Welcome to your CDP Climate Change Questionnaire 2020

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 30.06.2019, Albaraka Turk consists of foreign partners (65.99%), native partners (8.77%) and public shares (25.23%). As a participation bank, we regard the community interests at the highest level and climate change is the most important sustainability threat faced by the communities we serve. With the vision of becoming a value-based intermediate in the financial sector, we are aware that all activities we perform as well as 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. In 2018, our efforts paid back in terms of tangible increase in lending to renewable energy projects and energy efficiency projects. In 2020, the program was extended another three years by multiplying the efforts to include science-based targets program and build back better principles in line with COVID19 pandemic. The carbon pricing project started to match with TCFD (Task Force on Climate related Financial Disclosures) recommendations in near future. We plan to set the final price by 2021 and implement it in all our banking decisions. First phase of an ESG Program was completed where all decision-making mechanisms have been formed and credit risk

analysis systems have been established. In the second phase, we are now working on developing new projects in digital finance, incorporating the sustainability in our retail strategy and mobilizing new finance mechanisms especially for SMEs to stimulate their activities in both climate change mitigation and adaptation. We just completed building our own climate centered taxonomy to institutionally define “green” and categorize the project activities that are most sustainable for lending. The taxonomy will be published later in 2020 as part of our post COVID19 build back better program.
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 capacity building activities, we aim at taking a leadership role at two levels. We continuously promote the idea of sustainable banking principles to our peers at TKBB (Participation Banks Association of Turkey). Second, at the global level, our experience started to expand across all group companies and triggered our parent company ABG to sustainable banking. Also, our proactive approach in defining a role in green rebooting of the economy post pandemic has attracted attention from the banking sector in the region. Based on all the achievements in developing a robust ESG scheme and the green taxonomy, as well as adopting a roadmap for financial disclosure of climate risks and pursuing a sustainability strategy at different transaction levels including SMEs and retail, Albaraka Turk is destined to be one of the major actors of climate finance in near future.

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
Reporting year	January 1, 2019	December 31, 2019	No

C0.3

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

Turkey

C0.4

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

TRY

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

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

Bank lending (Bank)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual(s)	Please explain
Board-level committee	The highest level of responsibility for climate change lies within the Albaraka Turk's Board of Directors. The CEO organizes regular meetings with the staff from departments involved with sustainability risks to assure that environmental and social issues are integrated in the decision making processes and the overall business strategy of the bank. Apart from that, The Sustainability Committee reports to the CEO regularly where the outcome of that communication is reported to the Board by the CEO regularly.
Chief Risk Officer (CRO)	As Albaraka Turk activated a new credit risk analysis system that targets Environmental and Social Governance (ESG) for banking decisions, the CRO and the Credit Risk Department takes a new responsibility in tracking the climate risks and identifying the risk mitigation measures. With the new system, the CRO and their department analyzes the bankability of all loan applications from a climate risk perspective based on the forms and monitoring tools established via the ESG program. The tools consist the analysis of loan applications based on climate risks while proposing risk mitigation measures for different sectors. The ESG mechanism also includes a monitoring tool for existing loans and related risks.
Other, please specify Sustainability, Social Responsibility and Communication Committee	The committee consists of 3 board members. The Committee has responsibility for reviewing, monitoring and approving Banks's climate change and other sustainability objectives and providing advice to management on sustainability issues including climate change. It prioritizes the consideration of economic, environmental and social factors in the Bank's activities and decision mechanisms in addition to corporate governance principles in order to ensure the internalization

	of Corporate Sustainability awareness within the organization, to introduce the objective of sustainable banking in a concrete manner and to establish long-term values.
Other, please specify Sustainability, Social Responsibility and Communication Executive Committee	The committee consists of 4 assistant general managers and 1 chairman and 8 department managers under the chairmanship of the general manager. The Committee makes the pre-assessment of the Sustainability and Social Responsibility projects proposed by the Strategic Planning Department at certain periods of the year, puts them on the agenda of the Sustainability and Social Responsibility Committee and follows the projects implemented.
Chief Sustainability Officer (CSO)	In 2020, Albaraka has just reached the end of a three year program of incorporating ESG in business. As part of the governance plan in the second ESG phase between 2020 and 2023, a recent reorganization assigned the Unit of Strategic Planning and Economic Research to lead all sustainable banking projects. A Sustainability Unit is now designed under strategic planning and options to enlarge the unit and define a C level presence to the unit by the end of the second phase is being explored.

C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities The impact of our bank lending activities on the climate The impact of other products	Climate related risk issues is on the agenda of all board meetings regularly where the CEO includes a section on climate and ESG in his (her) briefing to the Board. The briefing has been prepared by the Sustainability Committee with the assistance of Credit Risk Department but from mid 2020 on the Sustainability Unit under Strategic Planning Department will take over this role. The briefing includes the comments on ongoing business strategy, risk management policies and climate, The targets priorly set for climate change management and ESG is reviewed and when necessary new targets and objectives are presented. In case of

	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	and services on the climate	major business decisions such as capital expenditures and other business acquisitions the climate and ESG related risks are explained for decision making. All briefings include progress in climate related issues. For adoption and internalization of process by the Board, on going executive trainings for the Board and the executive management are provided. New topics in the field of climate change policy and management are regularly introduced through case studies and peer reviews. As part of its ESG program, theExecutive Management of Albaraka Turk targets annual reporting on gap analysis for climate change risk management. The subject report on gap analysis and a road map for institutional capacity building including structural and business strategy changes will also be presented to the Board annually.

