

**For a sustainable world...**



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*Natural resources, which are essential for the continuity of life on earth, are being depleted at a rapid pace.*

*This fact lays bare the critical importance of sustainability today. At Albaraka Türk, we focus on sustainability, implement significant sustainability-driven efforts, and assume a pioneering role in this field. We are the only participation bank included in the Carbon Disclosure Project (CDP) assessment, which is a reference point for Borsa Istanbul's Sustainability Index.*

*From preventing waste to leading a modest life and using natural resources efficiently, Islam provides a framework for sustainable life. As a participation bank, Albaraka Türk moves forward by following these tenets while working like bees, which play a major role in sustainable life on our planet.*

## **WE WORK TIRELESSLY TOWARD OUR GOALS**

*Albaraka Türk is working hard to become the “Best Participation Bank in the World.” Every day, we take steps to achieve this objective. As the pioneer of interest-free banking, we are well aware of our corporate responsibilities. Albaraka Türk also takes a leading role in the fight against climate change. We are striving to achieve United Nations Sustainable Development Goals by 2030 and become Turkey’s leading participation bank in the field of sustainability.*





## **WE ARE INCLUDED IN THE BIST SUSTAINABILITY INDEX**

*Albaraka Türk takes significant measures to address the world's most pressing problems, including the climate crisis, carbon emissions and water scarcity. On November 1, 2019, Albaraka Türk was included in the Borsa Istanbul (BIST) Sustainability Index, proudly becoming the first participation bank in this key index.*



## **SIGNIFICANT ACHIEVEMENT IN THE CARBON DISCLOSURE PROJECT**

*We are committed to minimizing our environmental impact by reducing our carbon emissions. Albaraka Türk received a “B” score in the 2019 assessment under the Carbon Disclosure Project (CDP), which rates over 8 thousand companies worldwide. This score is one of the highest ratings that institutions in the banking sector can achieve.*





## **AN ENVIRONMENTALLY FRIENDLY WORKSPACE**

*We rolled up our sleeves and transformed our headquarters building into an environmentally friendly workspace. Thanks to our focused efforts, Albaraka Türk headquarters was granted a LEED Green Building Certificate. As a result, Albaraka Türk's headquarters complex is Turkey's first bank head office building with LEED GOLD certification in recognition of its environmental sensitivity.*



## **BOOSTING EFFICIENCY WITH INTERNAL TRAINING**

*We are aware that our achievements are sustainable only if we invest in our human resources. With this mindset, we established a “human values” policy. Albaraka Türk is a banking industry leader in employee training. Looking toward tomorrow, we support our employees with training courses that will add value to their personal development and our Bank’s future.*





## **PRODUCTIVE AND BENEFICIAL FOR THE ECONOMY AND SOCIETY**

*In light of our sustainable banking approach, we prioritize credit for environmentally friendly projects. While contributing to the real economy, Albaraka Türk also fulfills its social responsibilities. We deliver on our promise to society by investing in a wide range of areas - from education and healthcare to the environment and protection of vulnerable groups.*



## Key Sustainability Indicators

*Successfully integrating sustainability into all aspects of the organization, Albaraka Türk once again recorded positive results in terms of its financial, operational, environmental and social performance in 2019.*

### A Financial Performance Adding Value to Shareholders' Savings

Total Assets  
**TL 51,392 million**

Funds Extended  
**TL 30,881 million**



### An Extensive and Advanced Service Network

Total Staff  
**3,791**

The Number of Branches  
**230**



### Young and Competent Human Resources

Average Age  
**34.9**

Average Seniority  
**8.1 Years**



### Efficient Use of Natural Resources

LEED GOLD Green Building Certification for the Head Office Building

CDP Climate Change Score:  
**B**



### Social Investments

Total Support Provided to Vulnerable Groups  
**TL 41,944**

Total Support Provided in Other Areas  
**TL 333,126**

Total Social Investments in 2019  
**TL 8,048,569**

### Social Investments

Total Support Provided to Education  
**TL 7,170,988**

Total Support Provided to Healthcare  
**TL 479,677**

Total Support Provided to the Environment  
**TL 22,835**

## Albaraka Türk in Brief

**Turkey's first participation bank, Albaraka Türk is a pioneer among participation banks in terms of its comprehensive sustainability efforts.**

### Turkey's First Participation Bank

Albaraka Türk is the first participation bank in Turkey and the only participation banking institution traded on Borsa Istanbul (BIST). In 2019, the Bank extended its track record of success thanks to its 35 years of experience, forward-looking vision, expert human resources and advanced technology competence. Commencing operations in 1985 after its founding in 1984, Albaraka Türk has driven the evolution of interest-free banking in Turkey with its innovative product and service offerings from day one. The Bank's service network is comprised of 228 branch locations across Turkey and two branches abroad as well as alternative distribution channels.

### Solid Shareholding Structure

Albaraka Türk was founded in partnership with Al Baraka Banking Group (ABG), one of the most distinguished groups operating in the global finance sector, Islamic Development Bank (IDB), and a domestic industry group that had been operating in Turkey for over half a century. Al Baraka Banking Group, the Bank's principal shareholder, enables Albaraka Türk to pursue ever more ambitious goals as it moves forward into the future with its solid shareholding structure. As of December 31, 2019, foreign shareholders own 65.87% of the Bank's shares while domestic shareholders own 8.91%. Free float shares represent 25.22% of the Bank's total shares.

### Service Infrastructure Enhanced by Digital Transformation...

Addressing the digital transformation process as a whole, Albaraka Türk focuses on supporting its customers 24/7 by rapidly integrating developments in information technologies into its business processes. As of end-2019, the Bank delivers an excellent customer experience by means of the Mobile branch, Internet branch, ATMs, Alo Albaraka, PTT branches, PTTMATIK, the digital banking app "insha" designed for customers overseas, and the corporate web sites.

### Agile Management Approach in the Face of Financial Fluctuations

Albaraka Türk adopts a professional approach to corporate governance. As a result, the Bank benefits from agility when faced with risks. Albaraka Türk also boasts key competitive advantages including an advanced technology infrastructure and well-trained personnel. The Bank not only delivers modern banking services to savers and investors but also accelerates Turkey's sustainable development. Albaraka Türk supports the real economy by pursuing its mission of financing production and trade in line with the principles of participation banking. The Bank channels funds collected through private current accounts and participation accounts toward the real economy via value-adding services such as retail finance, corporate finance, leasing and profit/loss sharing on the basis of individual projects. The Bank also financially supports the development of SMEs – the engine of the Turkish economy – and their contribution to economic development.

### A Financial Bridge Spanning the Middle East and North Africa for the Turkish Private Sector

Driven by its main shareholder Al Baraka Banking Group's solid capital structure, Albaraka Türk figures among the most important financial partners of Turkish industrial enterprises and investors in global markets. The Bank operates two branches in Erbil and Baghdad, Iraq, and is taking firm steps toward becoming a regional financial power in the Gulf, Middle East and North Africa.

### Always Standing by Customers

Albaraka Türk is committed to meeting the ever-changing needs and expectations of its customers in line with its core principle of delivering unconditional customer satisfaction. The Bank further bolsters its high service standards with a sincere and friendly service approach. Albaraka Türk conducts all its business processes in line with ISO 9001: 2008 Quality Certification. In 2015, the Bank took a big step forward to ensure the continuity its business operations by obtaining ISO 22301 Business Continuity Certification.

### Albaraka Türk's Vision: "Becoming the Best Participation Bank in the World"

To achieve its vision of "Becoming the Best Participation Bank in the World," Albaraka Türk is quickly undergoing a digital transformation. The Bank is successfully moving toward delivering all its physical branch services via end-to-end digital solutions. In addition, the Bank is firmly committed to supporting start-up investments. Albaraka Türk facilitates development of the entrepreneurial ecosystem in Turkey by offering incubation and acceleration support to entrepreneurs with fintech ideas and projects, via Albaraka Garage – a first among participation banks.

### A Global Financial Power: Al Baraka Banking Group (ABG)

One of the leading proponents of interest-free banking in the global finance industry, Al Baraka Banking Group (ABG) delivers retail, corporate and investment banking services in line with the core principles of participation banking. Boasting strong global brand recognition, ABG pursues the core strategic objective of establishing a shared corporate values system and providing services built on "One Mission – One Vision – One Identity."

### ABG's Service Network Spans 17 Countries...

Al Baraka Banking Group operates globally with subsidiaries and representative offices across three continents with sound financing opportunities. ABG provides quality and uninterrupted services in 17 countries with 12 banks, two representative offices and one investment firm. In addition to its presence in Turkey, Al Baraka Banking Group has group banks in Algeria, Bahrain, Egypt, Jordan, Lebanon, Morocco, Pakistan, South Africa, Sudan, Syria, Tunisia, an investment firm in Saudi Arabia, branches in Iraq, representative offices in Indonesia and Libya. The Group also engages in digital banking activities in Germany. As of year-end 2019, ABG has a total of 702 branch locations and 12,662 employees.

### Total Assets of USD 26,259 Million

As of end-of-year 2019, Al Baraka Banking Group reported total assets of USD 26,259 million and shareholders' equity of USD 2,323 million. Reinforcing stakeholder trust with its sustainable profitability, the Group posted net profit of USD 180 million in 2019. The Group's shares are traded on the Bahrain and NASDAQ Dubai stock exchanges. Standard & Poor's assigned ABG with long-term and short-term credit ratings of BB and B, respectively. ABG conducts its social and environmental activities within the framework of the Al Baraka Social Responsibility and shares its sustainability studies with its report published annually. Al Baraka Banking Group annually presents its progress report to stakeholders pursuant to the UN Global Compact.



# Albaraka Türk's Sustainability Journey

*Since its founding, Albaraka Türk has seen its business activities as milestones of a sustainability journey.*

**1984**

- The initial step to establish Albaraka Türk was taken upon the offer from Al Baraka which conducts interest-free banking.

**1985**

- Albaraka Türk commenced operations as Turkey's first private financial institution.

**1988**

- Albaraka Türk started to perform leasing transactions.

**1992**

- The number of Albaraka Türk branches hit 10, and total assets of the Bank exceeded USD 400 million.

**1998**

- The number of branches climbed to 22, while Albaraka Türk started offering credit card services after reaching a deal with Visa.

**2002**

- Albaraka Türk's branch network reached 24 locations, and shareholders' equity amounted to USD 70 million.

**2007**

- A total of 24 thousand investors submitted more than USD 7 billion in demand in Albaraka Türk's IPO, valued at USD 170 million.

**2011**

- The first foreign branch opened in Erbil, Iraq.
- Albaraka Türk recorded the sector's biggest syndicated loan with a USD 350 million murabaha syndication.
- The Bank performed the first wakala transaction.

**2012**

- The Bank embarked on the SiMURG transition program in line with its vision of being the "Best Participation Bank in the World."

**2013**

- Domestic branch locations totaled 166.
- Albaraka Türk secured subordinated loans through the murabaha-backed lease certificate, a method implemented for the first time in Turkey.

**2014**

- Albaraka Türk broke a record in its history opening 35 new branches, and reaching a total 202 branches.
- Albaraka Türk started seeing the significant gains of the Simurg program.

**2015**

- Albaraka Türk issued the first subordinated sukuk compliant with Basel III criteria in Turkey.
- AlBatros, a new core banking system that shifts the Bank's focus from operations to customers, was launched on June 19, 2015.
- The Bank's Mobile Branch and Mobile Branch Touch ID projects were completed.

**2016**

- Albaraka Türk issued four lease certificates (sukuk) in TL for qualified investors.
- The head office building of Albaraka Türk was granted LEED GOLD Certification.
- The AlBatros (New Core Banking System) project received the "Best Technology Utilization in Retail Banking" award at the "Banking Technology Awards."
- The organizational structure of the Bank was reconfigured, with Mr. Meliktaş Utku being appointed Chief Executive Officer.

**2017**

- The Bank's domestic branch network expanded to 220 locations.
- Albaraka Garage was launched, as the first start-up accelerator center in the world established by a participation bank.
- The Bank undersigned major projects for digitalization, a strategic priority area for Albaraka Türk.
- Albaraka Türk was named "Turkey's Best Participation Bank" by Islamic Finance News (IFN) magazine.

**2018**

- The Bank's domestic branch network expanded to 230 locations.
- Albaraka Türk received the "Best Participation Bank of the Year" award at the third edition of the Adding Value to Turkey Awards organized by Turcomoney.
- Albaraka Mobile was enhanced with the addition of QR code, Voice Assistant and Face Recognition features.
- Albaraka Türk was a standout at the WIFA 2018 Awards, collecting three first prizes in three separate categories.

**2019**

- Albaraka Türk's mobile banking application garnered two awards – "Best User Experience" and "Experimentalism & Innovation" – in the "Mobile Apps and Websites" category at The Communicator Awards.
- Albaraka Türk launched Albaraka Publishing in order to ramp up and expand its publishing activities and better serve its readership by releasing many more prestigious works.
- Albaraka Türk increased its paid capital to TL 1,350 million, maintaining a strong capital structure.
- Albaraka Türk's new digital product Alneo reached over 11,000 customers.

*\*Registration process of capital increase was completed on February, 2020.*

**1985**  
Albaraka Türk commenced operations as Turkey's first private financial institution.

**1992**  
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**2012**  
The Bank embarked on the SiMURG transition program in line with its vision of being the "Best Participation Bank in the World."

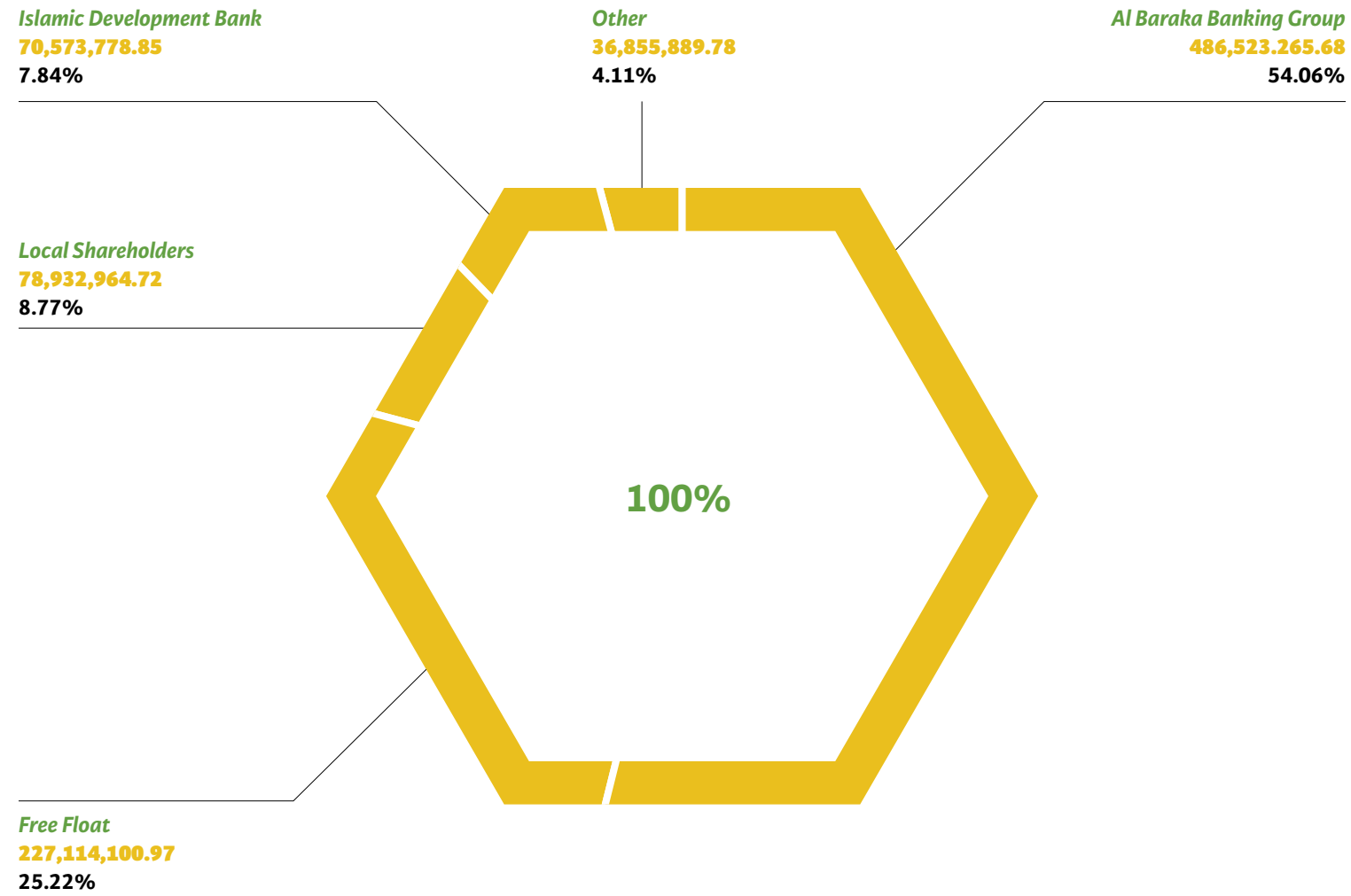
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## Shareholding Structure

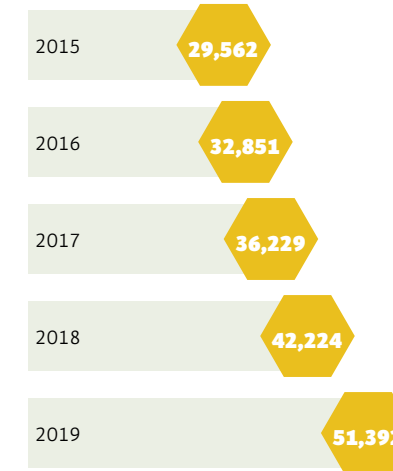
Driven by its solid shareholding structure, Albaraka Türk takes firm steps toward achieving its future objectives.



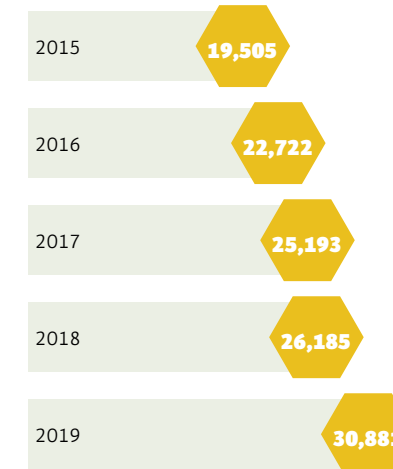
## Key Financial and Operational Indicators

In 2019, Albaraka Türk recorded successful financial and operational results and financed numerous sustainability projects.

