targets milestones (see 'Abs 1' and 'Abs 2'). Our new GHG emission reduction targets from 01 January 2017(because of the first verification date) includes a 30% reduction in Scope 1 and 2 GHG emissions by 2023 against 2017 baseline. Albaraka's 2018 scope 1 and 2 emissions were 11,164 tCO2-e, equivalent to a 12.52% emission reduction from the 2017 base year emissions, meaning we are reaching our target ($12.52/30 = 41\%$).

Target reference number

Abs 2

Scope

Scope 1+2 (location-based)

% emissions in Scope

100

Targeted % reduction from base year

45

Base year

2017

Start year

2017

Base year emissions covered by target (metric tons CO2e)

12763

Target year

2030

Is this a science-based target?

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

% of target achieved

27

Target status

Underway

Please explain

The 2030 emission target is the long term emission target. Our long term GHG emission reduction targets from 01 January 2017(because of the first verification date) includes a 45% reduction in Scope 1 and 2 GHG emissions by 2030 against 2017 baseline. Albaraka's 2018 scope 1 and 2 emissions were 11,164 tCO2-e, equivalent to a 12.52% emission reduction from the 2017 base year emissions, meaning we are reaching our target ($12.52/45 = 27\%$).

C4.1b

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

Target reference number

Int 1

Scope

Scope 1+2 (location-based)

% emissions in Scope

100

Targeted % reduction from base year

50

Metric

Metric tons CO2e per unit FTE employee

Base year

2017

Start year

2017

Normalized base year emissions covered by target (metric tons CO2e)

3.31

Target year

2030

Is this a science-based target?

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

% of target achieved

31

Target status

Underway

Please explain

Albaraka Türk has a long-term target to reduce the emission over an intensity target based on "metric tons CO2e per FTE". 2030 goal is to reduce metric tons CO2e per unit FTE employee by 35% against 2017 baseline. Normalized base year emissions in 2017 was 3.31 metric tons CO2e in 2018 this value is 2.79 metric tons CO2e. The amount of reduction rate is 16.4%, meaning we are reaching our target ($15.54/50 = 31\%$).

% change anticipated in absolute Scope 1+2 emissions

% change anticipated in absolute Scope 3 emissions

C4.2

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

Target

Other, please specify (Percentage of our gross global scope 3 emissions)

KPI – Metric numerator

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

KPI – Metric denominator (intensity targets only)

Base year

2017

Start year

2017

Target year

2023

KPI in baseline year

0

KPI in target year

50

% achieved in reporting year

16.7

Target Status

Underway

Please explain

In 2017 we evaluate our Scope 3 emissions caused by business travel and paper consumption. Our long term gross global scope 3 emissions reduction targets from 01 January 2017(because of the first verification date) includes a 50% reduction by 2023 against 2017 baseline. Albaraka's 2018 scope 3 emissions were 2,339.75 CO2-e, equivalent to a 8.37% emission reduction from the 2017 base year emissions, meaning we are reaching our target ($8.37/50 = 16.7\%$).

Part of emissions target

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

C4.3

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

Yes

C4.3a

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

| | Number of initiatives | Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *) |
|---------------------------|-----------------------|--|
| Under investigation | 1 | |
| To be implemented* | 1 | 1456.7 |
| Implementation commenced* | 1 | 650.23 |
| Implemented* | 2 | 1598.2 |
| Not to be implemented | | |

C4.3b

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

Initiative type

Energy efficiency: Building services

Description of initiative

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

769

Scope

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

820000

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

2450000

Payback period

4 - 10 years

Estimated lifetime of the initiative

11-15 years

Comment

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

Initiative type

Other, please specify (Zero-waste Project and Low-Carbon Vehicles)

Description of initiative

<Not Applicable>

Estimated annual CO2e savings (metric tonnes CO2e)