C1.2

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

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities	More frequently than quarterly

			related to our other products and services Risks and opportunities related to our own operations	
Chief Risks Officer (CRO)	Risk - CRO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our insurance underwriting activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Corporate responsibility committee	Corporate Sustainability/CSR reporting line	Assessing climate-related risks and opportunities	Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly

C1.2a

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

As Albaraka Turk we are aware that the activities, products and services we perform have an impact on the environment and we aim to minimize our impact on climate change by integrating ESG in our business model and transform our services to value-based banking. As a pioneer in interest-free banking, we aim at being of the leading participants in the sector by mobilizing climate finance to GHG mitigation and climate change adaptation. For Albaraka Turk, sustainability is an important issue supported by corporate culture and vision. In this context, we carry out projects such as Green Building Project (LEED EBOM), Carbon Disclosure Project (CDP) and Zero Waste Project in line with sustainability goals. The highest level of responsibility for climate change lies within the Albaraka Turk's Board of Directors. The CEO organizes regular meetings with the staff from departments involved with sustainability risks to assure that environmental and social issues are integrated 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 refects 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 first phase of ESG between 2017 and 2020 included strengthening of capacity for sustainable banking with the support of the two committees above. The Chief Credit Officer (CRO) has been responsible with implementation of ESG tools within the department to reflect climate change related issues in banking strategy. The CRO assured that all loan decisions

include the monitoring of climate related risks. The CRO reported the process and a briefing to the CEO in cooperation with the Sustainability Committee. A recent reorganization at the bank as part of the second phase ESG program between 2020 and 2023 assigned the Strategic Planning and Economic Research Unit to develop and implement sustainable banking projects including TCFD and SBTs. As part of the transition, the two committees above will assist the unit and eventually form a seed Sustainability Department at the bank with the goal of reaching a C level executive role by 2023. A robust ESG mechanism and a Sustainability Department with strong capacity to lead the bank to take a strong stance in tackling the climate change and assisting the financing of SDGs is the ultimate goal.

C1.3

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

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

C1.3a

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

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Business unit manager	Monetary reward	Efficiency project	Realization of climate change related revenue opportunities is one of the key performance indicators where lines of business that focus directly on climate change and environment-related revenue streams are priority in staff evaluation. For example, Albaraka Turk Bank supports business with firms in Energy Services, Resource Efficiency and Sustainable Energy (energy efficiency, solar & wind equipment finance).
Chief Procurement Officer (CPO)	Monetary reward	Energy reduction target	The CPO is expected to operate a procurement process based on resource efficiency criteria. For instance all purchases of paper, stationary and other resources should evaluated with a resource efficiency and waste minimization perspective. -Energy survey studies were conducted to

			determine the energy consumption of the Head Office building in detail. -The garden lighting system was restructured at the Head Office building to save electricity. -The timing scheme of lighting sensors was revised to consume less electricity. -Heating and cooling systems came to consume less electricity due to systemic changes in their operating systems -In car rentals, the Bank replaced gasoline vehicles with eco-friendly diesel vehicles, reducing exhaust emission by approximately 1,408 kg/year per vehicle. -The Bank acquired electric vehicles, whose exhaust emission is 70% less than that of gasoline and diesel vehicles. -An eco-friendly solution is used instead of harmful salt during ice and snow events. -Ecolabel certified chemical cleaning materials are used at the Head Office. -Efforts were made to enrich the lawns at the Head Office with individual plants that consume less water. Selecting native types of flowers and trees in landscaping is prioritized. Guano is preferred instead of fertilizer to extend soil life -Instead of artificial fertilizers, organic fertilizers were used for the landscaping work at the Head Office building to improve the soil structure.
Risk manager	Monetary reward	Energy reduction target	All risk managers are expected to embed sustainability and climate change risks in risk evaluation process.
All employees	Non-monetary reward	Emissions reduction target	All employees in Albaraka Turk are encouraged to adopt a behavioral change in resource management and sustainability. They are expected to address all issues of resource management and waste minimization by developing solutions and offering innovation. Also, a new module introduced among the staff for individual GHG assessment and reductions based on an

			award scheme which will raise further awareness in climate change.
All employees	Non-monetary reward	Emissions reduction target	There is an institutionalized improvement and innovation proposal program, which also covers sustainability improvement proposals.
Environment/Sustainability manager	Monetary reward	Portfolio/fund alignment to climate-related objectives	The head of the new unit under Strategic Planning that improves and implements the new ESG mechanisms is designated with the goal of pushing the portfolio toward sclimate friendly objectives.