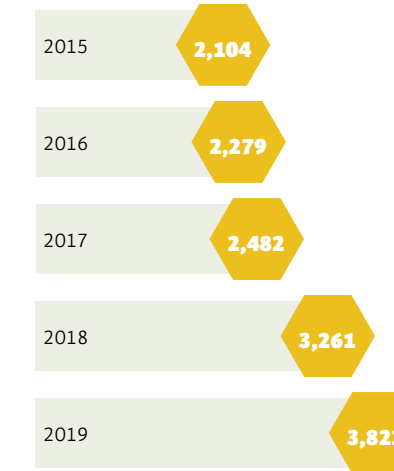
### Total Assets (TL Million)



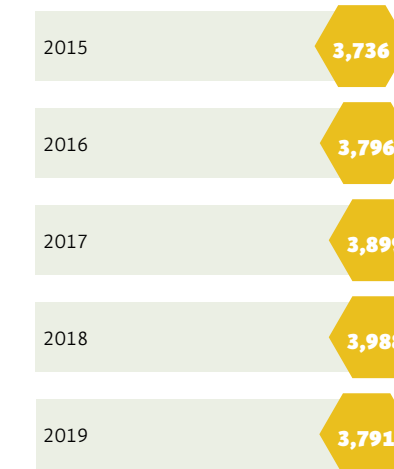
### Funds Extended (TL Million)



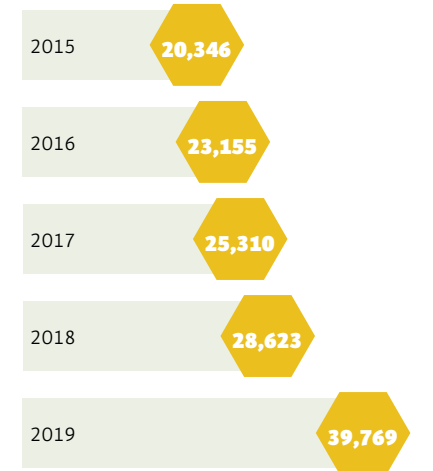
### Total Shareholders' Equity (TL Million)



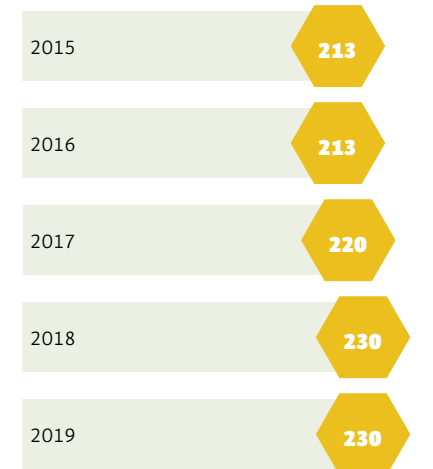
### Total Staff



### Funds Raised (TL million)



### The Number of Branches



## Operational Map

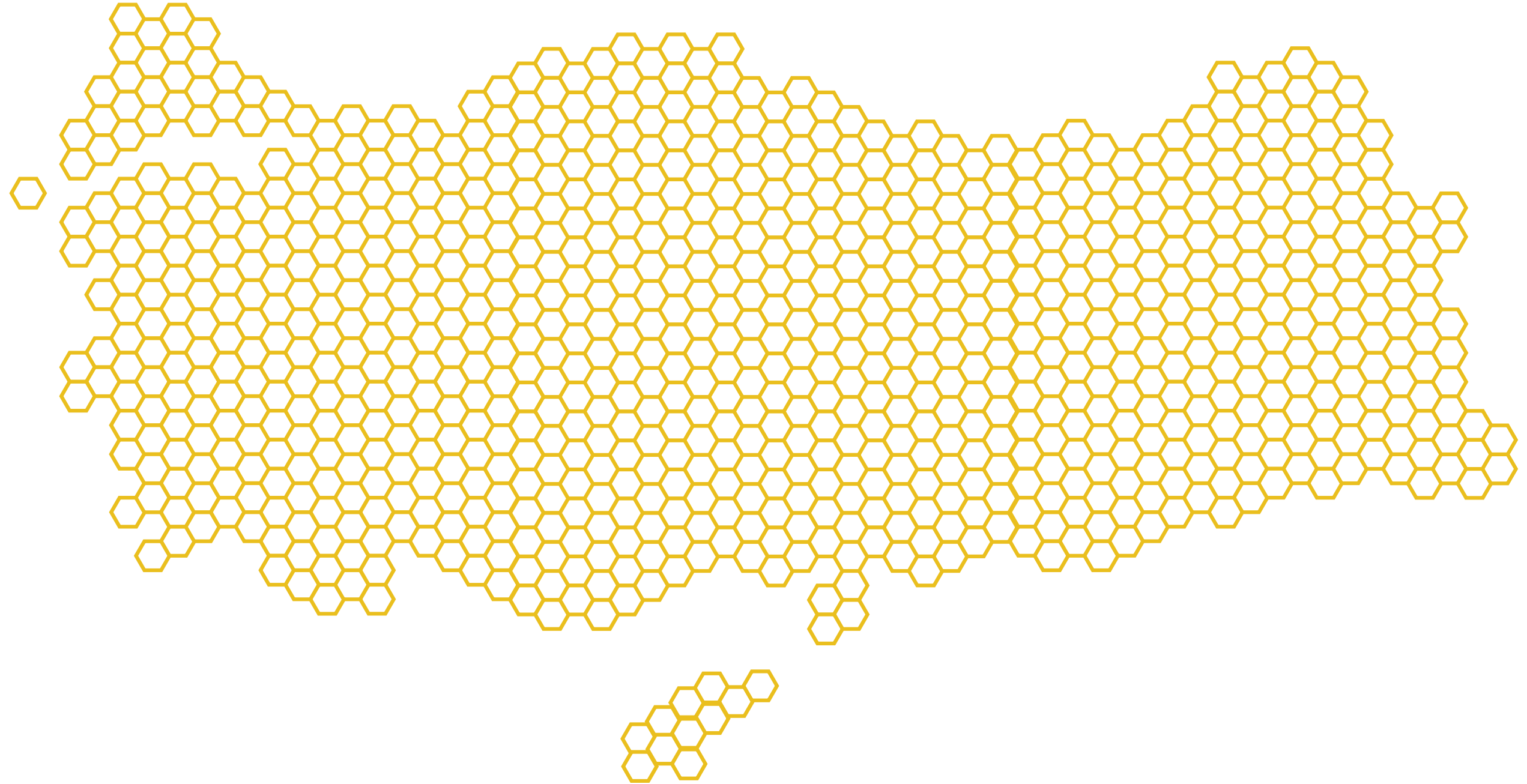
**Boasting 228 branches across Turkey and two branch locations in Baghdad and Erbil, Albaraka Türk delivers premium quality interest-free banking products and services.**

### Branches in Turkey

- Adana (5)
- Adiyaman (1)
- Afyonkarahisar (1)
- Aksaray (1)
- Amasya (1)
- Ankara (20)
- Antalya (5)
- Aydın (2)
- Balıkesir (2)
- Batman (1)
- Bolu (1)
- Bursa (8)
- Çanakkale (1))
- Çankırı (1)
- Çorum (1)
- Denizli (2)
- Diyarbakır (2)
- Düzce (1)
- Edirne (1)
- Elazığ (1)
- Erzincan (1)
- Erzurum (1)
- Eskişehir (1)
- Gaziantep (4)
- Giresun (1)
- Hatay (2)
- Isparta (1)
- İstanbul (93)
- İzmir (7)
- Kahramanmaraş (1)
- Karabük (1)
- Karaman (1)
- Kastamonu (1)
- Kayseri (4)
- Kocaeli (7)
- Konya (10)
- Kütahya (2)
- Malatya (1)
- Manisa (2)
- Mardin (1)
- Mersin (3)
- Muş (1)
- Nevşehir (1)
- Ordu (2)
- Osmaniye (1)
- Rize (1)
- Sakarya (1)
- Samsun (2)
- Siirt (1)
- Sivas (1)
- Şanlıurfa (2)
- Tekirdağ (3)
- Tokat (1)
- Trabzon (3)
- Uşak (1)
- Van (1)
- Yalova (1)
- Yozgat (1)
- Zonguldak (1)

### Foreign Branches

- Baghdad (1)
- Erbil (1)



## Our Mission and Vision

*Albaraka Türk conducts all its business operations in line with its mission and vision.*

### Our Mission

*To meet the financial needs of society by sharing our common benefits with the customers, employees and shareholders who participate in our success, while remaining committed to the principles of interest-free banking, our core values and the ethical principles of banking*

### Our Vision

*To become the best participation bank in the world*

## Our Quality Policy, Core Corporate Values and Strategic Objectives

### Our Quality Policy

By working hand in hand with our well-trained employees who embrace quality as a way of life and continuously renew themselves:

- To offer products and services to meet the current and future expectations of our customers;
- To boost customer satisfaction through “personalized customer attention” and a “cheerful service” approach;
- To continuously improve all our business processes as well as our product and service quality;
- To keep a close watch on technology and business developments and rapidly transform them into added value.

### Key Corporate Values

#### Collaboration

- Growing by sharing the value created with the shareholders, employees, customers and society,
- Establishing strong, long-term relationships with stakeholders,
- Ensuring continuous development of knowledge and skills of employees, and
- Supporting growth of the participation banking and banking sector.

#### Focus

- Utilizing our resources in productive projects, and
- Converting our energy and perseverance into social value and making a positive impact on the lives of our customers for the greater good of society.

#### Sincerity

- Valuing our customers and always offering friendly service, and
- Providing utmost customer satisfaction through our products and services in line with our customer-oriented approach.

#### Solidity

- Adhering to participation banking principles and banking ethics while allocating resources for the economy, and
- Managing our customers’ financial interests with the highest ethical standards.

#### Sustainability and Corporate Social Responsibility

While conducting activities toward the goal of becoming a pioneering financial institution in the field of sustainability and corporate social responsibility;

- Supporting economic and global development with a view to improving the quality of life for society,
- Minimizing the impact of our operations on climate change and working together with our stakeholders for a sustainable world,
- Adopting human-centric and environmentally-sensitive policies and supporting the projects implemented to achieve social and cultural objectives.

### Our Strategic Objectives

*Remaining committed to its vision and mission during its activities in 2019, Albaraka Türk determined Strategic Objectives for the period covering 2020 and 2022.*



#### Financial

- Focusing on core banking activities and ensuring sustainable growth and profitability.



#### Customers

- Improving customer experience and being more effective in customer acquisition.
- Strengthening the brand perception through communication, social responsibility, and sustainability activities.



#### Process

- Adopting innovative business models and completing the digitalization program to boost efficiency.



#### Competency and Organization

- Achieving strong IT competencies and an agile organizational structure,
- Maintaining employee satisfaction and improve corporate performance through a team spirit based on trust.

## Our Awards

*Pursuing continuous improvement objectives, Albaraka Türk was once again recognized with numerous awards on national and international platforms in 2019.*

*Albaraka Türk was a finalist in the category of “Best Islamic Finance Transaction of the Year” and received the “Best Transaction Among Financial Institutions Award” at the Bonds & Loans Award Program with its AT1 Sukuk Transaction.*

*Albaraka Türk Mobile Banking App was granted the “Best User Experience” and “Experimentalism & Innovation” awards in the category of “Mobile Apps and Websites” at the Communicator Awards.*

*The Bank’s “Add Value for the Future Project” received the Platinum award (First Prize) in the Quality Education category at the 11<sup>th</sup> Corporate Social Responsibility Summit and Sustainable Development Goals Awards.*



## Message from the Chairman

**Sustainability and Social Responsibility is an integral part of Al Baraka Banking Group (ABG)'s vision and its business model, and this means - to be relevant in the prosperity of the communities in which we operate.**

Esteemed Stakeholders,

At Al Baraka, it is the social impact that means more to us and this is deeply ingrained in our business model. We focus on creating value that is environmentally and socially sustainable. It is our endeavor to realize these goals through the various Al Baraka Sustainability and Social Responsibility Programs around the World.

Boasting of over 700 branches in 17 countries including Turkey, Al Baraka Banking Group (ABG) is among the key players of the global banking system with a capital of USD 2.3 billion. Our Group operates in compliance with the principles of participation banking, leveraging a sustainability strategy, driven by stable growth. We conduct our business operations around the world towards shared goals in a coordinated manner. Our Bank has steadily invested in digital transformation during the year. We remain committed to our sustainability-related efforts and operational efficiency even in the face of fragile global markets.

### **Sustainability and Social Responsibility is at the Heart of Participation Banking**

Sustainability and Social Responsibility is a theme at the core of Islam, which teaches people benevolence and kindness. Operating in light of Islamic principles, Al Baraka Banking Group is driven by this fundamental understanding and observes social responsibility across all its business processes. In accordance with the teachings of Islam, we at Al Baraka Banking Group believe that humankind cannot possess the wealth on Earth; rather, humanity is a beneficiary who is to pass this wealth down to future generations. Therefore, humanity must make use of the wealth on Earth by fostering the good of society.

Our Group was established pursuant to the principles and values of interest-free banking. Meanwhile, we implement Sustainability and Social Responsibility projects that will help improve the living standards of people in all our operating regions, with a focus on education, healthcare, sustainable energy and protection of vulnerable groups. Furthermore, we are committed to transfer natural and environmental riches bestowed upon us to future generations.

### **We Add Value to the World's Assets for Construction of the Earth (E'mar Al Ardh)**

At Al Baraka Banking Group, we conduct all our business operations in accordance with the approach E'mar Al Ardh (Construction of the Earth), a core principle of participation banking. According to this principle, individuals and organizations alike must focus on adding (material and humanitarian) value when managing and interacting with all assets. This is why we lead the way in social development, while achieving sustainable financial and operational results as part of our business activities. We easily overcome cultural and regional barriers, thanks to our well-qualified human resources who have access to continuous development opportunities. Under the Al Baraka brand, we pursue a sustainable financial performance while also creating sustainable value. For example, we develop projects to facilitate access to quality education, healthcare and sustainable energy services in the communities we serve.

### **We Support Sustainable Development Goals for Future Generations**

At Al Baraka Banking Group, we see the Sustainable Development Goals introduced by the United Nations in 17 areas as a good example of the E'mar Al Ardh (Construction of the Earth) approach. We have driven these objectives through our flagship initiative Al Baraka Goals (2016-2020). As part of the initiative, in 2016, we pledged USD 822 million towards various global challenges and these goals are integrated with seven of the UN's Global Goals for Sustainable Development. In addition to our commitment to the Global Goals for Sustainable Development, we are equally proud of our continued commitment to the Ten Principles of the UN Global Compact (on Human Rights, Labour, Environment and Anti-Corruption). We have also made an additional financing pledge of US\$ 197 million towards sustainable and clean energy projects. We hope that our combined efforts will help in reducing carbon emissions in the countries where we operate. However, we will report the sustainable energy in the report next year.

In August 2018, Al Baraka Banking Group signed a Memorandum of Understanding (MoU) with United Nations Development Programme (UNDP), demonstrating our commitment to serving stakeholders across all our operating regions in line with these goals. The year 2019 is also important for us as we signed a global MoU with the UN Environment Program (UNEP). We look forward to collaborating with UNEP in directing private investments towards environmental projects within our network countries.

### **Albaraka Türk's Valuable Contributions to Al Baraka Goals...**

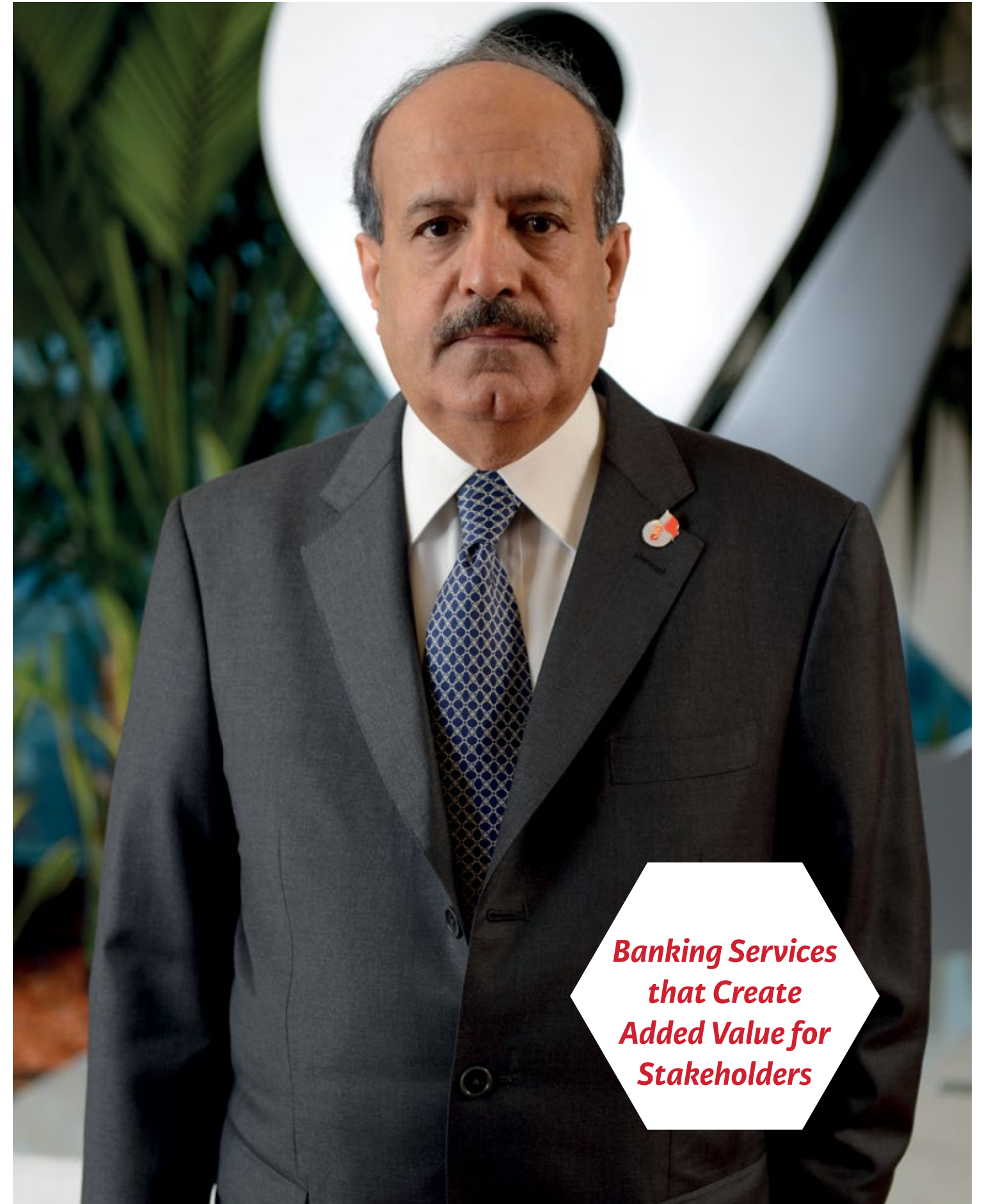
One of the most important links in Al Baraka Banking Group's value chain, Albaraka Türk, has integrated its Sustainability and Social Responsibility approach in all its business processes. As a result, the Bank significantly contributed to Al Baraka Goals in fiscal year 2019, especially to the high target realization rates ABG achieved in its priority areas. Therefore, we believe that the Bank's responsible banking approach is a significant reference point for the Turkish participation banking sector. I would like to extend my thanks to Albaraka Türk and its sustainability team for their efforts in achieving the Al Baraka Goals and develop a sustainability culture in the participation-banking sector.

It is my hope that we will reach an even higher target realization rate for Al Baraka Goals and create many more social benefits with our Sustainability and Social Responsibility approach which adds value to our stakeholders in the coming period.

Sincerely yours,



**Adnan Ahmed Yusuf Abdulmalek**  
Chairman





## Message from the General Manager

**At Albaraka Türk, we are taking steps to move the Albaraka Türk brand forward into the future by implementing an agile organizational structure and adopting our VUCA 2.0 approach, which is composed of vision, understanding, courage and adaptability.**

Esteemed Stakeholders,

The 21<sup>st</sup> century marks a period of rapid change for individuals and organizations alike. As risks and opportunities emerge in an asymmetric way, enterprises are forced to perform more in-depth and comprehensive analyses. I would like you to rest assured that, Albaraka Türk, Turkey's first participation bank, is always one step ahead of traditional risk perceptions in this new era referred to as VUCA (volatility, uncertainty, complexity, ambiguity). We are committed to preparing our organization for a successful tomorrow. While numerous problems facing the world today – including the climate crisis, refugee issue and economic inequality – threaten global stability, we are taking steps to move the Albaraka Türk brand forward into the future by implementing an agile organizational structure and adopting our VUCA 2.0 approach, which is composed of vision, understanding, courage and adaptability. At Albaraka Türk, we believe that social responsibility and sustainability are at the heart of participation banking. With this mindset, we strive to create value for our stakeholders, society and the environment while we conduct our business activities. We encourage and support the valuable employees of the Albaraka Türk family to take part in value-adding activities and generate value on a volunteer basis.