829.2

Scope

Scope 1

Voluntary/Mandatory

Voluntary

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

350000

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

1000000

Payback period

4 - 10 years

Estimated lifetime of the initiative

11-15 years

Comment

The works carried out in our Bank within the scope of Zero Waste Project launched by the Ministry of Environment and Urbanization are as follows: Copiers have been reprogrammed to avoid unnecessary printouts that are sent to the printer and forgotten or resent to the printer, and duplex printing option has been set to default on devices. Wastepaper is delivered to the companies assigned by the municipalities. Water saving apparatuses that provide the same effect with less water by increasing the water pressure have been installed in our lavatory faucets in our Headquarters building. Vehicle tracking system has been installed in branch marketing vehicles and vehicle usage is monitored in detail. The exterior of Headquarters building has been covered with solar film. In this way, the sun rays coming into the building are prevented and the cooling systems are operated less. In order to prevent waste batteries from being released to the nature, the batteries are collected separately in our Headquarters building. Environmentally sensitive products are preferred within the scope of our purchasing activities. The scope of the Zero Waste Project will be expanded and efforts will continue in the coming period. We will continue its fight against climate change by carrying out all of its activities in its Headquarters and branches. Within the framework of all these efforts, Albaraka Türk has spent approximately 1,000,000 TL for Environmental Management System and sustainability.

C4.3c

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

| Method | Comment |
|---|---|
| Dedicated budget for energy efficiency | Our HQ is LEED certified so fulfilling the criteria for the new legislation has already been completed. The garden lighting system was restructured at the Head Office building to save electricity. The timing scheme of lighting sensors was revised to consume less electricity. Heating and cooling systems came to consume less electricity due to systemic changes in their operating systems. |
| Dedicated budget for low-carbon product R&D | The Bank acquired electric vehicles, whose exhaust emission is 70% less than that of gasoline and diesel vehicles. In car rentals, the Bank replaced gasoline vehicles with eco-friendly diesel vehicles, reducing exhaust emission by approximately 1,408 kg/year per vehicle. We also use Ecolabel certified 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 | 2018, the Bank expanded the number of branch locations throughout Turkey to 230, and the total number of employees to 3,988. In line with our objective of continuous development, we continued to invest in our human resources and, in 2018, increased training time per employee to 62.5 hours. To raise awareness on the issues of environment and climate change trainings are organized for the personnel. On the other hand, during the year, the Bank organized 101,122 hours of e-training, resulting in 24.5 hours of e-training per person, up 139% year-on-year. Between January 1 and December 31, 2018, some 78 trees were saved by Albaraka Turk Academy. |

C4.5

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

Yes

C4.5a

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

Level of aggregation

Group of products

Description of product/Group of products

Sustainable Energy and Energy Efficiency Loans

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

Avoided emissions

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

Low-Carbon Investment (LCI) Registry Taxonomy

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

Comment

C5. Emissions methodology

C5.1

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

Scope 1

Base year start

January 1 2017

Base year end

December 31 2017

Base year emissions (metric tons CO2e)

5198.4

Comment

Scope 2 (location-based)

Base year start

January 1 2017

Base year end

December 31 2017

Base year emissions (metric tons CO2e)

7564.6

Comment

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

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.2

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

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

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

C6. Emissions data

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)

3546.69

Start date

January 1 2018

End date

December 31 2018

Comment

The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (2,176.30 t CO2e). Moreover the other part is caused by energy consumption from fossil fuel sources for heating, generators and refrigerants. (1,370.39 t CO2e). During the reporting period we were able to compile data from 100% of the facilities.(230 branches and Regional Headquarters and 1 Headquarters). We calculated our emissions according to the GHG Protocol Corporate Standard and our Scope 1 emissions had been verified by an independent assurance company.

C6.2

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

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

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

Comment

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

C6.3

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

Reporting year

Scope 2, location-based

7618.11

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2018

End date

December 31 2018

Comment

During the reporting period we were able to compile electricity consumption data from 100% of the facilities. (230 branches and Regional Headquarters, 1 Headquarters and ATMs). We calculated our emissions according to the GHG Protocol Corporate Standard and our Scope 2 emissions had been verified by an independent assurance company. The grid emission factor based on 2017 TEİAŞ data, which is most recent available official data, was used for the calculation of scope 2 emissions in 2018. (EF: 0.4871)

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2166.02

Emissions calculation methodology

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

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

100

Explanation

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

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>

Explanation

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

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

Evaluation status

Not relevant, explanation provided

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>

Explanation

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

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

As 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>

Explanation

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

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

172.99

Emissions calculation methodology

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

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

100

Explanation

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

Employee commuting

Evaluation status

Not evaluated

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>

Explanation

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>

Explanation

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>

Explanation

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>

Explanation

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

Use of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

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

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

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

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

Explanation

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>

Explanation

Albaraka Bank does not provide any franchising activities.