C-FS1.4

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

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

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

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

C2.1b

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

Identification and assessment of substantive financial and strategic impact is one of the goals in the second phase of ESG and Sustainable Banking Program to be implemented between 2020 and 2023 by Albaraka Turk. As part of the initiative for strategic planning, Albaraka Turk took action to analyze all its units and banking products. The analysis includes a very close look at the role of each banking unit and how it would be affected with climate change and transition to low carbon economy. The roles and responsibilities of the units are now evaluated in the light of different scenarios. The function of the units are quantified and the reduction of the function based on the climate and other sustainability risks are reflected on that evaluation for a tabulation of outcome. With the same manner, we are now analyzing all our banking products and simulate the reduction of the profitability of those products based on various climate related risks. We aim at defining a quantified threshold for the reduction of profitability to assign a "substantive financial risk" and utilize the outcome in the TCFD process. We are also working on the simulation of our potential work in SBTs as we were recently admitted to the initiative and we will come up with a plan of designing a science based GHG reduction target within the next 24 months. Our financial impact simulation includes climate risks, SBTs as well as other institutional goals to switch to sustainable banking. Recently, we have decided to incorporate different parameters of post pandemic economic growth case to address our potential role in build back better as well as avoiding the impact of post pandemic rapid financial mobilization that could include non climate friendly banking products. By the end of 2020, the management will be presented with quantified substantive impact figures under different scenarios and the identified impact threshold will be part of our business strategy between 2021 and 2023.

C2.2

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

Value chain stage(s) covered

Direct operations

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

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

Value chain stage(s) covered

Upstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

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

Value chain stage(s) covered

Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term
Medium-term

Description of process

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

C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	The current MRV (Monitoring Reporting and Verification) regulation in Turkey enforces the GHG inventory management for more than 3000 installations in Turkey. Albaraka Turk monitors the list of installations under enforcement and identifies the clients or potential clients with regulation risk.
Emerging regulation	Relevant, always included	Emerging regulations are perceived in two ways.At the customer level, the enforcement for mitigating the GHG emissions is part of the bankability risk. At the company level, the Environmental, Social and Governance (ESG) group identifies indirect risks and related regulatory enforcement for financial institutions. These risks are monitored as part of regular sustainability issues monitoring that is executed annually or (more frequently if needed).
Technology	Relevant, always included	Due to climate change, new technology needs may arise. We understand that special financial tools are required to finance the implementation these high risk high return technologies.
Legal	Relevant, always included	Turkey's Regulation on Energy Performance in Buildings came into force in December of 2008. 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.

C-FS2.2b

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. The opportunities in those sectors are quantified with respect to GHG mitigation parameter. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation.
Other products and services, please specify	No, but we plan to do so in the next two years	Albaraka Turk intends to analyze its other financial intermediary services including financial guarantees and bond issuances. These products will be included in the second phase of the ESG Program between 2020 and 2023.

C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Majority of the portfolio	Qualitative and quantitative	As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters

			that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. The opportunities in those sectors are quantified with respect to GHG mitigation parameter. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation.

C-FS2.2d

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	Albaraka Turk intends to analyze water related portfolio exposure in the second phase of the ESG Program between 2020 and 2023.
Other products and services, please specify	No, but we plan to do so in the next two years	Albaraka Turk intends to analyze water related portfolio exposure for other financial products in the second phase of the ESG Program between 2020 and 2023.

C-FS2.2e

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	Albaraka Turk intends to analyze forests related portfolio exposure in the second phase of the ESG Program between 2020 and 2023.
Other products and services, please specify	No, but we plan to do so in the next two years	Albaraka Turk intends to analyze forests related portfolio exposure for other financial products in the second phase of the ESG Program between 2020 and 2023.

C-FS2.2f

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

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	As part of the first phase of the ESG program, we have identified key sectors that play an important role: a) climate related risks (fossil fuel based energy, refinery, logistics, steel, cement, paper pulp and aluminum and agro industry) b) climate related opportunities (renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management). All clients in those sectors were listed and assessed against certain parameters that reflect climate risks. Those clients with an exposure of loans with maturity of less than a year and/or above 10 Mn TRY (approx. 1.370Mn USD) were considered to be of imminent risks. The risks were quantified with a manner of multiplying frequency with pre-identified impact. The total exposure is reached by summing up the individual risks in the portfolio. In terms of opportunities, we approach certain sectors such as renewable energy, waste management, green material manufacturing, sustainable agriculture and forestry management. The opportunities in those sectors are quantified with respect to GHG mitigation parameter. We intend to develop a quantified adaptation index in the next ESG Program for those sectors that contribute to climate change adaptation. The clients that fall in the pre-identified sectors with an existing or potential exposure with certain thresholds are required to provide climate related information for lending.
Other products and services, please specify	No, but we plan to do so in the next two years	Albaraka Turk intends to include climate related information for other financial products especially for guarantees in the second phase of the ESG Program between 2020 and 2023.

C2.3

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

Yes

C2.3a

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

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical

Other, please specify

Sea level rise and extreme weather events

Primary potential financial impact

Increased capital expenditures

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

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

50,000,000

Potential financial impact figure – maximum (currency)

100,000,000

Explanation of financial impact figure

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

Cost of response to risk

700,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical

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

Primary potential financial impact

Increased indirect (operating) costs

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

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Hotter summers and colder winters would result in:

• increased energy consumption such as electricity and natural gas in facilities occupied

• shorter life-span of heating, ventilation and air conditioning (HVAC) equipment, which could be operating well beyond normal design parameters.