### Participation Banking Activities Driven by United Nations Sustainable Development Goals (SDG)

At Al Baraka Banking Group (ABG), we are committed to fulfilling our social responsibilities and minimizing the environmental impact of our business activities. This commitment is part of the participation banking approach we have built over many years. I would like to inform all our stakeholders that we signed a Memorandum of Understanding (MoU) with United Nations Development Programme (UNDP) in August 2018, to guarantee the compliance of our business operations with Sustainable Development Goals (SDG). A signatory to the United Nations Global Compact (UNGC) since 2016, Al Baraka Banking Group has adopted a more comprehensive framework for its sustainability efforts under the MoU signed with UNDP. Driven by its Al Baraka Goals, ABG developed a roadmap for the 2016-2020 period in alignment with United Nations Sustainable Development Goals. To this end, we pledged USD 635 million aimed at the following Sustainable Development Goals: No Poverty (1); Good Health and Wellbeing (3); Quality Education (4); Gender Equality (5); Affordable and Clean Energy (7); Decent Work and Economic Growth (8); Industry, Innovation, and Infrastructure (9). As of year-end 2018, our Group has created 29,612 jobs, in addition to providing funds worth USD 181.9 million for quality education. We also extended USD 397 million to finance healthcare services.

### Solid Contribution from Albaraka Türk to Al Baraka Goals

The first participation bank in Turkey, Albaraka Türk aligned its sustainability strategy with ABG's Al Baraka Goals. The Bank has significantly contributed to the Group's target realization rates for financing and supporting employment, education, and healthcare. Albaraka Türk also demonstrated its leadership in

environmental sustainability as the first participation bank from Turkey included in the CDP (Carbon Disclosure Project), which is aimed at combating climate change on a global level.

### Albaraka Türk in the BIST Sustainability Index

Albaraka Türk undertakes systemic efforts to integrate sustainability into all aspects of its organizational structure. In line with national and international sustainability initiatives, we implement projects in a wide range of areas – including minimizing our environmental impacts and continuously developing our organizational structure. I also proudly announce to our stakeholders that we have been included in Borsa Istanbul's Sustainability Index since November 1, 2019 thanks to our outstanding sustainability performance. Albaraka Türk is the first participation bank to receive a "B" score from the Carbon Disclosure Project (CDP) – an exemplary international initiative aimed at fighting global climate crisis. Once again, the Bank demonstrated its leading role in every facet of sustainability. Boasting LEED GOLD certification, Albaraka Türk's headquarters building in Istanbul is a significant reference point for environmental sustainability and provides ideal opportunities for Bank employees to raise their awareness on sustainability.

### Our Goals for 2020

Moving forward backed by Al Baraka Banking Group, Albaraka Türk sees sustainability as an ongoing journey. We plan to implement many projects focused on sustainability in fiscal year 2020. Albaraka Türk aims to develop its Environmental Social Governance System in light of best practices and integrate it with the Credit Risk Assessment System. This effort is intended to maximize the value we attribute to sustainability not only in operational activities but also in the business we do with our customers. In addition, Albaraka Türk plans to commence systems infrastructure related work even before regulations are introduced as part of the Task Force on Climate Related Financial Disclosure.

### Creating Value with Al Baraka Goals

I would like to thank all our stakeholders for their support in Albaraka Türk's efforts towards Al Baraka Goals in fiscal year 2019. I believe that our first Sustainability Report, prepared according to the principles of the Global Reporting Initiative (GRI), will make our progress towards Al Baraka Goals more visible for our stakeholders. It is my hope that our sustainability efforts undertaken in conjunction with all our stakeholders – our employees in particular – will help leave a more inhabitable world for future generations.

Respectfully yours,



**Melikşah Utku**  
General Manager



**Focus on  
Sustainable Growth  
and Profitability**

## Message from the Chairman of the Sustainability Committee

*Responding to emerging social issues, Albaraka Türk focuses on “ihsani (good)” goals such as sharing the wealth it generates with others.*

Sustainability and social responsibility as discourse and corporate practice have evolved in the past decade to responding to the world’s emerging issues and the greater environment where businesses live and operate. A shift has taken place from considering social responsibility as a profit maximizing concept in the 1960s to serving extended stakeholders in the present-day.

Economic and financial entities, including banks, cannot be isolated from the larger social and ecological environment. These enterprises must, by their nature, interact with the larger environment and respond to the needs of society. As a result, they must also develop strategies to moderate the potential negative consequences of their business activities and operations on the environment.

### **Sustainable Development Goals: A Significant Turning Point...**

Until recently, most corporate social responsibility objectives remained philanthropic and voluntary. However, with the arrival of Sustainable Development Goals (SDGs) in 2015, such goals are now incorporated into the operations of all economic and financial organizations, including banks. Islamic banks and financial institutions, meanwhile, hold a unique position in relation to sustainability and social responsibility. Normative Islamic principles directly shape the founding and functioning of Islamic banks and financial institutions. These principles suggest that the existence and operations of these institutions must be shaped by incorporating stakeholder interests. This approach must be reconciled with the fact that corporate governance of Islamic banks and financial institutions should also be based on shareholder interests pursuant to the current legal and regulatory framework in the financial environment. In other words, Islamic banks emerged with a particular perspective to safeguard people, the environment, and capital. They aim to establish a just society by utilizing capital in light of Islamic values. Therefore, sustainability and social responsibility are a ‘must’ for Islamic banks and financial institutions rather than an expression of philanthropy. Islamic principles consider the world and everything within complementarity with the objective of achieving unity. Thus, the interests of all stakeholders must be considered in their operations via participation, sharing, and solidarity so that the good (ihsani) society Islam seeks can be established.

### **Al Baraka Banking Group: A Culture of Solidarity, Participation and Sharing**

Over the years, the Corporate Social Responsibility (CSR), Environmental Social Governance (ESG), and now Sustainable Development Goals (SDG) movements have aimed to achieve the same objectives that are innately at the heart of Islamic banking. However, such movements have provided additional impetus for Islamic banks to achieve their original goals within the existing financial markets and regulatory environment. The importance

of sustainability and social responsibility becomes even clearer in times of growing financial, economic, human and environmental crises. The post-modern and post-industrial era is characterized by VUCA (Volatile, Uncertain, Complex and Ambiguous) cycles as a fact of life. Every day brings new challenges for everyone, including banks and financial institutions. The VUCA environment lays bare the importance of a culture built on solidarity, participation and sharing in order to overcome the negative and disruptive consequences of volatility, uncertainty, complexity and ambiguity. Solidarity, participation and sharing: These are inherent qualities of Al Baraka Banking Group and Albaraka Türk in particular.

### **To Contribute to “Good (ihsani)” Society...**

Al Baraka Banking Group and Albaraka Türk are shaped by their core principles and are committed to serving the interests of all stakeholders. By internalizing their founding values of participation, sharing, and solidarity, Al Baraka Group and Albaraka Türk focus on the positive qualities they can bring to the lives of stakeholders. As demonstrated in this report, Albaraka Türk has fully embraced this forward-looking vision and mission. The Bank conducts best efforts to operate in line with its sustainability objectives. Accordingly, Albaraka Türk has proactively shared the wealth it generates with a broader group of stakeholders through social responsibility projects. On one hand, Al Baraka Banking Group and Albaraka Türk have responded positively to SDGs within their remit to contribute to the sustainability of our societies and the world. On the other, both entities have undertaken various initiatives in education, healthcare and social solidarity to contribute to good, namely ihsani, society.

As detailed in this report, Albaraka Türk has made significant strides in addressing emerging social issues. The Bank has expanded its ihsani objectives by sharing the wealth it generates with others. Social responsibility and sustainability goals will remain central to Albaraka Türk’s operations in times of VUCA and beyond. Albaraka Türk is a well-established banking institution pursuing a particular tradition shaped by core Islamic values and going beyond merely being a bank. In light of these objectives, Albaraka Türk serves a higher purpose. The Bank aims for a more just and sustainable world, with the ambition to protect people, the environment and capital, and extend finance activities accordingly.

Respectfully yours,



**Professor Mehmet Asutay\***  
*Chairman of the Sustainability Committee*

*\*Resigned as of March 20, 2020.*



## Strategic Sustainability Areas

GRI 102-44, GRI 102-45, GRI 102-46, GRI 102-47

*Albaraka Türk 2019 Sustainability Report was prepared in accordance with the core option of Global Reporting Initiative (GRI)'s 2016 Standards Reporting Framework.*

Albaraka Türk 2019 Sustainability Report was prepared and issued to make the Bank's sustainability activities between January 1 – December 31, 2019 more visible for stakeholders. The report presents the economic, corporate, social, and environmental sustainability activities of Albaraka Türk as a corporate citizen to stakeholders in line with the principles of transparency and accountability. Albaraka Türk 2019 Sustainability Report covers the sustainability activities conducted by the Bank's domestic branches between January 1 – December 31, 2019. Albaraka Türk's foreign subsidiaries are not included in the scope of this report.

### Reporting in Light of 2016 GRI Standards and UN Sustainable Development Goals (SDGs)

Albaraka Türk 2019 Sustainability Report was prepared in accordance with Global Reporting Initiative (GRI)'s most recent reporting framework, GRI Standards: Core option. The report was drafted by taking the sustainability priorities of Albaraka Türk, its principal shareholder Al Baraka Banking Group (ABG), and stakeholders into consideration. Within the report, UN Sustainable Development Goals are also represented with icons. Accordingly, the following priority matrix was prepared:

GRI 102-44, GRI 102-45, GRI 102-46, GRI 102-47

### Albaraka Türk 2019 Sustainability Report Prioritization of Goals

Impact on Albaraka Türk	High	<ul style="list-style-type: none"> <li>• Anti-Corruption</li> <li>• Emissions</li> <li>• Energy Management</li> <li>• Use of Natural Resources</li> <li>• Water Consumption</li> <li>• Compliance with Environmental Laws</li> </ul>	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> <li>• Indirect Economic Impact</li> </ul>	
	Medium	<ul style="list-style-type: none"> <li>• Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> <li>• Human Rights</li> <li>• Customer Health and Safety</li> <li>• Occupational Training</li> </ul>	
	Low			
		Low	Medium	High
Priority for Stakeholders				

Contact information to convey opinions and suggestions on Albaraka Türk 2019 Sustainability Report

Seyfullah Demirlek (Manager)

E-mail: [sdemirlek@albarakaturk.com.tr](mailto:sdemirlek@albarakaturk.com.tr)



## Sustainability and Social Responsibility Principles

*Albaraka Türk bases all its sustainability and social responsibility activities on the following principles.*



- Sustainability and Social Responsibility activities are conducted in the target areas such as education, healthcare, environment, vulnerable groups and culture, and in collaboration with persons, institutions or NGOs operating in these fields.
- In selecting the persons, institutions or NGOs for collaboration in Sustainability and Social Responsibility efforts, interest-free finance and participation banking principles, as well as Albaraka Türk's vision, mission and ethical principles are taken into consideration.
- Carbon Disclosure Project (CDP), BIST Sustainability Index, and LEED Green Building Certification efforts are undertaken as part of sustainability activities.
- The Bank conducts efforts in relation to Governance, Environment, Human Rights, Anti-Corruption and Anti-Bribery, Management of Emergencies and Unexpected Incidents, Occupational Health and Safety, Business Continuity Management, and Banking Activities, which are identified as the Bank's strategic areas for sustainability.
- The Bank supports the social responsibility activities of the Social Responsibility Club founded by employees.
- While extending cash and non-cash loans, the Bank prioritizes projects that will create new employment opportunities and contribute to the easy access of all members of society to quality education and healthcare services.
- Best practices in sustainability and social responsibility around the world are monitored to enable the Bank to implement social responsibility projects that comply with its core values and ethical principles, and contribute to economic development.
- Activities are carried out in priority areas of the Bank to help preserve our cultural assets and achieve UN Sustainable Development Goals.

## Principles of Donations and Contributions

*Albaraka Türk takes into consideration the principles of interest-free finance and participation banking in determining the persons, institutions or non-governmental organizations to which all aids and donations will be made.*



- Interest-free finance and participation banking principles, Albaraka Türk's vision, mission, ethical rules, and annual budget allowances are taken into account when the persons, institutions or NGOs for donations and contributions are determined by the Senior Management's decision.
- Albaraka Türk provides in-cash and in-kind donations and contributions to the socially-responsible persons, institutions or NGOs with activities in the fields of healthcare, education, environment, vulnerable groups, culture etc. in accordance with the framework specified in the Banking Law No. 5411.
- Donations and contributions are provided by considering the laws and regulations the Bank is subject to.
- According to Article 59 of the Banking Law No. 5411, "The amount of donations to be extended by banks and institutions subject to consolidated supervision in a fiscal year shall not exceed four per thousand of the bank's equity. However, minimum half of the donations and contributions shall be composed of donations and contributions that may be considered as expenditure or deductible costs in the calculation of the corporate tax base. The principles and procedures applicable to the implementation of this provision shall be set by the Board."
- According to Principle numbered 1.3.10 under the CMB's Corporate Governance Communique No. II-17.1, "a policy regarding donations and contributions shall be formed and submitted to the approval of the general assembly. Information regarding the amounts and beneficiaries of all donations and contributions made within the term in line with the policy approved by the general assembly and the amendments in the policy shall be provided to the shareholders through a separate agenda item at the general assembly meeting."
- Shareholders are provided with detailed information on the donations and contributions made by the Bank at the first Ordinary General Assembly Meeting of the relevant year. The compliance and effectiveness of the Bank's practices and activities in relation to donations and contributions with the provisions of applicable laws and this Policy is subject to regular audits and assessments as part of internal audit activities.

## Our Sustainability Organization

**The Sustainability Committee and Sustainability Executive Committee report to the Board of Directors and figure among the most important committees at Albaraka Türk.**

### Albaraka Türk Sustainability Committee

- **Chairman:** Mehmet Ali Gökçe (Member of the Board of Directors)
- **Member:** İbrahim Fayez Humaid Alshamsi (Member of the Board of Directors)

As per the resolution dated March 2020, Mehmet Ali Gökçe was appointed Chairman and İbrahim Fayez Humaid Alshamsi was appointed Member.

### Sustainability Executive Committee

- **Chairman:** Melikşah Utku (General Manager)
- **Member:** Mustafa Çetin (Assistant General Manager in charge of Finance)
- **Member:** Süleyman Çelik (Assistant General Manager in charge of Human Values and Administrative Affairs)
- **Member:** Hasan Altundağ (Assistant General Manager in charge of Marketing)

**Sustainability practices at Albaraka Türk are carried out under the leadership of the Board of Directors.**

### ALBARAKA TÜRK'S SUSTAINABILITY ORGANIZATIONAL CHART

Sustainability Committee (Board Committee)		Corporate Governance Committee (Board Committee)		
Sustainability Executive Committee (Executive Committee)				
Strategic Planning and Economic Researches Dept. (Sustainability and CSR Initiatives Coordination)	Administrative Affairs and Procurement Dept. (Environmental Management Services)	Communication and Brand Management Dept. (Sponsorship and Communication)	Investor Relationships Dept. (Corporate Governance Activities)	Other Departments (Other Activities)

### FIELDS OF ACTIVITY AND RESOURCE UTILIZATION

Sustainability and Corporate Governance Activities

Corporate Social Responsibility Activities

Sponsorship and Communication Activities

## Our Committees

**Albaraka Türk conducts sustainability activities through the Sustainability Committee and Sustainability Executive Committee.**

The roles and responsibilities of these committees are described below.

### Roles and Responsibilities of the Sustainability Committee of the Board of Directors

The Committee ensures:

- Implementing the projects that will disseminate the Bank's vision, mission, and corporate values across the entire society, stakeholders and business partners as part of the Sustainable Banking Program.
- Monitoring national and international practices and standards for sustainability and corporate responsibility, while ensuring the Bank's projects and efforts in this field comply with such practices and standards.
- Devising sustainable strategies and policies, incorporating them into the Bank's activities and monitoring the Bank's sustainability performance.
- Establishing an environmental, social and governance system, integrating this system into the credit risk assessment system.
- Identifying the risks, opportunities and objectives in relation to climate change and ensuring that necessary reports are prepared in this regard.
- Evaluating corporate social responsibility projects submitted to it for approval and taking resolutions as to whether or not to implement such projects.
- Evaluating the impact of the projects and activities on society and ensuring that measures taken in this regard are monitored.
- Discussing the issues reported by the Sustainability, Social Responsibility and Communications Executive Committee and making the necessary decisions to resolve them.
- Reviewing the annual and periodical sustainability and corporate responsibility reports.
- Working in coordination with the relevant department of ABG for sustainability and corporate responsibility issues.

### Roles and Responsibilities of the Sustainability Executive Committee

The Committee is tasked with:

- Implementing the projects that will convey the Bank's vision, mission and corporate values across the entire society, stakeholders and business partners as part of the Sustainable Banking Program.
- Monitoring national and international practices and standards for sustainability and corporate responsibility, while ensuring the Bank's projects and efforts in this field comply with such practices and standards.
- Formulating sustainability strategies and policies; incorporating them into the Bank's activities; and monitoring the Bank's sustainability performance.
- Establishing an environmental, social and governance system so as to ensure this system works in integration with the credit risk assessment system.
- Identifying the risks, opportunities and objectives in relation to climate change and ensuring that necessary reports are drafted and submitted.
- Conducting evaluations on the budget, scope and partners of the requested CSR projects; submitting these evaluations to the Sustainability Committee for approval; and following up the projects that are being implemented.
- Evaluating the impact of the projects and activities on society and ensuring that measures taken in this regard are monitored.

## Stakeholder Map and Our Strong Bond with Stakeholders

GRI-140, GRI-142, GRI 143

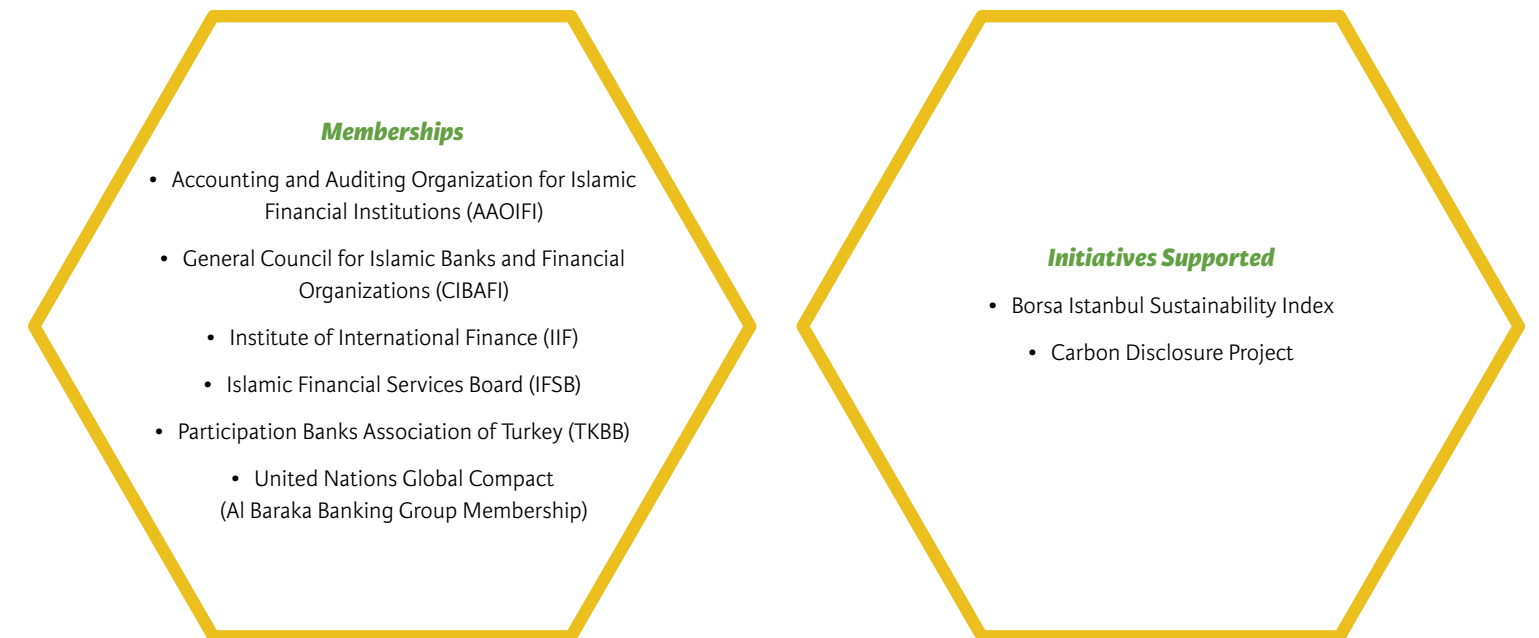
*Striving to transform its activities into a value chain, Albaraka Türk builds transparent and interactive relations with the stakeholders on its stakeholder map to generate added value together.*

Striving to transform its business activities into a value chain, Albaraka Türk builds transparent and interactive relations with the stakeholders on its stakeholder map to generate added value together. The Bank has capitalized on recent technology developments – digital transformation in particular – and established strong communication channels with stakeholders.