Investments

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>

Explanation

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

Other (upstream)

Evaluation status

<Not Applicable>

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>

Explanation

Other (downstream)

Evaluation status

<Not Applicable>

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>

Explanation

C6.7

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

No

C6.10

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

Intensity figure

0.0000028

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

11164.8

Metric denominator

unit total revenue

Metric denominator: Unit total

4000000000

Scope 2 figure used

Location-based

% change from previous year

33.4

Direction of change

Decreased

Reason for change

The decrease in Albaraka's CO2 intensity per unit of total revenue is driven by two main factors: Thanks to extensive investments in the field of digital transformation, our revenues increased by 33% to TL 4 billion . On the other hand emission reduction activities which reduced total gross Scope 1+2 emissions from 12,763 mt CO2e in 2017 to 11,164.80 mt CO2e in 2018.

C7. Emissions breakdowns

C7.1

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

Yes

C7.1a

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

| Greenhouse gas | Scope 1 emissions (metric tons of CO2e) | GWP Reference |
|-------------------------------|---|---|
| CO2 | 3247.81 | IPCC Fifth Assessment Report (AR5 – 100 year) |
| CH4 | 6.08 | IPCC Fifth Assessment Report (AR5 – 100 year) |
| N2O | 30.73 | IPCC Fifth Assessment Report (AR5 – 100 year) |
| Other, please specify (R-410) | 241.48 | IPCC Fifth Assessment Report (AR5 – 100 year) |
| Other, please specify (R-22) | 20.59 | IPCC Fifth Assessment Report (AR5 – 100 year) |

C7.2

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

| Country/Region | Scope 1 emissions (metric tons CO2e) |
|----------------|--------------------------------------|
| Turkey | 3546.69 |

C7.3

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

By activity

C7.3c

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

| Activity | Scope 1 emissions (metric tons CO2e) |
|------------------|--------------------------------------|
| Heating | 1053.71 |
| Vehicles | 2176.3 |
| Refrigerants | 262.07 |
| Power Generators | 54.61 |

C7.5

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

| Country/Region | Scope 2, location-based (metric tons CO2e) | Scope 2, market-based (metric tons CO2e) | Purchased and consumed electricity, heat, steam or cooling (MWh) | Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh) |
|----------------|--|--|--|--|
| Turkey | 7618.11 | | 15503 | |

C7.6

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

By activity

C7.6c

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

| Activity | Scope 2, location-based emissions (metric tons CO2e) | Scope 2, market-based emissions (metric tons CO2e) |
|--|--|--|
| Head Quarters | 2914.74 | |
| Branches&Regional Management Buildings | 4497.41 | |
| Stand-alone ATMs | 205.95 | |

C7.9

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

Decreased

C7.9a

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

| | Change in emissions (metric tons CO2e) | Direction of change | Emissions value (percentage) | Please explain calculation |
|---|--|---------------------|------------------------------|---|
| Change in renewable energy consumption | | <Not Applicable> | | Albaraka Bank did not purchase renewable energy in 2018. |
| Other emissions reduction activities | 1598.2 | Decreased | 12.52 | Total GHG emissions in 2017 are 12,763 tCO2eq. GHG emissions in 2018 are 11,164.79 tCO2eq. (Scope 1+2) |
| Divestment | | <Not Applicable> | | There had been no any divestment activities in the reporting period. |
| Acquisitions | | <Not Applicable> | | There had been no any 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 | | <Not Applicable> | | There was no changes in Albaraka's calculation methodology that resulted in a variation to our emissions in the reporting period. |
| Change in boundary | 206 | Increased | 1.84 | This reporting year, we also add our 79 ATMs to in our Scope 2 calculations. This year is the first year that we calculate the impact of our ATMs to Scope 2 emissions. |
| Change in physical operating 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> | | |
| Other | | <Not Applicable> | | |

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

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

| | Indicate whether your organization undertakes this energy-related activity |
|--|--|
| Consumption of fuel (excluding feedstocks) | Yes |
| Consumption of purchased or acquired electricity | Yes |
| Consumption of purchased or acquired heat | 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 MWh |
|---|---------------------------|----------------------------|--------------------------------|------------------|
| Consumption of fuel (excluding feedstock) | LHV (lower heating value) | | | 3004.83 |
| Consumption of purchased or acquired electricity | <Not Applicable> | | | 15503 |
| 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> | | | 45507.83 |