• Other climate related disasters (floods)

This might result in us having to invest in upgrading or replacing the equipment before current projected end-of-life.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

5,000,000

Potential financial impact figure – maximum (currency)

20,000,000

Explanation of financial impact figure

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

Cost of response to risk

2,000,000

Description of response and explanation of cost calculation

Replacing the equipment and other facility to cope with temperature changes as well as extreme weather to sustain banking operations.

Comment

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

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical

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

Primary potential financial impact

Decreased revenues due to reduced production capacity

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

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

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

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

80,000,000

Potential financial impact figure – maximum (currency)

120,000,000

Explanation of financial impact figure

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

Cost of response to risk

1,500,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation

Carbon pricing mechanisms

Primary potential financial impact

Increased indirect (operating) costs

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

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

70,000,000

Potential financial impact figure – maximum (currency)

90,000,000

Explanation of financial impact figure

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

Cost of response to risk

300,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

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

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

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

Time horizon

Long-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

80,000,000

Potential financial impact figure – maximum (currency)

130,000,000

Explanation of financial impact figure

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

Cost of response to risk

400,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Increased capital expenditures

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

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

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

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Customers investing in new technology development with no return.

Cost of response to risk

200,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Reputation

Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

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

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost of response to risk

500,000

Description of response and explanation of cost calculation

Developing new financial instruments for investments with relatively risky investments.

Comment

As part of second ESG Program between 2020 and 2023, Albaraka Turk will start investing in developing new financial instruments to respond to the needs of the clients for long term financing of climate investments. That initiate includes analysis of business risks for the bank for certain client segment that is need of long term financing for climate change mitigation and adaptation.

Identifier

Risk 8

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Emerging regulation

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

Primary potential financial impact

Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

Company-specific description

Bank facing new regulations or mandates for climate responsible banking

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Bank facing new regulations to assure climate responsible banking

Cost of response to risk

3,000,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 9

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost of response to risk

1,000,000

Description of response and explanation of cost calculation

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

Comment

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

Identifier

Risk 10

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

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

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Customers shifting to climate friendly banks due to consumer awareness.

Cost of response to risk

300,000

Description of response and explanation of cost calculation

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

Comment

Identifier

Risk 11

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Market

Uncertainty in market signals

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

Bank losing market share due to stigmatization.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Sectoral stigmatization and loss of business.

Cost of response to risk

300,000

Description of response and explanation of cost calculation

Investing in new marketing tools to protect the market share.

Comment

C2.4

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

Yes

C2.4a

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

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Ability to diversify business activities

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

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

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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

Cost to realize opportunity

300,000

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

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

Time horizon

Medium-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

2,000,000

Potential financial impact figure – maximum (currency)

9,000,000

Explanation of financial impact figure

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

Cost to realize opportunity

1,000,000

Strategy to realize opportunity and explanation of cost calculation

Continue to seek for new options for resource efficiency.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

30,000,000

Potential financial impact figure – maximum (currency)

60,000,000

Explanation of financial impact figure

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

Cost to realize opportunity

5,000,000

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Identifier

Opp4

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

10,000,000

Potential financial impact figure – maximum (currency)

40,000,000

Explanation of financial impact figure

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

Cost to realize opportunity

1,000,000

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Identifier
Opp5

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Markets

Primary climate-related opportunity driver
Access to new markets

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

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

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
High

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

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)
70,000,000

Potential financial impact figure – maximum (currency)
100,000,000

Explanation of financial impact figure
The bank will have access to new tools and borrowers.000

Cost to realize opportunity
5,000,000

Strategy to realize opportunity and explanation of cost calculation

Develop new products such as Green Bonds or Climate Bonds.

Comment

Identifier

Opp6

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Resilience

Primary climate-related opportunity driver

Resource substitutes/diversification

Primary potential financial impact

Increased access to capital

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

New financial tools and loan mechanisms for infrastructure finance

Cost to realize opportunity

1,000,000

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Identifier

Opp7

Where in the value chain does the opportunity occur?

Upstream

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

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

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

10,000,000

Potential financial impact figure – maximum (currency)

18,000,000

Explanation of financial impact figure

Reduction in operational cost via suppliers

Cost to realize opportunity

1,500,000

Strategy to realize opportunity and explanation of cost calculation

Maintain communication with suppliers and create incentive mechanisms for resource efficiency

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

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

Yes, qualitative and quantitative

C3.1b

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

Climate-related scenarios and models applied	Details
IEA Sustainable development scenario	Albaraka Turk's scenario analysis is based on IEA Sustainable Development Scenario. There is a strong link between the banking strategy and investment in energy business. We prefer to use this scenario because we strongly opt for the commitments to meet criteria set by the Paris Agreement as well as using TCFD by 2024 for climate related risk disclosure. From now until 2040 (the period covered by the model), the emissions trajectory of the SDS is at the lower end of other decarbonisation scenarios projecting a median temperature rise in 2100 of around 1.7 °C to 1.8 °C. It is also within the set of scenarios projecting a temperature rise below 1.5 °C, as assessed by the recent IPCC Special Report on 1.5 C. Albaraka adopted the IEA SDS model as follows; (1) Inputs: Albaraka lending portfolio of carbon risk and business growth of target