Stakeholders	Communication Channels
Shareholders	Investor Presentations, Investor Trips, Investor Activities
Rating Institutions	Credit Rating and Corporate Governance Compliance Rating Reports
Employees	Internal Communication Channels, Professional and Personal Development Programs, Activities for Employees' Families
Subsidiaries	Internal Communication Channels, Professional and Personal Development Programs, Activities for Employees' Families
Customers	Advertising Campaigns, Complaint and Suggestion Handling Channels, Field Research Team, Ethnographic Field Research Based on Qualitative Methods
Suppliers	Procurement Procedure, Purchasing, Sales, Construction, Rental, Services and Bidding Regulations; Supplier Information Form, Supplier Evaluation Form
International Financial Institutions	Corporate Promotional Materials, Memberships, Representation at Events, One-on-one Visits and Exchanges
Associations	Corporate Promotional Materials, Memberships, Representation at Events
Media	Press Releases, Visits aimed at Press Members, Leadership Communication
Public	Activities aimed at Full Compliance with Laws, Events Supporting Public Activities
National and International NGOs and Institutions	Sustainability and CSR Partnerships & Reports

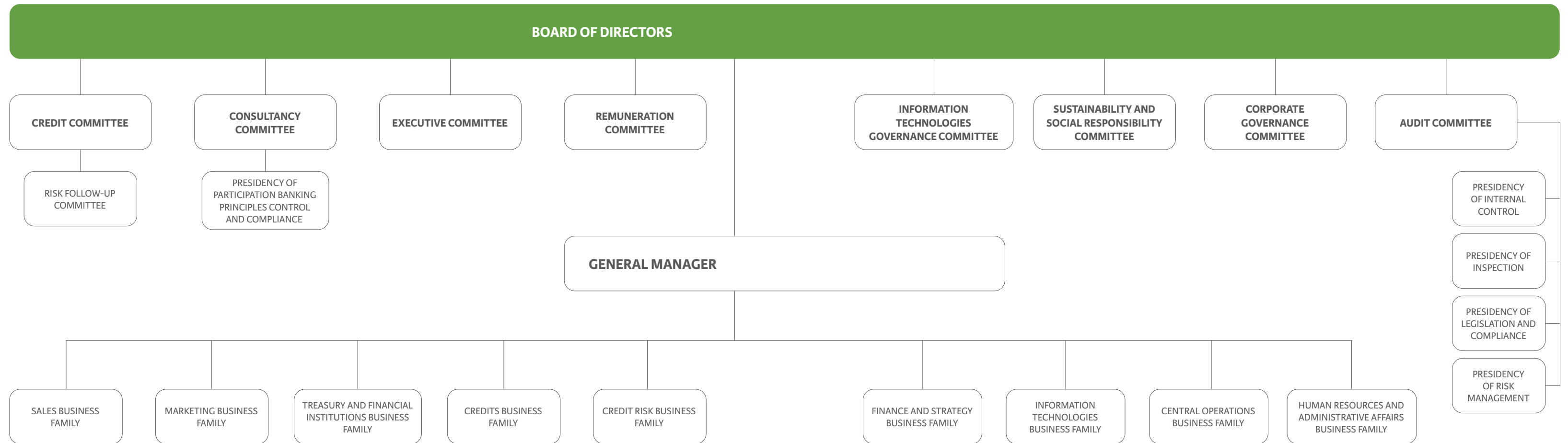
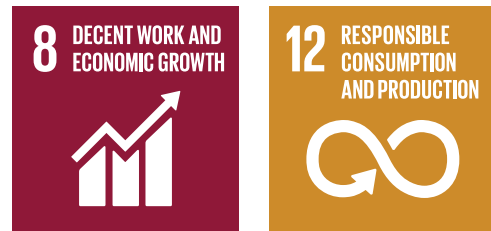
## Memberships and Platforms

*Boasting a high profile on national and international professional platforms, Albaraka Türk continues to bolster its corporate reputation domestically and globally.*



## Corporate Governance and Risk Management Approach

*Propelled by a strong organizational structure, Albaraka Türk moves steadily forward to achieve its shared goals.*



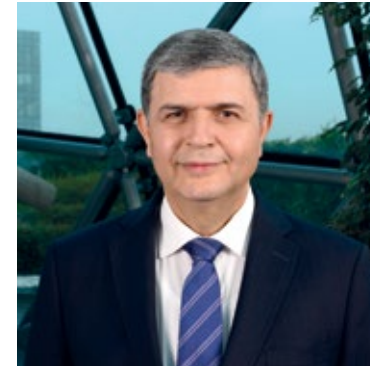
## Corporate Governance and Risk Management Approach

### Board of Directors



**Adnan Ahmed Yusuf Abdulmalek**  
**Chairman**

Mr. Adnan Yusuf was born in 1955 in Manama (Bahrain). He studied Administrative Sciences in the Hull University (England) where he also completed his master degree. In recognition of Mr. Yusuf's outstanding contribution in the field of contemporary Islamic finance and for modernizing its theoretical fundamentals in practice, the Al Jinan University of Lebanon granted him an Honorary Doctorate of Philosophy in Business Administration. He commenced his banking career in 1973 at Habib Bank. He worked at the American Express Bank between the years of 1975 and 1980 as assistant manager of credit transactions. He then held the following positions at Arab Banking Corporation (ABC) from 1980 onwards: Manager of main branch, Deputy General Manager and Vice Chairman, Director of Global Marketing and Financial Institutions Division, Head of Arab World division, Vice Manager of Subsidiaries and Investments. In 1998 Mr. Yusuf became Chairman of ABC Islamic Bank (EC). He took office as the CEO of Bahrain Islamic Bank during 2002-2004 and two terms (2007-2013) served as the Chairman of the Board of the Arab Bankers' Union in Lebanon. Since August 2004, he has been working as a board member and CEO of the Albaraka Banking Group (ABG). As President & Chief Executive, Mr. Yusuf has led Albaraka Banking Group (ABG) since inception, developing the Group into one of the largest and most diversified Islamic banking groups in the World, operating a network of around 700 branches in 17 countries, with its Head Office in the Kingdom of Bahrain. In 2011, Mr. Yusuf received the Medal of Efficiency, a unique honor conferred by His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain. In 2017, Mr. Yusuf received the Honorary Freedom Award, the highest honor from the City of London for his outstanding contributions to international banking services. The Global Islamic Finance Awards (GIFA) has declared Mr. Yusuf as the Islamic Finance Personality of the Year 2017. He was also awarded by the LARIBA American Finance House the 2012 LARIBA Award for Excellence in Achievement in recognition of his leadership role in consolidating and operating the largest diversified Islamic banking group in the world. In 2004 and 2009, he twice received the Islamic Banker of the Year award (2004 and 2009). Mr. Adnan was awarded the "Excellence in Partner Empowerment for 2019" and "The Arab Economic Socially Responsible-Personality" awards by the Regional Network for Social Responsibility in 2019. In 2017, Mr. Yusuf won the 12th Islamic Business & Finance Awards for his Outstanding Contribution in CSR in Islamic banking. In 2016, the CSR Regional Network named him as the High Commissioner for advocating the United Nations Sustainable Development Goals 2030. The CSR Regional Network, in 2015, named him the CSR International Ambassador (Kingdom of Bahrain). He also received the Gold Award for Sustainable Development for his major role in the social responsibility programs nationally and internationally in 2016, as well as recognition for the leading role of ABC in the field of CSR at Oman International Conference on Social Responsibility. Mr. Yusuf has been the Chairman of the Board of Directors, Credit Committee and Remuneration Committee of Albaraka Türk since April 2005. He is also the Chairman of the Executive Committee.



**Süleyman Kalkan**  
**Vice Chairman**

Süleyman Kalkan was born in Kırşehir in 1956. He graduated from the Faculty of Political Sciences, Department of International Relations at Ankara University. Mr. Kalkan began his professional career as an assistant inspector at İşbank in 1983. He then served as Retail Loans Assistant Manager in 1993, Commercial and Corporate Loans Regional Manager in 1995 and Non-performing Loans Manager from 1997 until the end of 2003 and sat on the Disciplinary Committee for six years at the same bank. Mr. Kalkan served as a Branch Manager during 2003-2010. He also served as Board Member of İşbank affiliates, including TSKB (Industrial Development Bank of Turkey), Anadolu Hayat Emeklilik (life insurance) and İş Factoring. Mr. Kalkan was appointed as the Executive Member of the Board and the General Manager of VakıfBank in March 2013 and served as the Chairman of the VakıfBank affiliates Güneş Sigorta (insurance) and Vakıf International AG (Vienna). He has served as Deputy Chairman of Halkbank between April 2013 - April 2016. He also chaired the Audit Committee as an Independent Board Member. Mr. Kalkan was the member of Supervisory Board of Demir-Halk Bank (Nederland) N.V., one of Halkbank affiliates between April 2013 - October 2016 and served as the member of RCC (Remuneration & Compensation Committee), NC (Nomination Committee) and SBCC (Credit Committee). Mr. Kalkan was appointed as the Board Member of Albaraka Türk as of 31 May 2018. He is the Chairman of the Corporate Governance Committee, Vice-Chairman of the Executive Committee and a member of the Credit Committee.



**Ibrahim Fayeze Humaid Alshamsi**  
**Board Member**

He was born in 1949 in the Ajman city of the United Arab Emirates (UAE). Mr. Ibrahim Fayeze had his degree in Economics from the Arab University of Beirut in Lebanon in 1972. He commenced his professional career in 1969-1971 at Bank of Oman as Current Accounts Chief. Later on he became the manager of its Ajman branch (1971). In between 1972-1976, he held the following positions: Manager of Financial Affairs at the Ministry of Housing & Town Planning of UAE. He worked as Assistant General Manager at Abu Dhabi Fund for Arab Economic Development between 1976-1989; Board Member for European Arab Bank Holding in Luxembourg (1978), Board member for Industrial Bank of UAE (1983-1999), Board member for Austrian Conference Centre Co in Vienna (1984) and Board member for Dubai Islamic Bank (1998-2001). He also worked as chairman of UAE Bangladesh Investment Co in Bangladesh (1988-1989), and Board of the Arab Fund for Economic & Social Development in Kuwait (1983-2010). He has been the Chairman and CEO of the Emirates Islamic Bank in Dubai between 2004 and 2011. Later on, his own company AlRabiah Trading Co. (Dubai). He is the Chairman of Albaraka Bank Egypt, board member at the Albaraka Banking Group (Bahrain) and Albaraka Bank Syria. He has been a board member of Albaraka Türk since April 2005. He is also the member of Corporate Governance and Sustainability and Social Responsibility Committee.



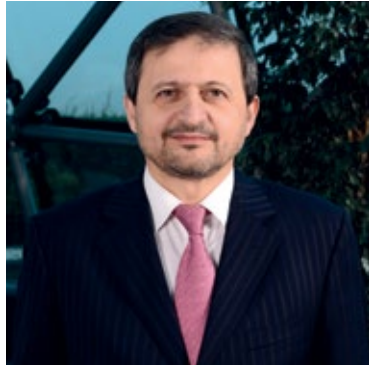
## Corporate Governance and Risk Management Approach

### Board of Directors



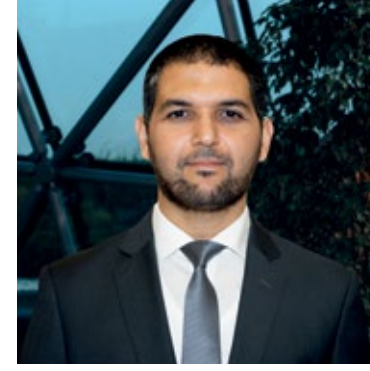
**Prof. Dr. Kemal Varol**  
*Board Member*

Kemal Varol who was born in 1943 in Iğdır, had his master's degree on the Textile Chemistry from the Institute of Science and Technology of Manchester University in 1965 where he had also completed his Doctorate in 1968. Since 1974, Mr. Varol has been working as a senior manager in numerous companies including the Sümerbank where he worked as General Manager and Chairman of the Board. He is currently working as a Professor at Istanbul Commerce University. Kemal Varol has served as an Independent Board Member to the Board of Albaraka Türk between 2013 and 2019. He was also the chairman of Corporate Governance Committee from July 2014 to March 2017. Currently, he is a member of the Credit Committee and the Executive Committee.



**Mustafa Büyükbacı**  
*Board Member*

Mr. Büyükbacı graduated from Boğaziçi University, Department of Industrial Engineering and earned his master's degree in the same field in 1984. He then worked as a research associate at the same department. From 1989 onwards, he assumed various management roles at capital markets and investment firms, mainly focusing on Asset/Portfolio Management and Investment. In 1993, he joined Yıldız Holding as the Founding Director and Board Member of Taç Investment Trust. In addition, he served as Capital Markets and Financial Advisor at Yıldız Holding with regard to capital, commodity and money markets; and as Board Member at Family Finans and other group companies. He founded Bizim Securities, where he worked as Founding Director and Board Member. Mr. Büyükbacı founded the real estate division of Yıldız Holding, turning real estate operations into a major line of business. He worked as Founding President of the Real Estate Group. He left Yıldız Holding at the end of 2010. Later, he founded his own investment company, where he continues to engage in investments in agriculture, livestock, real estate and capital markets. Between 2013 and 2016, Mr. Büyükbacı served as Board Member at Borsa Istanbul and between 2012 and 2018 he served as Independent Board Member at BİM Birleşik Mağazalar A.Ş. He serves as Independent Board Member Albaraka Portföy Yönetimi A.Ş. Mr. Büyükbacı has been serving as Board Member, Chairman of the Audit Committee and Member of the Executive Committee and the Remuneration Committee at Albaraka Türk Participation Bank. He is also the Vice Chairman of the Board of Trustees at Istanbul Sabahattin Zaim University.



**Dr. Mohamed Ali Chatti**  
*Board Member*

Dr. Mohamed Ali Chatti was born in 1984 in Tunisia. He earned his Bachelor's Degree in Finance from the Institute of High Commercial Studies in Tunisia and his Master's Degree from Paris X Nanterre University in France. He then completed his Ph.D. in Finance in 2010 at Paris X Nanterre University, in France. Dr. Chatti began his career in 2010 as Young Professional at the Islamic Development Bank (IsDB). Between 2011 and 2017, he worked as an Investment Analyst and Senior Investment Officer at the Investments Department of IsDB. He was also a lecturer about Islamic Finance at the ESSEC Tunisia in 2012. Since 2018, he is the manager of the Islamic Finance Investments Division and managing three strategic portfolios for the IsDB: equity portfolio of IsDB (in the Islamic Financial institutions), Awqaf Portfolio (managing the Awqaf Properties Investment Fund) and the microfinance portfolio. In total, he is managing a portfolio worth more than US\$ 2 billion. In October 2019, he was appointed as Acting Director for the Islamic Financial Sector Development Department at IsDB. Dr. Chatti represented IsDB in other boards (first Islamic Bank in Nigeria for more than 6 years, a Trading company in Bahrain for 4 years, a microfinance Bank in Sudan for 3 years) before joining Al Baraka Board of Directors. Dr. Chatti is a member of the Audit Committee and substitute member of the Credit Committee.



**Mehmet Ali Gökce**  
*Board Member*

Mr. Gökce was born in Çankırı in 1957. He obtained his bachelor's degree from Ankara University – Faculty of Theology and Master's Degree from University of Turkish Aeronautical Association, Institute of Social Sciences, Business. He commenced his banking career at Töbank as "Banking Officer" and worked there until 1984. Between 1987 - 1991 he served as Assistant Manager at Faisal Finance Institution. Then he worked as Ankara Branch Manager of Kuveyt Türk Participation Bank between 1991 and 1999. In 1999, he was appointed as Assistant General Manager of Anadolu Finance Institution and served there until 2005. Between 2006 and 2011 he served as Assistant General Manager of Türkiye Finans Participation Bank. In 2011, he was appointed as the CEO of Termikel A.Ş. and served there until 2012. He served as a Board Member of Asya Participation Bank between 2015 – 2016 and served as the CEO and the Chairman of "RCT Varlık Yönetim A.Ş." between 2012 and 2017. He served as a Board Member at the Türkiye Halk Bank between 2016 and 2017. On March 2020, he has been appointed as a Board Member of Albaraka Türk Participation Bank and still he is a member of Audit Committee, Executive Committee and the Chairman of the Sustainability and Social Responsibility Committee.

## Corporate Governance and Risk Management Approach



**Melikşah Utku**  
*Board Member and CEO*

Mr. Utku was born in Ankara in 1968. He graduated from Mechanical Engineering Department of Boğaziçi University (Istanbul, 1990). He completed his graduate studies in London School of Economics (1990-1992) and Master's Degree on economic development in Marmara University (Istanbul, 1998). In 2004, he served as a consultant to General Manager of Albaraka Turk. In 2006-2007, he was the head economist in Albaraka Turk. In addition, he was an economics columnist for Yeni Şafak newspaper for over 10 years (1995-2009). He later worked as Investor Relations Manager between 2007 and 2009. He continued as CIO-Assistant General Manager in December 2009 and was appointed as CFO-primarily responsible for Financial Affairs, Budget and Financial Reporting and Corporate Communication Departments. He was a board member of Borsa Istanbul from 2013 to 2016. As the General Manager of Albaraka Turk as of October 2016 Utku continued his duty, as well as Chairman of the Board of directors of Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş., Katılım Emeklilik ve Hayat A.Ş. and Albaraka Kültür Sanat ve Yayıncılık A.Ş. He is a member of Executive Committee, Credit Committee, Remuneration Committee and the Chairman of IT Governance Committee. On 2018, he has been appointed as a board member of the Marmara University Technopark.

## Senior Management



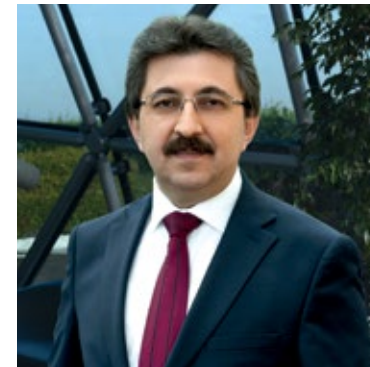
**Melikşah Utku**  
*Board Member and General Manager*

Please see the Board of Directors page for the CVs.