C8.2b

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

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

C8.2c

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

Fuels (excluding feedstocks)

Natural Gas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

5951.66

MWh fuel consumed for self-generation of electricity

MWh fuel consumed for self-generation of heat

5951.66

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

Fuels (excluding feedstocks)

Coking Coal

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

149.35

MWh fuel consumed for self-generation of electricity

MWh fuel consumed for self-generation of heat

149.35

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

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

Fuels (excluding feedstocks)

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

287.35

MWh fuel consumed for self-generation of electricity

287.35

MWh fuel consumed for self-generation of heat

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

Fuels (excluding feedstocks)

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

8078.36

MWh fuel consumed for self-generation of electricity

MWh fuel consumed for self-generation of heat

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment**Fuels (excluding feedstocks)**

Motor Gasoline

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

34.96

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

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Comment

C8.2d

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

94.6

Unit

kg CO2 per GJ

Emission factor source

IPCC Volume 2-Table 2.4 Default Emission Factors for Stationary Combustion in the Commercial/Institutional Category CH4: 0.28 kg CO2e per GJ N2O:0.3975 kg CO2e per GJ

Comment

Methane, Nitrogen dioxide gasses are converted to CO2e using Global Warming Potential (GWP) values. (latest values)

Diesel**Emission factor**

74.1

Unit

kg CO2 per GJ

Emission factor source

IPCC Volume 2-Table 2.4 Default Emission Factors for Stationary Combustion in the Commercial/Institutional Category CH4: 0.1092 kg CO2e per GJ N2O: 1.0335 kg CO2e per GJ

Comment

Methane, Nitrogen dioxide gasses are converted to CO2e using Global Warming Potential (GWP) values. (latest values)

Motor Gasoline**Emission factor**

69.3

Unit

kg CO2 per GJ

Emission factor source

IPCC-Volume 2-Table 3.2.1 and Table 3.2.2 Road Transport Default Emission Factors CH4: 0.7 kg CO2e per GJ N2O: 2.12 kg CO2e per GJ

Comment

Methane, Nitrogen dioxide gasses are converted to CO2e using Global Warming Potential (GWP) values. (latest values)

Natural Gas**Emission factor**

56.1

Unit

kg CO2 per GJ

Emission factor source

IPCC Volume 2-Table 2.4 Default Emission Factors for Stationary Combustion in the Commercial/Institutional Category CH4: 0.14 kg CO2e per GJ N2O:0.0265 kg CO2e per GJ

CommentMethane, Nitrogen dioxide gasses are converted to CO2e using Global Warming Potential (GWP) values. (latest values)

C8.2f

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

Basis for applying a low-carbon emission factor

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

Low-carbon technology type

<Not Applicable>

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

<Not Applicable>

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

<Not Applicable>

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

<Not Applicable>

Comment

C9. Additional metrics

C9.1

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

Description

Other, please specify (Water Consumption)

Metric value

60394

Metric numerator

Cubic meters

Metric denominator (intensity metric only)

% change from previous year

10.22

Direction of change

Decreased

Please explain

Total water consumption decreased 10.22 % from previous year.

Description

Other, please specify (Energy consumption intensity per worker)

Metric value

7.52

Metric numerator

Energy consumption (MW)

Metric denominator (intensity metric only)

Number of employees

% change from previous year

4.31

Direction of change

Decreased

Please explain

In 2018: Number of employees (persons) : 3,988 Metric value : 7.52 In 2017: Number of employees (persons) : 3,899 Metric value : 7.86 In 2018, the number of employees increased by 89 from 2017. However, energy consumption decreased by 4.31%. This is due to various GHG and energy reduction activities implemented in 2018.