	sectors model. (2) Assumptions: The ultimate long-term temperature outcome will depend on the trajectory of emissions after 2040 – including when global CO2emissions reach net zero – as well as levels of emissions of other types of greenhouse gases. A continuation of the SDS pre-2040 emissions reduction rate would lead to global energy-sector CO2 emissions falling to net-zero by 2070. (3) Analytical Methods: The SDS presents an energy transition where renewables and energy efficiency lead the charge in reducing CO2 emissions as well as reducing pollutants that cause poor air quality. Renewables become the dominant force in power generation, providing over 65% of global electricity generation by 2040. Wind and solar PV, in particular, soon become the cheapest sources of electricity in many countries and provide nearly 40% of all electricity in 2040. (4)Changes from the reference scenario: 1. Clean Energy for All: Our bank aims at provision of sustainable and clean energy for everyone. Hence, the process for divestment from fossil fuels by 20 percent annually between 2020 and 2025 is an essential part of the scenario. 2. Innovative Investment: It is clear that new technologies will lead the way to a low carbon future. Our bank aims at financing the implementation of innovative technologies by new loan products and partnerships. 3. Assisting the Paris Agreement: Turkey has committed a reduction of GHGs by 2030 by 21 percent below BaU (Business As Usual) by presenting a roadmap of new policy implementation in the area of transportation, energy and urbanization. Our bank's strategy is taking an active role in the accomplishment of this goal. We developed three scenarios and estimated the resources that can be diverted to these three aspects under three scenarios: Ambitious, Semi-ambitious and Modest. The cost of action for all three scenarios was estimated with sensitivity analysis based on various parameters such as cost of capital, macroeconomic indicators and target GHG mitigation. The outcome of the scenarios is as follows; Ambitious: Albaraka needs to diminish its carbon intensive portfolio by X percent by 2030 and shift is investments to low carbon technologies. Under semi-ambitious and modest scenarios the numbers changed to Y percent and Z percent respectively. All the numbers indicating the shift from conventional energy mix to low carbon and the cost of action under each scenario will be made public by 2021. The executive management of the bank is committed to incorporate the results in its business strategy and disclose quantified risks under TCFD by 2024. Also, a recent study initiated by the bank introduced a monitoring scheme for the scenario analysis for disclosure.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	We are developing our ability to predict and prepare for the opportunities and challenges of climate change. The strategy also helps deepen combinations of Albaraka talents. In addition, as part of our ESG process, we are on the verge of a transition to low carbon business. The transition process follows the Assessing Low carbon Transition (ACT) initiated by CDP. Relevant scenario analysis was completed and was presented to the Executive Management. The report on the analysis will be public by 2019. We are also developing a taxonomy to identify what is available for green finance and elaborate climate positive activities in the taxonomy.
Supply chain and/or value chain	Yes	Albaraka operates a procurement process based on resource efficiency criteria. For instance all purchases of paper, stationary and other resources should evaluated with a resource efficiency and waste minimization perspective.
Investment in R&D	Yes	With the loan that Albaraka Bank has been granted from the World Bank, the projects that are harmful to the environment, waterways and basins and have effects to these regions have never been financed and for the all projects that are planned to be financed have been requested Environmental Impact Assessment (EIA) Reports to determine positive and negative environmental effects. Albaraka Turk Bank has continued its works to develop a corporate policy in providing finance for sustainable projects.
Operations	Yes	Climate change has influenced our short term strategy to reduce carbon emissions in our own operations and reduce our operational footprint. Organizational priorities include controlling operating costs, and reducing emissions. Climate change has influenced our long term strategy in that we remain focused operationally on energy costs and reducing the use of fossil fuel based resources. We continue to look for opportunities for alternative/renewable energy sources.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

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

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

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

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

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

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Engagement policy	Majority of the portfolio	As a participation bank that already excludes certain businesses and commercial activities such as tobacco, alcohol and defense industry based on ethical values, it is also customary for Albaraka Turk to disengage with certain client segments. Hence, we already have an engagement policy where it is currently expanded to non climate friendly investments. The policy is expected to be rigid and well documented at the end of second phase of ESG Planning by 2023.
Other products and services, please specify			

C4. Targets and performance

C4.1

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

Both absolute and intensity targets

C4.1a

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

Target reference number

Abs 1

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2017

Covered emissions in base year (metric tons CO2e)

12,763

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

100

Target year

2023

Targeted reduction from base year (%)

30

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

8,934.1

Covered emissions in reporting year (metric tons CO2e)

11,809.87

% of target achieved [auto-calculated]

24.8930502233

Target status in reporting year

Underway

Is this a science-based target?

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

Please explain (including target coverage)

Albaraka Turk has medium and long term targets milestones (see 'Abs 1' and 'Abs 2'). Our 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 2019 scope 1 and 2 emissions were 11,809.87 tCO2-e, equivalent to a 7.47% emission reduction from the 2017 base year emissions,meaning we are reaching our target (7.47/30 = 24.89%).
This target was also reported in the previous years CDP questionnaire. Furthermore, Albaraka Turk signed the science based targets letter for financial Institutions in 2020, but this target has not been approved yet by SBTi.

Target reference number

Abs 2

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2017

Covered emissions in base year (metric tons CO2e)

12,763

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

100

Target year

2030

Targeted reduction from base year (%)

45

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

7,019.65

Covered emissions in reporting year (metric tons CO2e)

11,809.87

% of target achieved [auto-calculated]

16.5953668155

Target status in reporting year

Underway

Is this a science-based target?