**Turgut Simitcioğlu**  
*Deputy General Manager (CMO)*

Turgut Simitcioğlu was born in Erzurum in 1961. After graduating from King Saud University, Faculty of Education in Saudi Arabia in 1989, he received his Master's degree in Business Administration from Fatih University, Institute of Social Sciences. Mr. Simitcioğlu joined Albaraka Türk in 1990 and worked in the Fund Allocation Department from 1990 to 1995, and at the Central Branch from 1995 until 2001. He was Director of the Central Branch between 2001 and 2003, and later Director of the Corporate Banking Department, before serving as Central Branch Manager from 2003 to 2009. In December 2009, he was appointed Assistant General Manager, thereafter serving as Assistant General Manager in charge of Credit Operations, Foreign Transactions Operations, Payment Systems Operations, Banking Services Operations and Risk Monitoring. Still serving as a Member of the Board of Directors at Katılım Emeklilik ve Hayat A.Ş. Yönetim and Deputy General Manager in charge of Business Lines as of January 2017, Simitcioğlu has been serving as the Assistant General Manager in charge of Credit Risks since October 2018.



**Süleyman Çelik**  
*Assistant General Manager*

He was born in Samsun in 1963. He graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Public Administration. Mr. Çelik started his professional career in 1988 at Albaraka Türk. He worked in the Foreign Transactions Department from 1988 to 1996, at the Fatih Branch between 1996 and 1997, and at the Ümraniye Branch from 1997 to 2000. Between 2000 and 2011, Mr. Çelik worked at Türkiye Finans as Ümraniye and Sultanhamam Branch Manager, Credit Operations Manager, and Human Resources Manager. In 2011, he was appointed Üsküdar Branch Manager at Albaraka Türk, before assuming the role of Human Values Manager between 2012 and 2017. Mr. Çelik was appointed Assistant General Manager in January 2017 and is in charge of Human Values, Administrative Affairs, Construction & Real Estate, Training and Career Management Departments.

## Corporate Governance and Risk Management Approach

### Senior Management



**Fatih Boz**  
*Assistant General Manager*

He was born in Edirne in 1973. In 1995, he graduated from the Faculty of Political Sciences, Ankara University. He holds a master's degree in political science from the same school. From 1995 to 1998, he worked as a director for various companies. In 1998, Mr. Boz joined Albaraka Türk as Assistant Inspector on the Inspection Board. He went on to serve as Deputy Director of the Operations Department in 2003, Branch Manager between 2006 and 2009, Manager in the Project Management Department from 2010 to 2011 and later as Credits Operations Manager. In January 2017, Mr. Boz was appointed Assistant General Manager responsible for central operations. As of August 2019, Fatih Boz serves as the Assistant General Manager responsible for Corporate Loans Allocation Department, Commercial and SME Loans Allocation Department and Retail and Micro Loans Allocation Department.



**Hasan Altundağ**  
*Assistant General Manager*

Hasan Altundağ was born in Konya in April 10, 1966. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics. In 1986, Mr. Altundağ started work at Yapı Kredi Bank as Inspector on the Inspection Board. He served as Auditor, Operations Director and Field Director, respectively, at Yapı Kredi Bank until 1999. Mr. Altundağ was branch manager at a participation bank between 1999 and 2004. In March 2004, joined Albaraka Türk Participation Bank. At Albaraka Türk, Mr. Altundağ was Sultanhamam Branch Manager from 2004 to 2005. Subsequently, he served as Regional Manager of Marketing between 2005 and 2011, Director of the Transformation Administration Office from 2011 until 2013, and Manager of Strategy and Corporate Performance from 2013 to 2016. As of January 2017, Mr. Altundağ was appointed Assistant General Manager – Marketing and In July 2020, he was appointed Assistant General Manager – Sales. He also serves as Board Member at Albaraka Kültür Sanat ve Yayıncılık A.Ş. and Financial Literacy and Inclusion Association (FODER).



**Malek Khodr Temsah**  
*Assistant General Manager*

Mr. Temsah was born in Beirut, Lebanon in 1981. He received his Bachelor of Business Administration from The George Washington University (Washington D.C., 2003) and completed his master's Degree in Business Administration from Thunderbird, the Garvin School of International Management (Arizona, 2006). In 2003, Mr. Temsah began his career with Bank of America Business Banking in Washington DC followed by his tenure at the London-based European Islamic Investment Bank between 2007 and 2009. In 2010 he joined leading global Islamic bank Albaraka Banking Group, Bahrain as Vice President of Treasury where he established & oversaw the global sukuk desk until 2014. Since 2014, Mr. Temsah has been working with Albaraka Türk Participation Bank and is currently overseeing the Treasury, Financial Institutions and Investment Banking Departments. He was also a member of the board of directors for one of Morocco's first Islamic banks, BTI Bank, between 2017 and 2020, where he served on the audit and board affairs committees.



**Mustafa Çetin**  
*Assistant General Manager*

Mustafa Çetin was born in Afyonkarahisar in 1971. In 1991, he ranked 20th in the national university exam. He went on to graduate from Boğaziçi University, Department of Management in 1996. In the same year, Mr. Çetin started his professional career at Finansbank in the Corporate Banking Management Trainee Program. Between 1999 and 2004, he served as Manager in the areas of Corporate and Commercial Banking at Turkish Foreign Trade Bank. In 2004, Mr. Çetin joined Albaraka Türk as Branch Manager, holding this position until 2008. He went on to serve as Marketing Manager from 2008 to 2011; Foreign Transactions Operations Manager between 2011 and 2012; Financial Institutions and Investor Relations Department Manager and Corporate Governance Committee Member from 2012 until 2017; and Foreign Trade Operations Manager from 2017 to 2018. In April 2018, Mr. Çetin was appointed Assistant General Manager – Finance. He is responsible for the Business Excellence and Innovation Department, Financial Reporting Department, Financial Affairs Department, Data Management Service, and the European Digital Banking Service. Fluent in English and German, Mustafa Çetin holds the Capital Market Activities Advanced License and Corporate Governance Rating Specialist License.



**Volkan Evcil**  
*Assistant General Manager*

Volkan Evcil was born in 1966 in Eskişehir. In 1987, he graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics. In 1990, he began his career as Assistant Inspector at Tütünbank's Internal Audit Department after winning the exam for this position. In 1992, he joined the Albaraka Türk family as Assistant Inspector, before serving as Inspector, Chief Inspector, Vice Chairman of the Internal Audit Department, and President of Risk Management. He was named President of Risk Management in 2006. Since February 2017, he has been serving as Internal Systems Senior Manager in charge of Internal Audit Department, Internal Control Department, Risk Management Department, and Legislation and Compliance Department. On August 2019, he became the Assistant General Manager in charge of Central Operations which consist of Credit Operations Department, Foreign Trade Operations Department, Banking Services Operations Department, Payment Systems Operations Department and Collateral Management Department.

## Corporate Governance and Risk Management Approach

### Committees under the Board of Directors\*

Operating under the umbrella of Albaraka Türk's Board of Directors, Committees support the Board's decision-making mechanisms in line with the vision and mission of the Bank. The committees operating within the Bank are described below.

#### Audit Committee

##### Purpose

The Audit Committee consists of Board Members for the purposes of assisting the Board of Directors to perform auditing and supervision activities. The Committee was formed on the basis of the provisions of Article 24/6 of the Banking Law No. 5411.

##### Composition of the Committee

The Audit Committee consists of at least two non-executive Board Members. Members must have the qualifications determined by the Banking Regulation and Supervision Agency.

##### Members of the Audit Committee:

**Chairman:** Mustafa Büyükbacı, Board Member  
**Member:** Mehmet Ali Gökçe, Board Member  
**Member:** Dr. Mohamed Ali Chatti, Board Member

##### Functions of the Committee:

The Committee is responsible for:

- Monitoring, on behalf of the Board, the effectiveness and sufficiency of the Bank's internal systems; functioning of these systems and the Bank's accounting and reporting systems in line with the Banking Law and related regulations; and the integrity of the data generated;
- Performing the necessary preliminary evaluations for the selection of independent audit, rating, valuation and support service companies by the Board of Directors;
- Regularly monitoring the activities of the said companies selected by the Board of Directors and with contracted companies;
- Ensuring the consolidated internal auditing of partnerships subject to consolidation as per the regulations introduced based on the Banking Law, and coordinating their activities.

#### Credit Committee

##### Purpose

As per the powers vested by the Board of Directors, the Credit Committee passes resolutions on requests for limit allocation, renewal, increase and/or collateral changes amounting up to 10% of the shareholders' equity provided that the tasks, powers and responsibilities remain within the restrictions defined in the Banking Law and related regulations. (Decisions on credit allocations that exceed 10% of the shareholders' equity shall be taken by the Board).

##### Composition of the Committee

The Committee consists of the General Manager or Deputy General Manager with at least two members elected by the Board of Directors from among the members that meet the conditions required for the General Manager (except for the term) to fulfill the assigned duties regarding credits. Two reserve members from among the board members meeting the conditions required (except for the term) for the General Manager are elected to serve as a substitute for a Credit Committee member who cannot participate in any meeting.

##### Members of the Credit Committee:

**Chairman:** Adnan Ahmed Yusuf Abdulmalek, Chairman of the Board of Directors  
**Member:** Süleyman Kalkan, Vice Chairman  
**Member:** Prof. Dr. Kemal Varol, Board Member  
**Member:** Melikşah Utku, Board Member and General Manager  
**Member:** Dr. Mohamed Ali Chatti, Board Member

##### Functions of the Committee:

Based on the powers delegated by the Board of Directors, the Credit Committee is authorized to allocate credit lines within the framework of the methods/principles defined by the Banking Regulation and Supervision Agency and to conclude the credit resolutions within delegated limits. In this respect the Committee;

- Decides on branches' credit limits and conditions for extensions,
- Evaluates and decides on the requests for limit allocations and increases that exceed the branches' delegated powers,
- Resolves on credit limits that are to be decreased or canceled,
- Monitors the general credit policies of the Bank,
- Determines the terms and conditions of credit extensions,
- Decides on converting credit lines of clients into other modes of credit facility.

#### Corporate Governance Committee

##### Purpose

The Committee has been formed in accordance with the provisions of the Corporate Governance Principles of the Capital Markets Board to monitor, evaluate, and improve the Bank's compliance with these principles and submit proposals to the Board of Directors in this respect.

##### Composition of the Committee

The majority of committee members are non-executive Board Members. If deemed necessary, the Committee may assign people specialized in their respective fields to the Committee who are not Board Members.

##### Members of the Corporate Governance Committee:

**Chairman:** Süleyman Kalkan, Vice Chairman  
**Member:** Ibrahim Fayez Humaid Alshamsi, Board Member  
**Member:** Mansur Çelepkolu, Investor Relations Manager

##### Functions of the Committee:

- Examining whether the Corporate Governance Principles are adopted at the Bank, and if that is not the case, identifying its reason as well as the conflicts of interest arising from such failure to comply with these principles and proposing corrective actions to the Board;
- Overseeing the activities and operations of the Financial Institutions and Investor Relations Department,
- Establishing a transparent system including policies and strategies for determining, evaluating and training suitable candidates for the Board of Directors and administrative management positions,
- Evaluating the structure and effectiveness of the Board of Directors regularly, and advising the Board on necessary changes that may be introduced in this regard,
- Determining and supervising the approach, principles and practices in relation to performance assessment, career planning and rewarding processes for the Board Members and executives.

#### Remuneration Committee

##### Purpose

The Remuneration Committee is tasked with guaranteeing a balanced distribution of interests and rights across the Board, senior management, employees and shareholders; and developing proposals and strategies on wages in line with their contributions to the Bank's value creation process.

##### Composition of the Committee

The Committee consists of at least two members. Committee members are determined by the Board of Directors.

##### Members of the Remuneration Committee

**Chairman:** Adnan Ahmed Yusuf Abdulmalek, Chairman of the Board of Directors  
**Member:** Mustafa Büyükbacı, Board Member  
**Member:** Melikşah Utku, Board Member and General Manager

##### Functions of the Committee:

- Establishing a remuneration policy compatible with the scope and structure of the Bank's activities, strategies, long-term goals and risk management structures, preventing excessive risk-taking and contributing to effective risk management,
- Reviewing the remuneration policy at least once a year to ensure the effectiveness of the remuneration policy of the Bank,
- Evaluating the remuneration policy and practices within the framework of risk management and submitting a report with related suggestions to the Board of Directors every year,
- Determining the suggestions of the Members of the Board of Directors and senior executives regarding the remuneration principles by taking into account the long-term goals of the Bank,
- Guaranteeing a balanced distribution between the interests and rights of senior management, Bank employees and shareholders,
- Ensuring that the members of the Board of Directors of the Bank, senior management and bank employees are rewarded in line with their contribution to the Bank's value creation process.

\* Please see Corporate Governance Principles Compliance Report on pages 82-97 of the Albaraka Türk Annual Report 2019 for the compliance activities as per the Corporate Governance Principles Compliance Report issued by the Capital Markets Board (CMB)

## Corporate Governance and Risk Management Approach

### Committees under the Board of Directors

#### **Sustainability and Social Responsibility Committee**

##### **Purpose**

The goal is to establish policies that represent the Bank's Core Values and Ethical Principles by taking into account the best practices in the field of Sustainability and Social Responsibility worldwide.

##### **Composition of the Committee**

The Committee consists of three Board members, the Chair Prof. Dr. Mehmet Asutay, İbrahim Fayez Humaid Alshamsi, and Mustafa Büyükbacı. The Reporting and Secretariat duties of the Sustainability and Social Responsibility Committee are performed by a person selected by the Committee. This person is responsible for composing and publishing meeting minutes and reports, and coordinating the committee operations under the guidance of Sustainability and Social Responsibility Committee. The secretary and reporter members do not have a voting right.

##### **Members of the Sustainability and Social Responsibility Committee**

**Chairman:** Mehmet Ali Gökçe, Board Member

**Member:** İbrahim Fayez Humaid Alshamsi, Board Member

##### **Functions of the Committee:**

- The Committee gives priority to considering economic, environmental and social factors as well as corporate governance principles in all Banking operations and decision-making processes to raise Corporate Sustainability awareness across the organization, set forth concrete sustainable banking targets, and create long-term values. The Committee makes environmental protection a priority for the entire organization, sets ethical rules as necessary, and ensures effective management of risks associated with these factors. The Committee makes recommendations to the Sustainability, Social Responsibility and Communications Executive Committee concerning Sustainability and Social Responsibility projects that will help communicate the Bank's corporate identity and understanding which comply with its vision and mission to the public, stakeholders, and business partners.
- The Committee ensures the implementation of projects that are aligned with the Bank's core values and ethical principles by closely following the best practices in the field of Sustainability and Social Responsibility worldwide. The Committee assesses the effects of the Bank's activities on society. The Committee supervises the impacts of the Bank's activities on society and measures taken within this framework. The Committee discusses the issues reported by the Sustainability, Social Responsibility and Communications Executive Committee and makes the necessary decisions to resolve them.
- The Committee cooperates with the relevant committee of Al Baraka Banking Group in efforts related to Sustainability and Social Responsibility.

#### **Executive Committee**

##### **Purpose**

This committee aims to ensure that resolutions at the Board of Directors meetings are taken faster, more effectively and soundly; and to fulfill the duties stated in the regulations of the Committee and the exercise of powers. These include minimizing the problems of having a low attendance at Board of Directors meetings and making sure that the urgent issues are discussed and settled.

##### **Composition of the Committee**

The committee consists of at least three members of the Board of Directors determined by the Board of Directors. The Chairman and the Deputy Chairman of the Committee are determined by the Board of Directors. The Committee may invite Bank executives and personnel, as it deems necessary, to their meetings and obtain their opinions. The Committee may also benefit from the opinions of independent experts and consultants, where necessary, and costs are to be covered by the Bank. Secretarial works of the Committee are carried out by the Rapporteur Department of the Board of Directors.

##### **Members of the Executive Committee**

**Chairman:** Adnan Ahmed Yusuf Abdulmalek, Chairman of the Board of Directors

**Member:** Süleyman Kalkan, Vice Chairman

**Member:** Mehmet Ali Gökçe, Board Member

**Member:** Prof. Dr. Kemal Varol, Board Member

**Member:** Mustafa Büyükbacı, Board Member

**Member:** Melikşah Utku, Board Member and General Manager

##### **Functions of the Committee:**

- To make examinations and make proposals forming a basis for the resolutions of the Board of Directors regarding general issues such as long-term strategic planning, policy and business plans, banking services,
- To identify any changes or deviations in the Bank's existing finance, investment, income and expense policies and procedures, annual budget,
- To make observations about the Bank's investment and finance level and opportunities, and adequacies or inadequacies of the changes in finance and investment policies; and make suggestions concerning the updating thereof,
- To express an opinion and decide on new products and derivative, side and sub-products related to existing and approved products,
- To offer suggestions on issues such as strategy, marketing, business plan and balance sheet for any venture, partnership, investment, and financial activity,
- To offer suggestions on issues such as purchasing and selling important goods, services and rights and acquisition or disposal thereof by other means, making commitments, acquiring participations, and engaging in joint ventures and making investments with other methods, making expenses, to decide upon purchasing of goods, services and rights,

- engaging in joint ventures, acquiring participations and making investments with other methods up to the amount between 2% and 5% of the Bank's shareholders' equity annually, and making commitment up to the amount between 2% and 5% of the Bank's shareholders' equity for assets included in the Bank's assets, To examine the business processes, procedures and activities related to the activities of the Bank and to make new proposals in this regard and approve within the authority to be vested by the Board of Directors, to support the Bank's units,
- To review the effectiveness of the reports, information and business policies of the Bank, and to make determinations and recommendations,
- To make credit and other risk classifications of the Bank and present the determinations and recommendations in this respect,
- To examine the speed, adequacy and integrity of the reports prepared for the Bank's activities, and to make observations and proposals relating to the existing reports and the financial requirements and internal risks of the Bank on a quarterly basis,
- To make proposals for any amendment to the Articles of Association, in particular concerning the increase of the Bank's capital,
- To provide suggestions about specific sectors, geographical regions and customers,
- To review the works that may affect the Bank's activities and other issues that may arise before the meetings of the Board of Directors, and make proposals,
- To make proposals for the restructuring related to the debts of the Bank's customers, partial or total liquidation of the debts and in other matters, to decide for the restructuring of the loans and receivables up to the amount between 2% and 5% of the Bank's shareholders' equity, to decide on the liquidation or abolition of the Bank's loans, receivables and assets up to the amount between 2% and 5% of the Bank's shareholders' equity annually, to decide on the release, conciliation, waiver, acceptance and other transactions with respect to the Bank's receivables or payables up to the amount between 2% and 5% of the Bank's shareholders' equity annually. To make proposals for dividends to be distributed to shareholders, premiums and other payments to be made to the employees,
- To make proposals for resolving legal disputes with Bank customers, staff or third parties by peace, acquittal, acceptance, waiver and other methods, to make decisions with respect to issues up to the amount between 2% and 5% of the Bank's shareholders' equity annually,
- To decide on the appointment, relocation and promotion of the employees with first degree signing authority, to present these transactions to the approval of the Board of Directors,
- To fulfill the duties assigned by the Board of Directors,
- To solve any problems that are not within the jurisdiction of any other board, committee, organ, unit and person, to support the relevant units within their duties and authorities.

#### **Information Technologies Governance Committee**

##### **Purpose**

The Committee aims to;

- Establish a series of standards and procedures to increase the operational efficiency of information technology systems and thereby ensure corporate discipline in the Bank's management. Besides, by applying these standards and procedures transparently and reasonably within the framework of the best international practices,
- Ensure the harmony between the Bank's business strategies and Information Technologies (IT) strategies,
- Strengthen the communication and collaboration between the committees operating in the fields of IT governance and risk management at the Bank's Head Office level and the Board of Directors of the Bank,
- Make sure that information technologies enable the Bank to seize opportunities and maximize profitability,
- Establish an IT infrastructure with an organizational structure, resources, policies and procedures, control systems,
- Ensure that bank management creates the necessary systems and processes that will best manage and mitigate all risks related to information technologies, including cyber-attacks.