C10. Verification

C10.1

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

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

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

Scope

Scope 1

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_17072019.pdf
Albaraka Turk_2018 CDP statement_carbon_29072019_docx.pdf

Page/ section reference

Page: 1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_17072019.pdf
Albaraka Turk_2018 CDP statement_carbon_29072019_docx.pdf

Page/ section reference

Page: 1-2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

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

Scope

Scope 3- at least one applicable category

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_17072019.pdf
 Albaraka Turk_2018 CDP statement_carbon_29072019_docx.pdf

Page/section reference

Page: 1-2

Relevant standard

ISO14064-3

C10.2

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

Yes

C10.2a

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

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

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_17072019.pdf
 Albaraka Turk_2018 CDP statement_carbon_29072019_docx.pdf

C11. Carbon pricing

C11.1

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

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

C11.1d

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

The two main carbon pricing options that are being utilized in the world are carbon taxation and emissions trading systems(ETS). Yet, there is neither a CO2 taxation mechanism nor an ETS in Turkey. Despite the difficulties in determining the cost of carbon in the absence of a regulatory framework, we are developing an approach to increase the share of low carbon investments in our credit portfolio as Albaraka Turk. Ultimately, we plan to set science-based targets for emission reduction in near future and adopt a carbon pricing policy while matching our reporting standards with TCFD (Task Force on Climate related Financial Disclosures) recommendations in near future.

C11.2

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

No

C11.3

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

Yes

C11.3a

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

Objective for implementing an internal carbon price

Change internal behavior

GHG Scope

Scope 1

Scope 2

Scope 3

Application

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

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

16

Variance of price(s) used

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

Type of internal carbon price

Shadow price

Internal fee

Implicit price

Impact & implication

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

C12. Engagement

C12.1

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

Yes, our customers

Yes, other partners in the value chain

C12.1b

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

Type of engagement

Education/information sharing

Details of engagement

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

% of customers by number

75

% Scope 3 emissions as reported in C6.5

40

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

Impact of engagement, including measures of success

C12.1c

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

Based on our climate change and water related issues awareness and capacity building activities, we aim at taking a leadership role in sustainability banking at two levels. First, we introduced the concept to our peers at TKBB and encouraged them to take a strong role in combating climate change. Second, at the global level, we succeeded in drawing the attention of our parent company ABG to the issue and triggered similar work a short while ago. Our experience started to expand across all group companies as well. All in all, as participation banking should regard the community interests at the highest level, we are aware that climate change is the most important sustainability threat faced by the communities we serve.

C12.3

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

Direct engagement with policy makers

C12.3a

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

| Focus of legislation | Corporate position | Details of engagement | Proposed legislative solution |
|----------------------|--------------------|---|---|
| Energy efficiency | Support | Albaraka Turk Bank has participated in the process of promoting legislation of financing energy efficiency investments as a stakeholder along with NGOs and other real sector associations. | Albaraka Turk emphasized the critical position of micro business during the discussions for the proposed legislation. Potential tax incentives to attract very small businesses into the energy efficiency innovation process was highlighted. |
| Carbon tax | Support | Albaraka Bank has participated in working group in order to discuss the development of a Carbon Market in Turkey. | Albaraka believes in one central premise - action to address climate change is urgently required and a strong corporate response must be part of the solution. Thus, Carbon pricing and related carbon markets are an important policy tool that would help Turkey meet its climate change objectives, in particular with regards to meeting its greenhouse gas emission reduction targets in a cost-effective way. |

C12.3f

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

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

C12.4

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

Publication

In mainstream reports

Status

Underway – previous year attached

Attach the document

Albaraka Bank-2018-Annual Report.pdf

Page/Section reference

Page 60-61

Content elements

Governance
Strategy
Emissions figures
Other metrics

Comment

Publication

In voluntary communications

Status

Complete

Attach the document

Albaraka Bank-Katilimfinansdergisi.docx

Page/Section reference

Page 16-40

Content elements

Governance
Strategy
Other metrics

Comment

C14. Signoff

C-FI

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

For more information, please visit Sustainability Web Site : <https://www.albaraka.com.tr/en/albaraka-turk-sustainable-banking-program.aspx>

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

Albaraka Turk GHG Emission Summary.docx
Albaraka_ÇSY_Sistemi sunum Aug 2018.ppt
Albaraka Bank-ÇSY Raporu.docx
Albaraka Bank-2018-Annual Report.pdf
Albaraka Turk_GHGINV_VER_REP_Rev 1_0_17072019.pdf
Albaraka Turk_2018 CDP statement_carbon_29072019_docx.pdf

C14.1

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

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

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

Please confirm below

I have read and accept the applicable Terms