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

Please explain (including target coverage)

The 2030 emission target is the long term emission target. Our long term GHG emission reduction target 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 2019 scope 1 and 2 emissions were 11,809.87 tCO2-e, equivalent to a 7.47% emission reduction from the 2017 base year emissions,meaning we are reaching our target (7.47/45 = 16.59%). This target was also reported in the previous years CDP questionnaire. Furthermore, Albaraka Turk signed the science based targets letter for financial Institutions in 2020, but this target has not been approved yet by SBTi.

Target reference number

Abs 3

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based) +3 (upstream & downstream)

Base year

2017

Covered emissions in base year (metric tons CO2e)

14,906.9

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

100

Target year

2030

Targeted reduction from base year (%)

25

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

11,180.175

Covered emissions in reporting year (metric tons CO2e)

14,710.9

% of target achieved [auto-calculated]

5.2593094473

Target status in reporting year

New

Is this a science-based target?

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

Please explain (including target coverage)

This target is our new long term emission target. GHG emission reduction target from 01 January 2017(because of the first verification date) includes a 25% reduction in Scope 1 +2(location-based) &3 (upstream&downstream) GHG emissions by 2030 against 2017 baseline. Albaraka's 2019 scope 1&2&3 emissions were 14,710.93 tCO2-e, equivalent to a 5.26% emission reduction from the 2017 base year emissions,meaning we are reaching our target (5.26/25 = 21%). Furthermore,

C4.1b

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

Target reference number

Int 1

Year target was set

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Metric tons CO2e per unit FTE employee

Base year

2017

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

3.31

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

100

Target year

2030

Targeted reduction from base year (%)

35

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

2.1515

% change anticipated in absolute Scope 1+2 emissions

% change anticipated in absolute Scope 3 emissions

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

3.11

% of target achieved [auto-calculated]

17.2637030643

Target status in reporting year

Underway

Is this a science-based target?

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

Please explain (including target coverage)

Albaraka Turk set a lon-term plan between 2017 to 2030, with a 35 percent reduction in kg CO2e emissions per employee . Normalized base year emissions in 2017 was 3.31 metric tons CO2e in 2019 this value is 3.11 metric tons CO2e. The amount of reduction rate is 17.26%, meaning we are reaching our target (5.9/35 = 16.8%). Albaraka Turk signed the science based targets letter for financial Institutions in 2020, but this target has not been approved yet by SBTi.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production

C4.2a

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

Target reference number

Low 1

Year target was set

2017

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Base year

2017

Figure or percentage in base year

0

Target year

2030

Figure or percentage in target year

60

Figure or percentage in reporting year

0

% of target achieved [auto-calculated]

0

Target status in reporting year

New

Is this target part of an emissions target?

Target is to achieve 60 percent renewable electricity consumption in 2030. Albaraka Turk signed the science based targets letter for financial Institutions in 2020, and we consider this a science-based target, but this target has not been approved as science-based by the SBTi.

Is this target part of an overarching initiative?

Science-based targets initiative

Please explain (including target coverage)

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*		
Implementation commenced*		
Implemented*	3	5,532
Not to be implemented		

C4.3b

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

Initiative category & Initiative type

Other, please specify

Other, please specify

Zero-waste Project

Estimated annual CO2e savings (metric tonnes CO2e)

2,406

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

250,000

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

400,000

Payback period

1-3 years

Estimated lifetime of the initiative

11-15 years

Comment

Albaraka Turk has successfully carried out the digital transformation process and contributed to the Zero Waste Project by saving 113 tons of paper in 2019. In this way, 2,406tCO2e greenhouse gas emission was reduced ,543 trees were saved by Albaraka Turk

Initiative category & Initiative type

Energy efficiency in buildings

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

2,374

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

50,000

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

500,000

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

Albaraka Turk 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 Headquarters Building assumed the title of Turkey's first LEED GOLD certified Bank Headquarters Building in terms of environmental sensitivity. In this reporting year, Albaraka has continued its efforts to reduce energy consumption through "Energy Efficient Window Coverings" and Regulation of Lighting Systems projects. In this way, the total electricity consumption was reduced by approximately 29%, saving equal to the electricity consumption of approximately 450 households. (https://www.albaraka.com.tr/assets/tr/pdf/yatirimci-iliskileri/Albaraka-Turk-2019-Faaliyet-Raporu-New.pdf pg;57)

Initiative category & Initiative type

Waste reduction and material circularity
Product/component/material recycling

Estimated annual CO2e savings (metric tonnes CO2e)

752

Scope(s)