##### **Composition of the Committee**

The members of the Committee are elected by the Board of Directors. At least three members are elected from among the members of the Board of Directors. The members to be elected to the Committee, other than the members of the Board of Directors, should have sufficient knowledge and experience in the field of information technologies. The chairman and the deputy chairman of the committee are determined by the Board of Directors. The committee may temporarily or permanently assign people who have sufficient knowledge and experience in the field of information technologies with titles "observer," "advisor" etc. The committee secretary, who will carry out the secretarial works of the Committee, may also be determined by the Committee.

##### **Members of the Information Technologies Governance Committee**

**Chairman:** Melikşah Utku, Board Member and General Manager

**Technical Member:** Hashem Ahmed Hashem

## Corporate Governance and Risk Management Approach

### Committees under the Board of Directors

#### *Functions of the Committee:*

- To evaluate, monitor and review the budget, IT initiatives and projects related to IT resources within the framework of the Bank's strategic objectives,
- To evaluate, monitor and review the IT strategy objectives and organizational structures which are planned to be established (especially the IT Committees operating at the level of the Bank's Senior Management) to reach the Bank's strategic goals and maximize the expected benefits from IT projects and investments,
- To evaluate, monitor and review the systems related to the management, regulation and control of IT resources and projects within the framework of the best international practices (especially "Control Objectives for Information and Related Technology" COBIT),
- To review, monitor and approve the institutional goals related to information technologies and technologies related to these goals and ensure the achievement of these goals,
- To ensure the establishment of an IT Risk Management plan and program integrated with the Bank's general risk management plan and program,
- To monitor the suitability of IT processes, resources, initiatives and projects to assess whether they meet the Bank's business requirements,
- To evaluate the internal and external IT audit reports and to ensure that the Bank takes necessary actions on the findings identified in these reports.
- To submit reports to the Board of Directors regarding the issues specified under this topic and to present those issues requiring the resolution of the Board of Directors as per article 375 of the Turkish Commercial Code and the Bank's internal legislation to the approval of the Board of Directors.
- The Committee may request all kinds of information and documents from the Bank's Senior Management, provided that the matters fall within the duties and responsibilities of the committee.

#### **Advisory Committee**

##### *Purpose*

Advisory Committee was formed according to the "Communiqué on Compliance with Interest-Free Banking Principles and Standards" (Communiqué) dated 14.09.2019 and numbered 30888 published by the Banking Regulation and Supervision Agency to maintain and develop Albaraka Türk Participation Bank A.Ş.'s banking activities in compliance with interest-free banking principles.

##### *Composition of the Committee*

Committee members are appointed by the Board of Directors with the approval of the general assembly. The committee consists of three members including the chairman, one reporter and two observers.

##### *Members of the Advisory Committee*

**Chairman:** Prof. Dr. Abdulsattar Abdulkarim Mohommed Abughuddah

**Member:** Prof. Dr. Ahmed Mohieldin Ahmed Hassan

**Member:** Prof. Dr. Hamdi Döndüren

##### *Functions of the Committee:*

- Answering questions submitted to the Committee and offering alternative solutions on interest-free banking principles,
- Following up global developments in the field of interest-free banking,
- Monitoring and analyzing the activities of the Bank and its subsidiaries subject to consolidation systematically in terms of interest-free banking principles,
- Coordinating with the audit unit to audit the compliance of the activities of the Bank and its subsidiaries subject to consolidation with interest-free banking principles,
- Organizing developmental and educational seminars for the Bank's staff to establish and develop an interest-free banking culture within the Bank; ensuring that such trainings are included in routine training programs,

- Representing the Bank in interest-free banking-related activities such as conferences, symposiums, forums and seminars concerning the Advisory Committee and sharing interest-free banking perspectives on issues discussed in such events with bank managers,
- Preparing a summary report on the activities of the Committee, the questions posed to the Committee during the year and the activities and decisions of the Committee and submitting it to the Board of Directors,
- Examining all activities of the Bank and documenting the interest-free banking audit handbook and ensuring that it is approved by the Board of Directors,
- Discussing the issues which the Chairman has opted for examination at the Committee among those issues in the report submitted by the controller to the Chairman and informing the Head Office regarding these issues,
- Approving the interest-free banking principles compliance expectations in the articles of association, regulations, forms and policies used by the Bank and also approving the regulations made,
- Approving the standard agreements and contracts in the transactions of the bank with third parties in terms of compliance with interest-free banking principles and taking part in the development and improvement of the mentioned forms when necessary,
- Determining the interest-free banking eligibility requirements for existing and new products of the bank and its subsidiaries subject to consolidation and expressing an opinion on the documentation (contract, form, procedure, committee, functioning, method etc.) to be prepared in this regard,
- Informing the Head Office of its opinion on the applications made to the Committee,

- Following up the Bank's operations and reviewing the Bank's business activities in coordination with the Bank's management following the interest-free banking perspective at reasonable times,
- Providing and recommending possible interest-free banking solutions for financial transaction problems that do not comply with the principles of interest-free banking, looking for alternative products together with the Bank management to replace products that do not comply with the interest-free banking rules,
- Guiding the employees working in the implementation of interest-free banking transactions in compliance with the rules and principles of interest-free banking,
- Preparing the annual interest-free banking report which shows the degree of compliance with the decisions and directives issued by the Advisory Committee and submitting it to the Board of Directors,
- Preparing annual activity budget and having it approved by the Board of Directors,
- Ensuring protection from interest earnings and distribution of unavoidable interest earnings for charity purposes,
- Publishing periodic practical information on interest-free banking principles for the employees and participation account holders,
- Submitting periodic reports regarding the decisions taken to the Advisory Board of TKBB (Türkiye Katılım Bankaları Birliği - Participation Banks Association of Turkey).

## Corporate Governance and Risk Management Approach

### Our Risk Management Activities

**Thanks to its professional corporate governance approach, Albaraka Türk manages risks and opportunities effectively.**

Albaraka Türk Risk Management Department defines, measures, monitors, controls and reports the risks the Bank is exposed to in a systematic manner. In monitoring and evaluating credit risk, the most important type of risk the Bank is exposed to while conducting business operations, the risk level and composition of the credit portfolio are taken into account.

Other risks that the Bank is exposed to are prioritized, subjected to review, evaluated and constantly monitored to determine whether they are at an acceptable level or not.

#### **Effective Management of Risks and Opportunities**

The Bank's Risk Management System is designed to define, measure, monitor and control encountered risks via policies, procedures and limits. These efforts are aimed at monitoring, controlling, and if necessary, changing the risk and return structure of future cash flows, and the nature and level of associated activities.

#### **The Board's Leading Role in Risk Management**

To monitor and control the Albaraka Türk's risk exposure originating from its banking activities, the Board of Directors is responsible for establishing effective internal control, risk management, and internal auditing systems in accordance with the Banking Law. In addition, the Board of Directors ensures and monitors the proper functioning, conformity and adequacy of these systems. The Board of Directors periodically reviews and assesses risk management policies and strategies according to changing market conditions. The General Manager ensures that the Bank's departments operate in coordination pursuant to specified risk management policies and strategies as determined by the Board. The Board of Directors plays an active role in risk management, by monitoring policies and strategies on a consolidated and unconsolidated basis, and setting up limit systems and procedures at the Bank.

#### **A Multi-Dimensional Risk Analysis**

On a fundamental basis, Albaraka Türk faces market, liquidity and credit risk, as well as strategic risk, reputation risk and operational risk. The Bank sets risk policies and procedures and risk limits approved by the Board of Directors to mitigate and manage its quantifiable risks. To maintain risks within the set limits, Albaraka Türk monitors and reports the referenced limits on a functional unit basis within the Bank's internal systems and relevant bodies. The Risk Management Department, which was formed in accordance with risk management regulatory requirements, measures, monitors, controls and reports risks. The Bank's Risk Management System aims to allocate capital in compliance with the risk exposure of operational activities (economic capital) and maximize risk-adjusted return on capital, thus increasing the added value created.

#### **Bank Strategies Associated with the Risk Profile**

The Assets/Liabilities Committee (ALCO) manages the composition of Albaraka Türk's assets vis-à-vis its liabilities. ALCO evaluates domestic and global economic conditions related to collection and allocation of funds in line with the Bank's risk management policies. Albaraka Türk's current or future risk exposure is identified and defined. Identified risks are measured and prioritized to the extent possible. By taking into account the risks stemming from the Bank's strategies and the potential impact of the strategy on the risk profile, ALCO ensures that all significant risks are included in the risk appetite. The Bank's strategies are associated with a risk profile and risk appetite. If the risk profile is expected to change in the future, such change is considered together with its level of impact on capital. In creating the risk profile, the risk type is analyzed on a sector and/or geographic location basis. Albaraka Türk's risk tolerance is the maximum degree of calculated risk that may be accepted according to the Bank's mission and vision. In other words, risk tolerance is the degree of risk the Bank is ready to bear before deciding on the need to take any responsive measures. Risk tolerance is the level of risk that the Bank deems acceptable given the diversity of services offered. Albaraka Türk's risk appetite refers to the level of risk that the Bank is prepared to accept in pursuit of its strategic objectives. Risk appetite involves an acceptable level of variation regarding these objectives. A common feature of the Bank's risk appetite and risk tolerance is the boundaries they set on the acceptance of risk. However, risk tolerance is broader. The Risk Appetite Policy, approved by the Board of Directors and updated annually, specifies the risk levels that the Bank may assume to implement its strategies and achieve its objectives. The limits and triggering functions in relation to the risk appetite and risk profile of the Bank are defined as per the Bank's risk profile and explained in detail.

#### **Stress Tests to Achieve Objectives**

Taking into account the Albaraka Türk's financial status, business activity profile and future growth expectations, the amount of capital required to achieve strategic objectives is calculated via stress tests and scenario analyses performed on a static and dynamic basis. Present and future cyclical factors that may have an impact on the market where the Bank operates are considered in performing stress tests and scenario analyses on the Bank's financial structure. These efforts are evaluated along with other financial indicators. Capital planning activities conducted in this context help ensure coordination among the business processes within the Bank. Albaraka Türk aims to ensure capital allocation compatible with the risks of its functional operations and maximize risk-adjusted return on capital. As a result, the Bank evaluates risks by classifying them as market risk, liquidity risk, credit risk, operational risk and other risks.

#### **Market Risk**

Albaraka Türk's market risk refers to the probability of loss that may be incurred due to exchange rate risk, stock position risk, commodity risk and profit rate risk. Market risk primarily indicates the probability of loss that may be experienced on the Bank's on-balance sheet and off-balance sheet positions as part of exchange rate risk, commodity risk, profit rate risk and stock position risk due to movements in market prices. As for market risk, Albaraka Türk calculates the foreign currency position risk and securities position risk, as well as specific risks associated with market risk, by using the standard approach. These calculations are reported to relevant authorities on a regular basis. The Bank continuously monitors whether the market risk complies with the legally prescribed limits. Exchange rate risk is also subject to review and supervision by the Assets/Liabilities Committee. The Bank's foreign exchange rate strategy is intended to keep the exchange risk in balance and not to create short or long positions.

#### **Liquidity Risk**

The Bank's liquidity risk consists of funding liquidity risk and market liquidity risk. Funding liquidity risk refers to the likelihood of losses occurring in cases where it is not possible for Albaraka Türk to adequately meet the entirety of its foreseeable or unforeseen cash flow requirements without affecting daily banking activities or the Bank's financial structure. Market liquidity risk is the possibility of losses that may arise from the Bank's failure to close or balance any of its positions at market prices because the markets lack a certain amount of depth or are exposed to excessive volatility. Liquidity risk may emerge due to factors such as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and financial crises. To manage liquidity risk, the Bank monitors cash flows daily and takes preventive and remedial measures so that commitments are met as required and on time. Liquidity risk is also evaluated by the Assets/Liabilities Committee on a weekly basis.

Albaraka Türk implements a policy where liquid assets are maintained in sufficient amounts and quality, taking into account the minimum liquidity coverage ratios as specified in applicable regulations and past liquidity experiences. This approach addresses any liquidity requirement that may arise from unexpected movements in the markets.

#### **Credit Risk**

Credit risk is defined as the probability of losses to Albaraka Türk due to customer failure to partially or completely pay commitments to the Bank on time, thus breaching the provisions of customer credit contracts. This risk also involves any losses in market value due to deterioration in the financial position of the counterparty. On-balance sheet and off-balance sheet portfolios are included in the credit risk definition that is used at the Bank. The authority to extend credits resides with the Board of Directors. The Bank's Board of Directors establishes policies related to the extending and approval of credits, credit risk management and other administrative principles. The Board also ensures the implementation and monitoring of these policies, while taking any necessary measures. The Board of Directors delegates the power to extend credits to the Credit Committee and Head Office pursuant to the procedures and principles determined by legal and regulatory requirements. The Head Office exercises the power delegated to them to extend credits via regional directorates/units or branches. The Bank allocates credits within the limits set based on each debtor or group of debtors. The system prevents customers from exceeding the credit risk limit.

Albaraka Türk pays particular attention to prevent any sector concentration that may adversely affect the credit portfolio. Utmost care is taken to prevent the risk of concentration on a small number of customers. Credit risk is constantly monitored and reported by the Bank's units under internal systems and the risk management system. In this way, the Bank ensures that credit risk complies with the "Regulation on Credit Policies and Implementation Procedures."

The Risk Management Department identifies, measures, monitors, controls and reports the Bank's risk exposure. In monitoring and evaluating credit risk, the most important type of risk the Bank is exposed to during operational activities, the risk level and composition of the credit portfolio are taken into account. Other risks that the Bank faces are prioritized, subjected to review, evaluated and constantly monitored to determine whether they are at an acceptable level or not.

## Corporate Governance and Risk Management Approach

### Our Risk Management Activities

#### Operational Risk

Operational risk is defined as the risk of loss due to insufficient or unsuccessful internal processes, people, and systems or loss due to external effects. Legal risk and compliance risk are included in this risk group, while reputation risk and strategic risk do not fall under this risk type.

Operational risk is a type of risk inherent in all Bank operations and activities. Operational risk may arise from employee or system errors; transactions that may be performed based on insufficient or incorrect legal information or documentation; impediments to the flow of information between divisions in the organizational structure of the Bank; uncertainties in the limits of powers; or structural and/or operational changes, natural disasters, terrorism, and fraud incidents. The Bank classifies operational risk in five groups according to their respective source: employee risk, technology-related risks, organizational risk, legal and compliance risk, and external risks. The Bank also takes necessary preventive measures to maintain operational risk at acceptable levels.

#### Other Risks

Other risks Albaraka Türk might face include strategic risk, reputation risk, counterparty credit risk, country risk and concentration risk. Regarding strategic risk, the Bank aims to make rational decisions and adapt to emerging conditions by closely monitoring economic conditions, technology, financial and social developments, as well as the legal and regulatory environment and the banking sector in Turkey and abroad.

Reputation risk for Albaraka Türk encompasses any factor that constitutes a possibility of loss for the Bank. These factors include negative perception of the Bank by different or related parties including existing or potential customers, partners, competitors or supervisory bodies; loss of confidence in the Bank or ruined reputation due to non-compliance with applicable laws. To prevent, mitigate and/or control reputation risk, the Bank's risk management system prioritizes customers. A proactive communication system is established at the time when the Bank's reputation or image is deemed to be damaged. As part of this system, advance preparations are already in place for worst case scenarios. While evaluating reputation risk, the system considers operational risk in relation to reputation risk, as well as its level and impact on reputation risk.

Counterparty credit risk refers to the possibility that the counterparty of a transaction, which brings about liabilities to both parties, defaults before making the final payment in the cash flow. The Bank manages counterparty credit risk according to the volume, nature and complexity of the activities, in due consideration of best practices and in line with applicable legal and regulatory requirements.

Country risk refers to possible losses that the Bank may incur when borrowers in a country are unable to fulfill or avoid fulfilling their overseas obligations due to the uncertainty of economic, social and political conditions in the relevant country. In due consideration of legal and regulatory environment, market conditions and customer satisfaction, Albaraka Türk forges commercial ties to foreign financial institutions and countries in light of feasibility studies focused on the economic conditions of each country.

Concentration risk is defined as the possibility that the amount of a single risk or the amount of certain risk types result in high losses that could threaten the Bank's operations and its ability to perform its core business activities. Policies on concentration risk are divided into sector concentration, concentration based on collateral, concentration based on market risk type, concentration based on loss type, and concentration arising from creditors.

### Material Developments Regarding 2019 Activities

#### Information on the Lawsuits Against the Bank that May Have an Impact on the Bank's Financial Status and Activities, and Their Potential Consequences

As of 2019, there is no lawsuit against the Bank that may have an impact on Albaraka Türk's financial status and activities.

#### Remarks on the Independent Audit and Public Audit Conducted During the Accounting Period

Pursuing the principle of full compliance with the laws, Albaraka Türk successfully completed all routine audits performed by audit authorities including BRSA, CMB, Ministry of Finance, Undersecretariat of Treasury, and CBRT as per applicable regulations.

### Internal Control Mechanisms for Risk Control

#### Internal Control and Internal Audit Activities

To monitor and control its risk exposure, Albaraka Türk has developed adequate and efficient internal systems, consistent with the scope and structure of its business activities. These internal monitoring and control systems accommodate the dynamic operating environment and encompass all Bank branch locations and divisions. The internal systems also operate in accordance with the methods and principles stipulated by applicable laws, rules and regulations. The Inspection Board, Internal Control Department, Risk Management Department, and Legislation and Compliance Department all fall within the scope of the internal systems. These units and departments operate under the supervision of the Audit Committee and the Board of Directors.

The Inspection Board conducts audit, inspection and investigation activities in relation to the entirety of Albaraka Türk's business operations. Efforts are undertaken to provide assurance to senior management that all the Bank's activities comply with applicable laws, internal strategies, policies, principles and objectives. Senior management is also regularly kept apprised of the effectiveness and adequacy of the Bank's internal control and risk management systems. The Inspection Board fulfills its audit responsibilities based on a risk-focused approach. Emerging technologies are utilized and compliance of Bank's operations with internal and external regulations is evaluated during audits. The Internal Control Department conducts risk-focused and interactive controls to ensure that banking operations are executed in an organized, effective and reliable manner at the Head Office units and branches. The findings, opinions and recommendations at the end of internal control activities are initially shared and evaluated with the personnel who conduct these efforts. This approach helps the Bank quickly take and implement necessary complementary and preventive measures, while introducing appropriate and feasible solutions that can improve

existing business processes and operations. All these efforts are monitored and evaluated closely and continuously by staff members who carry out the banking activities as well as internal control employees.

The inspection system is designed to examine on the basis of risk without any internal restrictions, all operations of the Bank, domestic and foreign branches and other units including those at the Head Office, and subsidiaries subject to consolidation periodically. In addition, the inspection system aims to identify insufficiencies, errors and fraud with utmost professional attention and care; present opinions and recommendations on prevention of same in addition to effective and efficient use of internal resources; evaluate the accuracy and reliability of information and reports submitted to BRSA; and perform special audits in conformity with the intended purpose of internal audit at the request of the Board or Audit Committee. The inspection system is aimed at developing a systemic and disciplined approach to evaluate and improve the effectiveness of the Bank's risk management, control and governance processes in line with the internal strategies, policies, principles and targets. These efforts aim to help Albaraka Türk achieve its objectives.

The Internal Control Department conducts risk-oriented and interactive controls at Head Office units and branches in order to ensure that Albaraka Türk's business operations are executed in an organized, effective and reliable manner. The findings, opinions and recommendations at the end of internal control activities are initially shared and evaluated with the personnel who conduct these efforts. This approach helps the Bank quickly take and implement necessary complementary and preventive measures, while introducing appropriate and feasible solutions that can improve existing business processes and operations. All these efforts are monitored and evaluated closely and continuously by staff members that carry out the banking activities as well as the internal control employees.