Scope 3

Voluntary/Mandatory

Voluntary

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

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

Payback period

No payback

Estimated lifetime of the initiative

Comment

C4.3c

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

Method	Comment
Dedicated budget for energy efficiency	Our HQ is LEED certified so fulfilling the criteria for the new legislation has already been completed. The garden lighting system was restructured at the Head Office building to save electricity. The timing scheme of lighting sensors was revised to consume less electricity. Heating and cooling systems came to consume less electricity due to systemic changes in their operating systems.
Dedicated budget for low-carbon product R&D	The Bank acquired electric vehicles, whose exhaust emission is 70% less than that of gasoline and diesel vehicles. In car rentals, the Bank replaced gasoline vehicles with eco-friendly diesel vehicles, reducing exhaust emission by approximately 1,408 kg/year per vehicle. We also use Ecolabel certified chemical cleaning materials which are respectful to nature.Efforts were made to enrich the lawns at the Head Office with individual plants that consume less water. Selecting native types of flowers and trees in landscaping is prioritized. Guano is preferred instead of fertilizer to extend soil life. Instead of artificial fertilizers, organic fertilizers were used for the landscaping work at the Head Office building to improve the soil structure.
Employee engagement	In line with our objective of continuous development, we continued to invest in our human resources and, in 2019, 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 148,921 hours of e-training, resulting in 39.3 hours of e-training per person, up 42% year-on-year. Between January 1 and December 31, 2019, some 114 trees were saved by Albaraka Turk Academy.
Compliance with regulatory requirements/standards	Albaraka, has developed all necessary steps to ensure compliance with current regulations, considering the investment needed for this.

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

35

% of total portfolio value

Asset classes/ product types

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)

5,198.4

Comment

Scope 2 (location-based)

Base year start

January 1, 2017

Base year end

December 31, 2017

Base year emissions (metric tons CO2e)

7,564.6

Comment

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

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.2

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

Defra Voluntary 2017 Reporting Guidelines
IPCC Guidelines for National Greenhouse Gas Inventories, 2006
ISO 14064-1
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

3,844.99

Comment

The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (2,113.82 t CO2e). Moreover the other part is caused by energy consumption from fossil fuel sources for heating, generators and refrigerants. (1,731.17 t CO2e). During the reporting period we were able to compile data from 100% of the facilities. We calculated our emissions according to the GHG Protocol Corporate Standard and our Scope 1 emissions had been verified by an independent assurance company.

C6.2

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

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

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

Comment

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

7,964.88

Comment

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

C6.4

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

No

C6.5

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

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2,781.41

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

70

Please explain

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

Please explain

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

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

Evaluation status

Not relevant, explanation provided

Please explain

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

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

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

Waste generated in operations

Evaluation status

Not relevant, explanation provided

Please explain

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

119.65

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

Please explain

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

Employee commuting

Evaluation status

Not relevant, explanation provided

Please explain

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

There are no upstream leased assets, not relevant.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

There is no downstream transportation and distribution, not relevant.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

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

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

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

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Albaraka Bank does not provide any franchising activities.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

Other (downstream)

Evaluation status

Not relevant, explanation provided

Please explain

C6.10

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

Intensity figure

0.0000027

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

11,809.87

Metric denominator

unit total revenue

Metric denominator: Unit total

Scope 2 figure used

Location-based

% change from previous year

3.8

Direction of change

Decreased

Reason for change

In 2018, Albaraka had total revenue of around 4billion and 2019 of around 4.4billion. According to the previous year; the result decreased by 3.8%.

C7. Emissions breakdowns

C7.9

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

Increased

C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption				Albaraka Bank did not purchase renewable energy in 2019.
Other emissions reduction activities	2,374	Decreased	17	Albaraka Turk continued its efforts to reduce energy consumption in 2019 as well. Approximately 16% emission reduction was achieved thanks to Energy Efficient Window Coverings and Arrangement of Lighting Systems projects. In this way, 4,857 MWh of electricity was saved, the Scope 1+2 emissions was reduced by 2,374 tCO2e compared to the previous year.
Divestment				There had been no any divestment activities in the reporting period.

Acquisitions				There had been no any acquisition activities in the reporting period.
Mergers				Albaraka Bank was not involved in any mergers in the reporting period.
Change in output				There was no change in output.
Change in methodology	645	Increased	5	The grid emission factor based on 2018 TEİAŞ data was used for the calculation of scope 2 emissions in 2019. (Emission factor is 0.488 which is most recent available official data) Change in grid emission factor caused an increase in Scopes 1 and 2 emissions. In 2018, total GHG emissions were 11,164.8 tCO2eq. GHG emissions in 2019 are 11,809.9 tCO2eq.
Change in boundary				There was no change in boundary.
Change in physical operating conditions				There were no changes in physical operating conditions that resulted in a variation to our emissions in the reporting period.
Unidentified				N/A
Other				N/A

C7.9b

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

Location-based

C8. Energy

C8.1

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

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

C8.2

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

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)		15,335	15,335
Consumption of purchased or acquired electricity			16,193	16,193
Total energy consumption			31,528	31,528

C9. Additional metrics

C9.1

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

Description

Other, please specify

Water Consumption

Metric value

0.01

Metric numerator

Cubic meters

Metric denominator (intensity metric only)

FTE

% change from previous year

4

Direction of change

Increased

Please explain

Total water consumption per full-time employee increased by %4 comparision with previous year. (The number of employees is 3,971 in 2019. It decreased by 5% compared to the previous year)

Description

Energy usage

Metric value

8.32

Metric numerator

MW

Metric denominator (intensity metric only)

FTE

% change from previous year

10

Direction of change

Increased

Please explain

Total energy consumption per full-time employee increased by %10 comparision with previous year. (The number of employees is 3,971 in 2019. It decreased by 5% compared to the previous year)

C10. Verification

C10.1

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

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

C10.1a

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

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_31072020.pdf

Page/ section reference

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Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

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

Scope 2 approach
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_31072020.pdf