## Corporate Governance and Risk Management Approach

### Internal Control Mechanisms for Risk Control

The Internal Control Department conducts regular controls for all branches from the Head Office and on-site controls for the branch locations identified in the annual plan. These control efforts help Albaraka Türk achieve its objectives and determine whether its business operations are performed effectively, efficiently, and in compliance with internal and external regulations. The Department provides opinions and recommendations to adopt necessary measures to address the deficiencies identified. It also contributes to further awareness across the Bank via training courses organized at the branches.

The Information Systems Controls Team under the Internal Control Department monitors whether the Bank's information technology operations are conducted in accordance with domestic and global rules and guidelines on best practices. The Team reviews IT processes and provides opinions on control points when necessary.

Changes made pursuant to BRSA regulations, applicable law and internal Bank guidelines are actively monitored. Albaraka Türk's business processes are analyzed and controlled to keep the control points, implementation booklets and procedures up to date in line with applicable laws, rules, regulations and the Bank's objectives. As part of analyses and control efforts, the Information Systems Controls team presents opinions and recommendations to the related units to boost operational efficiency, bolster effectiveness and minimize risks.

Matters that are deemed important by senior management or the Board's request for examination thereof, or as a result of the Department's control efforts, are examined and redirected to relevant units.

The Analytical Control Team under the Internal Control Department monitors trends and identifies irregularities via use of internal and external data. These trends and irregularities are presented to the Internal Control Department and senior management to ensure that necessary measures are taken.

Findings and recommendations in light of control activities are communicated to senior management and followed up by the Internal Control Department and audited parties on a real-time basis via the Internal Control Department Portal.

The Internal Control Department supports the training courses organized to raise Bank-wide awareness on internal control activities.

The Legislation and Compliance Department is responsible for managing compliance risk effectively. The Department also examines the effects of domestic and international regulations on the Bank's operations; follows up and reports on establishing mechanisms that ensure compliance with amendments to such regulations; presents information and opinions to the Board of Directors regarding planned business activities and new products and procedures; organizes meetings with the participation of relevant units to evaluate whether the services purchased by the Bank fall under the scope of the Regulation on Procurement of Support Services by Banks; provides feedback to relevant Head Office units as a result of decisions taken at these meetings; and coordinates the communication and application processes carried out before regulatory and supervisory authorities.

To ensure Albaraka Türk's compliance with the obligations stipulated under Law No. 5549 on the Prevention of Laundering Proceeds of Crime, the Legislation and Compliance Department is responsible for performing the following tasks: Devising relevant policies and procedures for the Bank; conducting risk management, monitoring and control activities; reviewing the effectiveness and reliability of such activities; organizing training efforts; developing necessary warning systems in relation to control and monitoring processes; establishing and ensuring the functioning of systems to guarantee adoption of the aforementioned; and checking whether or not the Bank's business activities comply with the regulatory framework on the Prevention of Laundering Proceeds of Crime. Staff members appointed to the units under internal systems perform their tasks in an independent and impartial manner; in addition, these employees have sufficient professional knowledge and experience. The activities of the units within internal systems are evaluated periodically by the Audit Committee and the Board of Directors.

The Legislation and Compliance Department is composed of a sufficient number of staff working under the guidance and supervision of a President and Vice President. Currently, the Department has 21 employees. The President also serves as Compliance Officer.

In line with the Internal Regulations on the Legislation and Compliance Department, the Department directly reports to the Audit Committee and the Board of Directors.

The Department consists of two service units: Legislation Service and Compliance Service.

The Legislation Service performs the following tasks related to legislative compliance controls:

- Monitoring establishment of and reporting on mechanisms to ensure the Bank's compliance with changes to mandatory or applicable regulations;
- Corresponding with authorized bodies on matters that raise doubt or are not clearly stated in legislative or regulatory sources; communicating the results of such correspondence to relevant persons;
- Notifying relevant units of changes to legislation as identified via daily checks;
- Organizing meetings with participation of relevant units to evaluate whether support services procured by the Bank are subject to the Regulation on Banks' Procurement of Support Services; providing feedback to relevant Head Office departments regarding the decisions taken at these meetings;
- Coordinating the notification and application processes conducted before regulatory and supervisory authorities.

With the purpose of designing, administrating and coordinating the activities to prevent the laundering proceeds of crime and financing of terrorism, the Compliance Service performs the following tasks;

- devising corporate policies and procedures;
- notifying policy changes to the Financial Crimes Investigation Board;
- performing risk management, monitoring and control activities and reviewing the effectiveness and reliability thereof;
- conducting compliance related training activities;
- setting up necessary warning systems related to control and monitoring; establishing and ensuring the functioning of systems to ensure adoption of the former;
- minimizing the risk of incurring unexpected losses and reputational damage for the Bank;
- proactively identifying problems that may lead to losses;
- rectifying deficiencies and introducing corrections;
- checking compliance of transactions with policies related to the Law on Prevention of Laundering Proceeds of Crime;
- correcting deficiencies identified by internal and external supervisory bodies;
- drafting reports on monitoring, control, training and audit activities; and presenting such reports to the Board of Directors.

In light of global best practices regarding identifying and monitoring suspicious transactions, Albaraka Türk Compliance Unit uses "Inter AML," a fully automated system integrated with the Bank's core banking system. Furthermore, Paygate Inspector, a program by Fineksus, is used along with Dow Jones' lists to control transactions; as a result, full compliance is ensured with domestic and international sanction decisions.

Staff awareness on the prevention of laundering proceeds of crime and financing of terrorism is raised via periodic in-class trainings, branch visits, and web-based courses within the Bank.

## Corporate Governance and Risk Management Approach

### Effective Mechanisms for Anti-Bribery and Anti-Corruption

#### *Albaraka Türk minimizes bribery and corruption incidents with its strong corporate culture and effective audit mechanisms.*

Albaraka Türk's Anti-Bribery and Anti-Corruption Policy is designed to demonstrate the Bank's strict commitment to and compliance with applicable laws, rules and regulations, ethical and professional requirements and principles, as well as universal rules on the fight against bribery, corruption and other forms of financial crime. The Anti-Bribery and Anti-Corruption Policy of the Bank is applicable to all persons and organizations acting on behalf of and serving the Bank. These parties include shareholders, employees, managers, customers, service providers, suppliers, consultants, external auditors, and representatives. The Bank's Anti-Bribery and Anti-Corruption Policy is an indispensable component of internal regulations, banking laws, and other legislation including Albaraka Türk Conflicts of Interest Policy, Ethical Rules and the Bank's Personnel Regulations, all of which are adopted and embraced by the Board of Directors and employees.

#### **Main Duties and Responsibilities Related to Anti-Bribery and Anti-Corruption**

##### *Albaraka Türk's Duties and Responsibilities*

- Albaraka Türk is committed to ensuring the continuity of the reputation and trustworthiness of the banking profession among the general public, as well as upholding and improving such reputation and trustworthiness. Aiming to preserve stability and trust within the banking sector, while adhering to international norms and national laws, the Bank is actively engaged in the fight against laundering proceeds of crime, bribery, corruption and other forms of financial crime as a core principle.
- Albaraka Türk is well aware of its obligation to comply with all applicable laws, rules and regulations during its business operations and transactions performed in and outside Turkey.
- The Bank meticulously examines the findings of controls and audits performed by the units under Internal Systems, and reports made to the Whistleblowing Line; classifies them under relevant categories of bribery, corruption, and similar forms of financial crime; and makes sure necessary actions are taken.

- Albaraka Türk punishes acceptance or payment of bribes with the harshest possible action as defined in its Personnel Regulations, namely dismissal. This way, the Bank assures employees that no retaliation will be levied against them when they reject the offer or acceptance of bribes.
- The Bank guarantees that any matters related to implementation or violation of this Policy are published on the corporate website in an accurate, complete, comprehensible, and timely manner, for the purposes of updating all stakeholders, including the public, in line with the Corporate Governance Principles and Albaraka Türk's commitment to sustainability.

##### *Employee Duties and Responsibilities*

- All employees of Albaraka Türk must comply with the Anti-Bribery and Anti-Corruption Policy, internal regulations, and all applicable laws aimed at combating bribery, corruption, and similar forms of financial crime.
- Employees are also obliged to report any suspected bribery and corruption incidents or similar forms of financial crime related to banking transactions and activities involving the Bank's staff, customers and third parties to the Internal Control Department, Inspection Board or Legislation and Compliance Department via the means specified in the Albaraka Whistleblowing Line Procedure.

##### *Stakeholder Duties and Responsibilities*

- Persons and organizations acting on behalf of and serving the Bank, including service providers, suppliers, consultants, external auditors, and representatives, must strictly observe applicable laws, rules and regulations combating bribery, corruption and similar forms of financial crimes.

##### *Anti-Corruption Systems at Albaraka Türk*

- To uphold and further bolster its national and international reputation, protect customers, and retain its well-qualified staff, Albaraka Türk's relevant units under Internal Systems perform risk monitoring and auditing/reporting efforts related to anti-corruption and anti-bribery.
- Non-compliant activities are reported to the Bank by the Internal Control Department, Inspection Board, and Legislation and Compliance Department, as well as via the Whistleblowing Line.
- The Bank has established the Policy on Compliance with Requirements of the Prevention of Laundering Proceeds of Crime and Financing of Terrorism to effectively combat laundering proceeds of crime and financing of terrorism.
- Albaraka Türk considers the Anti-Bribery and Anti-Corruption Policy as a core component of all other Bank policies and regulations. With this perspective, the Bank has adopted a "zero tolerance" approach to bribery and corruption.
- The Bank stands against corruption, bribery, fraud, embezzlement and all unlawful conduct, and is committed to complying with relevant laws, rules, regulations and principles.

- At Albaraka Türk, it is strictly unacceptable and prohibited to receive or offer bribes regardless of whether it is under the name of cash payment, profit, commission, contribution, or the like.

The primary areas of risk where bribery and corruption may occur are described in detail below:

##### **1. Gifts and Hospitality**

Albaraka Türk employees may in no way receive gifts or incentives that could cause them to act in a certain way during banking activities or which constitute bribery. Subject to the approval of the Head Office, it is permitted to exchange gifts, have ordinary business dinners, and organize or attend programs and events involving dinner and hospitality with customers and suppliers.

##### **2. Service Providers and Business Partners**

The Bank does not work with persons or entities about which there is negative intelligence involving bribery, corruption or similar forms of financial crimes. Service providers and business partners are obliged to comply with the provisions of this Policy and other relevant regulations. The Bank terminates business relations with persons and entities failing to comply with such provisions and other applicable regulations.

##### **3. Facilitation Payments**

Albaraka Türk does not allow persons or entities within the context of this Policy to offer or receive facilitation payments in order to guarantee or accelerate a routine transaction or process with government agencies.

##### **4. Abuse of Authority or Position**

- Employees are prohibited to perform an unlawful transaction while carrying out their duties in order to obtain unfair benefit on their or other persons' or entities' behalf. Employees may not use powers or authorities vested to them for purposes of obtaining unfair earnings for themselves, their acquaintances, or other third persons or entities, or in a manner to result in losses for the Bank or its customers.
- Employees are obliged to observe the confidentiality of information obtained at the time of performing their duties, not disclose such information to third parties without prior consent, or use the same to the benefit of themselves or third parties.
- Employees are responsible for complying with the contracts, commitments, and similar documents signed with the Bank, as well as the Policy on Conflicts of Interest, Personnel Regulations, and the provisions of other internal regulations and applicable national and international laws.

##### **5. Donations and Sponsorships**

- Although Albaraka Türk provides in-kind and in-cash donations and contributions, political donations are prohibited and excluded from the scope of these activities.
- The Bank's donation and sponsorship activities must comply with applicable laws, regulations and rules specified in the Bank's Donation and Contribution Policy.

##### **Policy Breaches and Sanctions**

- Albaraka Türk imposes sanctions and disciplinary action, including termination of employment, for employees who act contrary to the Anti-Bribery and Anti-Corruption Policy.
- Employees will not be punished and/or retaliated against for acting honestly, transparently and based on goodwill and reporting conduct against or attempts to contradict the provisions of this Policy.
- In cases where conditions require legal action, such incidents are escalated to legal authorities.

##### *Corruption Incidents Detected and Actions Taken*

No significant corruption incident occurred in 2019. In addition, there is no matter that the Bank has taken to court due to an attempt of corruption by employees.

##### *Trainings Provided to Employees on the Fight against Money Laundering, Bribery and Corruption*

- Albaraka Türk raises employee awareness on combating corruption, bribery and similar forms of financial crimes, as well as prevention of laundering proceeds of crime and financing of terrorism through periodic in-class trainings, branch visits, and web-based courses within the Bank.
- The Anti-Bribery and Anti-Corruption Policy is communicated and made available to all employees via the Bank's communication channels.

## Our Investments in Human Values

*Human values are among the defining factors for Albaraka Türk's sustainable success performance. The Bank regularly organizes training activities for the development of its staff.*



### Albaraka Türk's Human Values Policy

The Bank's Human Values Policy is designed to employ, improve and retain well-trained and skilled people with the qualifications and expertise required at the national as well as international level. This way, the Policy aims to help Albaraka Türk achieve and uphold – in the most effective, rapid, reliable and efficient manner – its purpose, vision, mission and corporate values.

The Human Values Policy is formulated and laid down by the Head Office. The Assistant General Manager in charge of Human Values is primarily responsible for implementing, developing and following up the Human Values Policy. This responsibility is also applicable for all relevant managers within their areas of responsibility.

The core principles of Albaraka Türk's Human Values Policy include:

- Respecting the personality of employees, and protecting their rights arising from employment;
- Communicating the corporate culture, ensuring staff commitment to the corporate values and culture, and encouraging all employees to pursue shared objectives;
- Employing people in the sufficient number required, proper for the job, with appropriate intellectual and professional knowledge and skills, while ensuring that they work with commitment to achieve the highest level of productivity and profitability;
- Providing occupational training, improvement and development opportunities to the entire staff in line with the work to be performed;
- Providing work environments that encourage the staff to think innovatively and progressively and generate new ideas and products;
- Exerting efforts to internally train people for management and officer positions, and giving priority to trained staff within the Bank for appointments to vacant positions;

- Informing Bank staff on subjects relevant to them, developing communication procedures and principles that enable employees to convey their opinions and ideas to managers easily;
- Creating a working environment that boosts employee motivation for work, and conducting efforts to improve their social relations;
- Encouraging the Bank's staff to achieve success, developing practices in this regard, and rewarding outstanding performance.

#### Albaraka Türk's Human Values Profile\*

Total Staff: **3,791**  
 Average Age: **34.9**  
 Average Seniority: **8.1 Years**  
 Labor Turnover: **8.7%**



\*As of the end of 2019.



### Meritocratic Remuneration Policy

Albaraka Türk takes a meritocratic approach to setting its Remuneration Policy. The Bank formulates its Remuneration Policy in accordance with the following principles:

- The Wage Management System should reflect the Bank's corporate culture, mission and structure.
- The Remuneration Policy should be designed by considering the Bank's budget and solvency.
- Rewarding practices should be fair and based on equal opportunity.
- The Policy should be open and transparent, and support and follow up the performance system.
- The Remuneration Policy should encourage and support Bank staff in their career goals.
- Remuneration plans should be made in a manner to prevent exposure to extreme market risk; the general approach to remuneration should not contradict the Bank's market risk strategy.
- The remuneration process should be aligned with the Bank's risk appetite, risk capacity, financial objectives and long-term strategies. In particular, the Bank should seek a balance between risk and reward in setting the Remuneration Policy.
- The Bank's remuneration and performance criteria should not lead to steep rises in the level of counterparty credit risk or exposure to extreme risks.
- The Remuneration Policy should not be closely linked with the Bank's short-term profitability.
- The Policy should be commensurate with the Bank's long-term financial standing and capital adequacy, and prevent conflicts of interest.
- The Board of Directors is in charge of approving, regularly reviewing, and supervising implementation of the Remuneration Policy.

### Albaraka Türk Ranks among Turkey's Best Employers for the Second Time

Owing its sustainable and successful performance to the value it places on human capital, Albaraka Türk does not discriminate against employees based on language, religion or gender. As an equal opportunity employer providing continuous development opportunities to its staff, Albaraka Türk was awarded the "Best Employer" certificate in the category of "Companies with over 2,000 Employees" as part of the Recognition Program organized by Great Place to Work Institute to identify Turkey's best employers. Albaraka Türk aims to further invest in human capital – the Bank's most valuable asset – by further internalizing the core principle of equal opportunity in the upcoming years.

## Our Investments in Human Values

### Continuous Professional and Personal Development Opportunities

Albaraka Türk's Training and Career Management Department offers professional and personal development opportunities to the Bank's staff. In 2019, the Department delivered a total 248,202 hours of online and in-class training, an average of 62.5 hours of training per employee. About 60% of total training took place in the digital environment. During the year, the Training and Career Management Department carried out a range of other activities, including:

- Orientation Programs,
- Mentoring Activities (Classic Mentoring, Young Mentoring),
- Management Trainee Activities,
- Talent Pool Activities,
- Career Consulting,
- Development Certification Programs,
- Promotion Opportunities,
- Training Opportunities,
- Professional Training: (Banking, Finance, Management, Office Applications,, etc.),
- Personal Development Training: (Stress Management, Time Management, Leadership, Effective Presentation Techniques, etc.),
- MT Training Trainings,
- Mentor-Mentee Trainings.

All staff members at Albaraka Türk are entitled to participate in the training courses summarized above. The Training and Career Management Department encourages employees to develop themselves, certify their competencies, and obtain national/international certifications. Personnel are regularly updated on career paths; information is provided to employees on internal platforms. Career processes are also updated via annual upgrades and shaped according to employee feedback. Launched in 2019, the Career Desk Platform is where career processes can be monitored transparently. Communicating all their queries via the Career Desk, staff members receive quick, transparent and constructive replies and suggestions. Albaraka Türk employees are able to monitor promotion processes, talent pool activities, career steps and performance scores under the "Personal Info" section. Staff members can also see their career paths and progression clearly.

### Graduate Education and Language Education Support for Staff

To boost the competencies of staff members, Albaraka Türk provides fee assistance under the Graduate Education Assistance Guidelines after employees complete their graduate studies. Personnel wishing to receive language education get fee assistance, if their request is approved, at rates specified in the Foreign Language Education Assistance Guidelines. Furthermore, the Bank covers the costs of obtaining and retaining professionally-required or optional certifications under the Professional Competence Certification Guidelines.

### "Brand Trainer" Project Trains Internal Trainers

In 2019, Albaraka Türk launched the Brand Trainer initiative to train "internal trainers." Under this effort, 54 staff members attended a 6-day training program; those who successfully passed the program were certified as Internal Trainers. "Brand Trainers" will be entitled to teach courses at the Participation Banks Association of Turkey (TKBB) and other institutions in 2020 after necessary licenses are obtained. Already boosting the morale and motivation of the workforce, this practice is also expected to bolster the sense of belonging staff members have for the Bank. Upon successful completion of the Brand Trainer program, Albaraka Türk staff can continue their professional career with the additional title of trainer. Albaraka Türk will remain committed to developing new initiatives to boost employee competencies in the coming period.