Page/ section reference
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Relevant standard
ISO14064-3

Proportion of reported emissions verified (%)
100

C10.1c

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

Scope 3 category
Scope 3: Business travel

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_31072020.pdf

Page/section reference
6

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Purchased goods and services

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_31072020.pdf

Page/section reference

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Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

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

Yes

C10.2a

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain

C8. Energy	Energy consumption	Third Party Assurance- ISO-14064-3	Energy consumption has been verified by Third Party Assurance.
C7. Emissions breakdown	Year on year change in emissions (Scope 1)	Third Party Assurance- ISO-14064-3	Since there is no change in the operational boundary , the year on year change in Scope 1 emissions have been calculated according to the previous year's verified figures.
C7. Emissions breakdown	Year on year change in emissions (Scope 2)	Third Party Assurance-ISO-14064-3	Since there is no change in the operational boundary , the year on year change in Scope 2 emissions have been calculated according to the previous year's verified figures.
C7. Emissions breakdown	Year on year change in emissions (Scope 3)	Third Party Assurance- ISO-14064-3	Since there is no change in the operational boundary , the year on year change in Scope 3 emissions have been calculated according to the previous year's verified figures.
C9. Additional metrics	Other, please specify Water and paper consumption	Third Party Assurance-Water Footprint Assesment Manual	Water and paper consumption has been verified by Third Party. [1]

[1]Albaraka Turk_2019 CDP water statement_31072020_docx.pdf

C11. Carbon pricing

C11.2

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

No

C11.3

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

Yes

C11.3a

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

Objective for implementing an internal carbon price

Change internal behavior

GHG Scope

Scope 1
Scope 2
Scope 3

Application

Starting 2019, Albaraka surveyed an internal carbon price through two different methods.The most direct and transparent method to set the price for carbon is regulatory pricing which is not available in Turkey yet. Albaraka analyzed its ow 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

100

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

100

Portfolio coverage (total or outstanding)

All of the portfolio

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

We are focusing on all our clients while sharing information on our climate strategy including resource efficiency, green branches and climate change awareness.

Impact of engagement, including measures of success

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

Type of engagement

Engagement & incentivization (changing customer behavior)

Details of engagement

Encourage better climate-related disclosure practices

% of customers by number

15

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

15

Portfolio coverage (total or outstanding)

Majority of the portfolio

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

As part of our ESG, we encourage our clients or loan applications above a certain size to disclose their climate related risks during the know your customer or loan application process.

Impact of engagement, including measures of success

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

C12.1d

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

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

C12.3

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

Direct engagement with policy makers

C12.3a

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

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

C12.3f

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

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

C12.4

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

Publication

In mainstream reports

Status

Complete

Attach the document

Albaraka-Turk-Sustainability Report.pdf

Page/Section reference

76-80

Content elements

Governance
Strategy
Emissions figures
Emission targets
Other metrics

Comment

In addition, verified emission figures for 2019 have been published on our website. (https://www.albaraka.com.tr/surdurulebilirlik/surdurulebilirlik-calismalari.aspx)

C-FS12.5

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

	Industry collaboration	Comment

Reporting framework		
Industry initiative	Science-Based Targets Initiative for Financial Institutions (SBTi-FI)	Albaraka Turk recently applied the SBTI and was admitted to the initiative. We have completed capacity building to understand the process technically and implement the models in the first part of ESG. We now aim at developing a reduction plan within the next 12 months, in a time less than as dictated by SBTI.
Commitment		

C14. Portfolio Impact

C-FS14.1

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

	We conduct analysis on our portfolio's impact on the climate	Comment
Bank lending (Bank)	No, but we plan to do so in the next two years	A quantified model based on SBTI process and ESG building, we will quantify the impact of our portfolio.
Other products and services, please specify	No, but we plan to do so in the next two years	We will complete TCFD defined alternative foot printing by 2022.

C-FS14.1c

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

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

C-FS14.3

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

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain

Bank lending (Bank)	Yes	We were recently admitted by SBTI. We plan to complete our emission reduction plan within the next 12 months.
Other products and services, please specify	No	

C-FS14.3a

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

	We assess alignment	Please explain
Bank lending (Bank)	No, but we plan to do so in the next two years	We will categorize our portfolio along with 2-degree world and take action to prioritize clients that are aligned to a well below 2 degree world.

C-FS14.3b

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

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No	

C15. Signoff

C-FI

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

For more information, please visit Anuual Report: https://www.albaraka.com.tr/assets/tr/pdf/yatirimci-iliskileri/Albaraka-Turk-2019-Faaliyet-Raporu-New.pdf
For more information, please visit Sustainability Website: https://www.albaraka.com.tr/surdurulebilirlik/surdurulebilirlik-calismalari.aspx
For more information, please visit Sustainability Report: https://www.albaraka.com.tr/assets/tr/pdf/Albaraka-Turk-Surdurulebilirlik-Raporu-2019.pdf
You can find Carbon Footprint Verification Report and Statement as attached.
You can find Albaraka's SBT Commitment Letter as attached.

Albaraka Turk_Commitment Letter_SBT.pdf

Albaraka-Turk-Sustainability Report.pdf

Albaraka Turk_GHGINV_VER_REP_Rev 1_0_31072020.pdf

C15.1

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

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

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

Please confirm below