### Trainings Organized in 2019

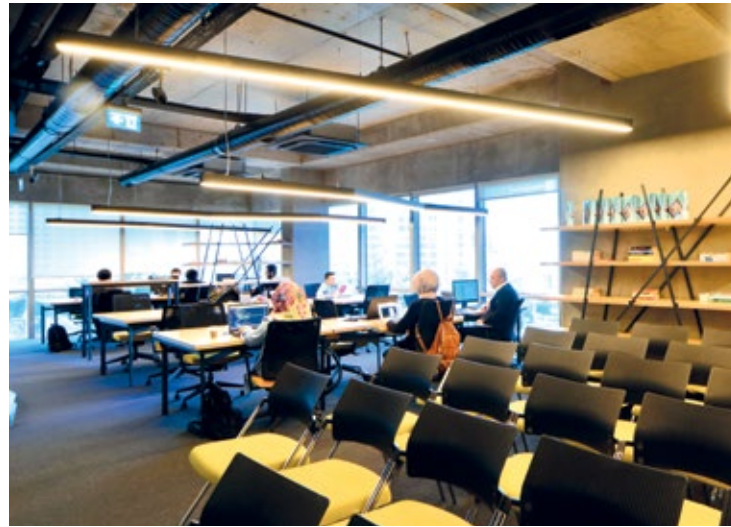
Brand Trainer	Applied Foreign Trade	Financial Implications of Digitalization
New Customer Acquisition and Fundraising	Financial Crises in and outside Turkey	Financial Crises and Risk Management
Financial Analysis Techniques	Evaluation of Investment Projects	Fraud via Communication
Portfolio Creation	Talent Management	Latest Trends in Business Analytics and Big Data
Matters to be Considered during Operational Transactions	Competency-Based Interview Techniques	Credit File Examination
Management Skills	Executive Assistant Training	Strategic Resilience in a Crisis Environment
Operational Risk Law in Banking	Feedback Skills for Managers	Corporate Entrepreneurship
Effective Supervision of Branch Management	Coaching for Managers	Mediation in Commercial Disputes
Secure Software Development	Changing Marketing Methods in the Digital Age	Fraud Incidents in the Banking Sector with Real Cases
ITIL	Training of Trainers	Performance Management and Feedback
COBIT	Effective Presentation Techniques	POS Pricing and Cost Analysis
Business Analytics Methodology	The Art of Authorization and Delegation	Project Management
Artificial Intelligence	Advanced Excel	Risk Management
Monitoring and Reading Key Indicators and Reports for Bankers	Stress Management and Anger Control in Business	Investigation Techniques
Credit Analysis in Banking	Effective Supervision of Branch Management	Strategic Innovation Management
Foreign Trade	Mentor Albaraka	Misconduct Investigation and Statement Taking Techniques
IT Contracts	Basic Excel	
Foreign Trade	Decision Making for Managers Game Theory	

## Our Investments in Human Values



### “Academy Award” in the Field of Training for Albaraka Türk

Albaraka Türk’s “Albaraka Academy Virtual Class App” was presented with the Best Education Technology Apps Award at the Brandon Hall Group HCM Excellence Awards. One of the world’s leading research and analysis firms, “Brandon Hall Group” has invited the world’s leading companies to its “HCM Excellence Awards” – also known as the “Academy Awards” for HR, training, learning, talent and related areas – for the past 25 years. Albaraka Türk’s “Albaraka Academy Virtual Class App” won an award at the Program, which recognizes the best players of their respective sectors in numerous categories.



### Practices to Boost Employee Loyalty

Albaraka Türk expends significant efforts to foster loyalty among the workforce. These include: Letter to Family upon Recruitment; Welcome Kit; Employee Mentality Event; Graduate Education Assistance; Foreign Language Assistance; Flexible Benefits; Net Wage; PPS Contribution; Gold for Newlyweds; Gift Basket for Child Birth and Birth Support; Life Insurance Support; Certification Support; “Play at Work” Support for Children in the Workplace; Club Activities, Special Occasion Celebrations; Employment Opportunity at Albaraka for Children of Retired Staff.



### Strong Internal Communication Channels for Employee Suggestions

Albaraka Türk continuously improves business processes in light of staff suggestions and experiences. Corporate mobile, e-mail, Skype, Microsoft Kaizala, WhatsApp via GSM lines and social media are among the communication channels used to receive opinions and suggestions of the staff. In addition, the “Employee Mentality” event is organized for staff members who have completed their first six months at the Bank. The Employees’ Committee convenes every year where personnel can convey their requests via representatives elected by them. The annual Performance Assessment Process enables Bank staff to provide their feedback.

Employee suggestions are also heard on the “Discover” and “Orbit” platforms set up at Albaraka Türk. Employees who originate successful solutions are rewarded as part of these efforts. In 2019, a mobile app, “Fenomenya,” was developed at the suggestion of a Bank employee. The app allows employees to share their activities at Albaraka on social media. Furthermore, the Change Council Platform launched in November 2019. This platform is composed of about 400 representatives who can organize separate committees via the mobile app to evaluate requests and develop projects for feasible suggestions.



### Occupational Health and Safety

#### **Legally Required Occupational Health and Safety Committee Practices**

Occupational Health and Safety (OHS) Committee practices apply to construction activities. Therefore, Albaraka Türk established an OHS Council instead of a committee.

#### **Objectives of the OHS Council**

The Bank’s OHS Council is responsible for:

- Identifying required health and safety conditions, measures and tools that should be in place at Albaraka Türk to prevent any diseases or bodily injuries that may be caused by devices, equipment, machinery, raw materials, and the like used in the workplace.
- Adopting, implementing and checking the necessary tools and safety measures to prevent occupational accidents at Albaraka Türk; notifying employees of their responsibility to comply with principles and conditions stipulated for this purpose; and instructing employees on necessary health and safety measures.
- Preventing occupational accidents and illnesses through continuous enforcement of the provisions of applicable laws, rules and regulations.

## Our Investments in Human Values

### Occupational Health and Safety

#### GRI 102-41

##### Working Principles

1. The OHS Council conducts activities to examine, monitor and warn employees in terms of OHS issues and takes the following principles into account:
  - a. The OHS Council convenes at least once every three months at workplaces falling under the less dangerous status.
  - b. The agenda, place, day and hour of the meeting are communicated to Council members at least 48 hours prior to the meeting. The meeting agenda is set according to the priority of relevant issues and OHS projects, if any. Members of the Council may request changes to the agenda. The meeting agenda may be changed according to the request, if deemed appropriate by the Council.
  - c. Any Council member may convene an extraordinary Council meeting in the event of severe occupational accidents involving death, loss of limbs, and like or requiring a special precaution. Such requests should be conveyed to the Council chair or secretary. The timing of the meeting is determined as per the urgency and importance of the matter.
  - d. Council meetings must be held during regular working hours. Time spent at meetings of the Council counts towards daily working time.
  - e. The OHS Council convenes with an absolute majority of the membership, chaired by the employer or employer's representative, and passes decisions unanimously. No abstaining vote may be cast. In case of a tie, the vote of the chair shall be determinant. In case of failure to reach majority in votes, or to hold a meeting for another reason, this should be documented in the minutes of the meeting.
  - f. At every OHS Council meeting, minutes should be prepared that include decisions passed on the matters discussed. The meeting minutes is signed by the chair and members present at the meeting. Decisions that have been undersigned are considered to have been notified to the employer without having to take any additional action. Minutes and decisions that are undersigned are kept in a special file.
  - g. Decisions passed at the OHS Council meeting are conveyed to relevant persons for necessary action. Matters that are considered useful for employees are announced at the workplace.
  - h. At every meeting, the chair or the secretary updates the OHS Council on decisions passed at the previous meeting and actions taken prior to opening the agenda.
2. Decisions announced by the OHS Council at the workplace are binding for employers and employees.
3. In the event of a request to exercise the right to abstain from work as stipulated in Article 13 of Occupational Health and Safety Law No. 6331, the OHS Council convenes without delay and regardless of the timeframe specified in paragraph 1 (a). Decisions passed at such meetings are communicated to employees and the employees' representative in writing.

##### OHS Council Decisions and Actions Taken in 2019 Include:

1. A site inspection report was prepared in 2019.
2. Discussions were held to ensure that the Human Values Department regularly inquires occupational diseases and accidents on the Social Security Institution (SSI)'s system and make notifications no later than three days to this system.
3. In 2019, periodic inspections were performed at the Head Office building, including electrical installation, ground network, fire detection systems, boilers, ventilation systems, generators, transformers, drinking water systems, lightning rods, access equipment on the facade, pressure vessels, flag display motor and mechanism, and elevators.
4. Subcontractors were informed on the OHS requirements they must comply with.
5. Risk analyses were conducted for the Head Office building and the 10 relocated/newly opened branches in 2019.
6. Noise, illumination, thermal comfort and gas measurements were carried out during the year. These measurements confirmed the conformity of the Head Office building with normal working conditions.
7. In 2019, the following training courses were delivered to employees:
  - a. Occupational health and safety training (for new hires and employees who had to take refresher courses)
  - b. Onboarding for new hires
  - c. Training on actions to be taken in case of a disaster at the workplace (all employees)
  - d. Training on emergency tasks and responsibilities for emergency teams
  - e. Training for groups requiring special policies in the workplace (i.e. young, elderly, disabled and female employees)
  - f. First aid training (emergency first aid teams)
  - g. Working at height and personal protective equipment training (for the technical team)
  - h. Hygiene training (for employees providing cleaning, tea and catering services).
8. An evacuation drill was conducted at the Head Office building and all region/branch locations.

##### Full Compliance with Occupational Health and Safety Laws

Albaraka Türk is committed to fully complying with all applicable laws, rules and regulations in occupational health and safety. The Bank introduced new practices to safeguard the health and safety of employees at the Head Office in Istanbul and all branch locations.

##### Key Occupational Health and Safety Indicators (Head Office)

**Occupational Accidents:** 1  
**Working Days Lost:** 70  
**Accident Frequency Rate:** 0.34%

##### Collective Bargaining Right

At Albaraka Türk, there is no union with the right to collective bargaining.

### Our Supplier Policy

*In selecting suppliers, Albaraka Türk conducts comprehensive analyses in a wide range of areas – from experience in the relevant product to quality and price.*

Albaraka Türk cooperates with numerous suppliers from domestic and international markets to conduct its operations and business processes. Evaluating suppliers is a key part of the Bank's value chain. Albaraka Türk establishes relations with suppliers pursuant to a comprehensive series of corporate documentation. These include: Procurement Procedure; Purchasing, Selling, Construction, Rental and Service Regulation; Supplier Information Form; and Supplier Evaluation Form. Committed to achieving full legal and regulatory compliance in every aspect of its operations, Albaraka Türk also expects all its suppliers to fully adhere to the Bank's corporate values, applicable laws, rules and regulations. The Bank prefers suppliers who conduct manufacturing operations at global standards. Furthermore, the Bank opts for domestic suppliers in the selection process in order to contribute to the sustainable development of Turkey's economy.

Albaraka Türk seeks the following primary criteria in selecting its suppliers. Regarding the product and intended purpose of supply processes:

- Experience
- Management Skills
- Quality
- Price
- Timely Delivery
- Sufficient Capacity
- After-Sales Services (Technical Capability)
- Product Efficiency
- Geographical Location

##### Supplier Relationships Based on Mutual Trust

Albaraka Türk has adopted the core principle of establishing long-term relations with suppliers. The Bank acts meticulously and takes many criteria into account in selecting suppliers.

Rate of Procurement from Domestic Suppliers		
Number of Domestic Firms	311	98.42%
Number of Foreign Firms	5	1.58%
<b>TOTAL</b>	<b>316</b>	<b>100.00%</b>

##### Supplier Evaluations

Albaraka Türk attaches great importance to suppliers' upholding Albaraka Türk values in all material aspect. To this end, the Bank conducts the following inspections for its suppliers in the area of human values:

- Identity information, SSI (Social Security Institution of Republic of Turkey) registration, health certificate, professional competence documentation, and the like are obtained from subcontracted employees for the Head Office building or branch locations before start of work.
- SSI documents of employees of supplier companies operating in their own facilities (e.g. manufacturing activities) may be requested if deemed necessary.
- Contracts signed with suppliers include provisions stipulating that all suppliers will fully comply with SSI and other applicable laws while performing services at the Bank; any sanctions or penalties arising from their failure to comply will be borne by the supplier.
- Suppliers may be subject to on-site inspections at specified intervals.
- Support service providers may also be subject to on-site inspections by the Inspection Board.

## Environmental Investments

*Albaraka Türk executes environmental sustainability activities in line with UN Sustainable Development Goals for 2030.*

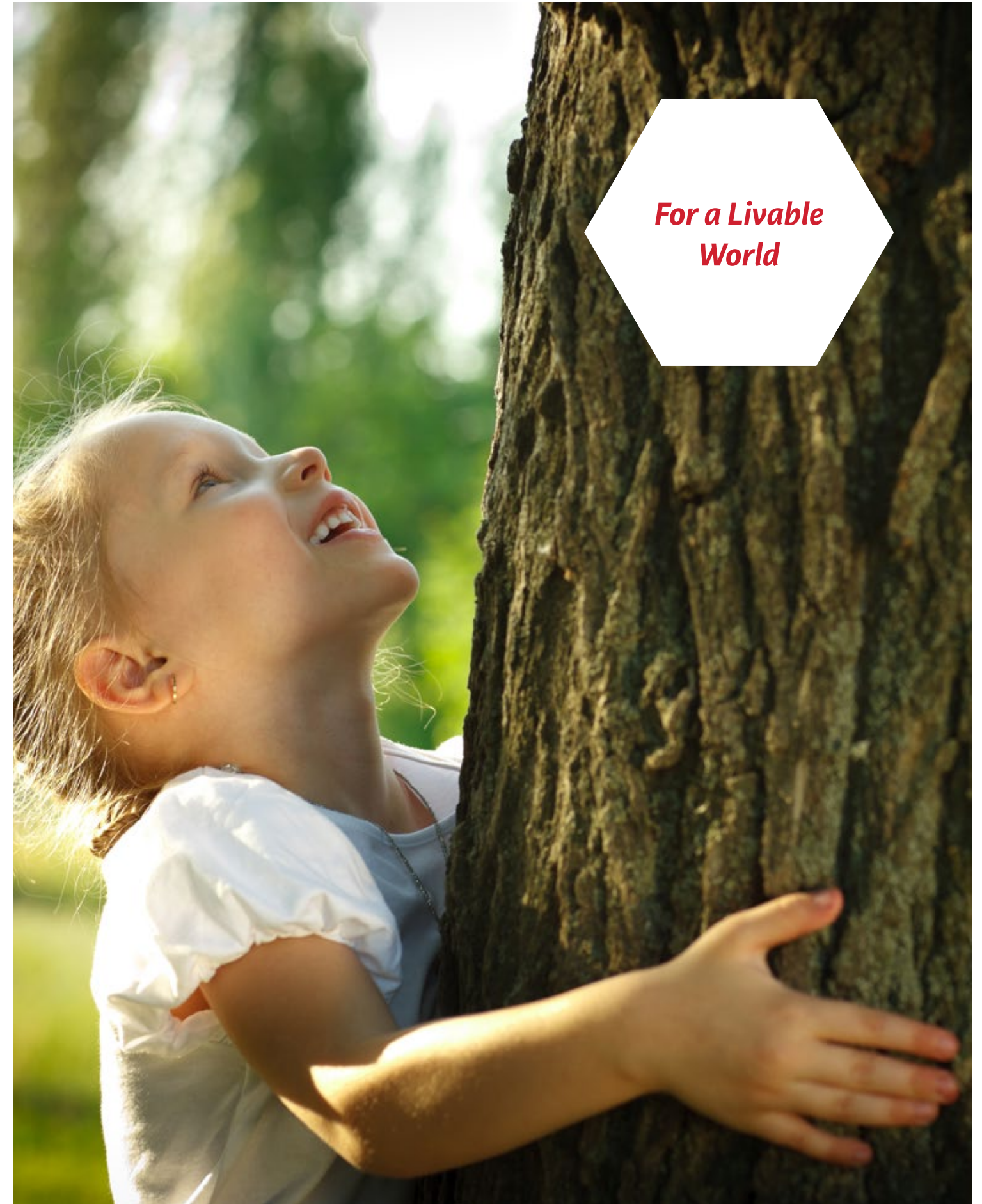


## Albaraka Türk Environmental Policy

Albaraka Türk works jointly with its stakeholders to develop humancentric and environmentally-friendly projects that support economic and global development for a more inhabitable world under its Sustainable Banking Program. With this approach, the Bank strives to achieve UN Sustainable Development Goals for 2030 and lead the drive for sustainable development among participation banks. Generating value for urban living spaces, Albaraka Türk also aims to certify its efforts to minimize the Bank's impact on the environment. To this end, Albaraka Türk plans to assume a more active role on global platforms to boost its reputation in this key area.

## Environmental Sustainability Activities under ISO 14001 Environmental Management Systems

Albaraka Türk shapes its business activities in line with its vision of "Becoming the World's Best Participation Bank." The Bank conducts environmental sustainability activities according to ISO 14001 Environmental Management Systems. Albaraka Türk is aware that its products and services are in constant interaction with the environment. Therefore, the Bank strives to minimize the environmental impact of this interaction and contribute to the fight against climate change. Incorporating a sustainable approach in all aspects of its corporate culture, Albaraka Türk is a pioneer of environmental sustainability among participation banks. The Bank moves steadily forward to achieve its sustainability goals. Albaraka Türk conducts and participates in a wide range of sustainability initiatives, including Borsa Istanbul (BIST) Sustainability Index, Green Building Project (LEED EBOM), Carbon Disclosure Project (CDP), and Zero Waste Project.



*For a Livable  
World*

## Environmental Investments

### Albaraka Türk: First Participation Bank Included in the BIST Sustainability Index

Adopting a multi-dimensional approach to sustainability, Albaraka Türk ranked among Turkey's leading companies subject to the assessment of the BIST Sustainability Index in 2019. Albaraka Türk became the first participation bank included in this index on November 1, 2019.

### LEED GOLD Green Building Certification for the Head Office Building

Constructed and equipped with the most advanced technology, Albaraka Türk's Head Office Building is the first LEED GOLD certified bank headquarters in Turkey. Thanks to efforts launched in 2016, Albaraka Türk's headquarters building received this prestigious certification based on specified criteria, including carbon footprint, water and energy efficiency, environmental-sensitivity of the materials and resources used, indoor environmental quality, and innovation.

### Active Participation in Carbon Disclosure Project (CDP)

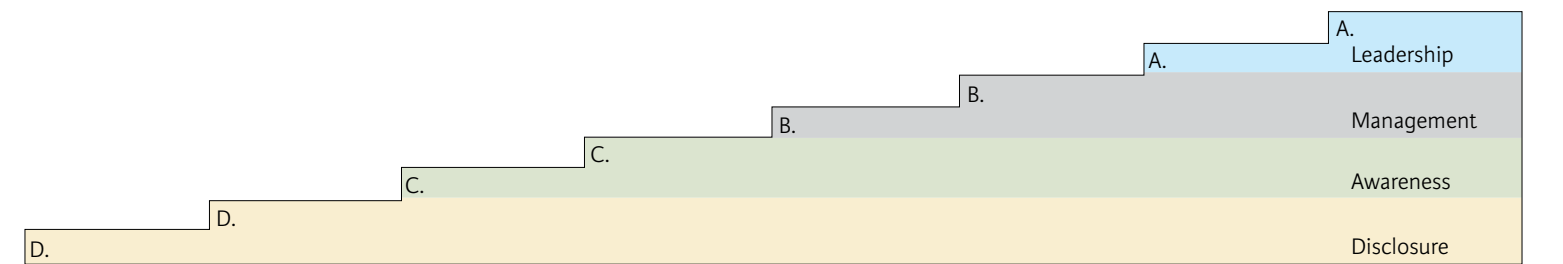
Carbon Disclosure Project (CDP) is recognized as the world's most comprehensive and prestigious environmental project. CDP aims to collect and share information that will enable companies, investors and governments to take action against the threat of climate change. Albaraka Türk achieved a "C" score in 2017 and 2018 under CDP. Recording a "B" score in 2019, the Bank plans to further improve its performance in the fight against climate change in the coming year. Detailed information on the CDP Report can be found on Albaraka Türk's website: <https://www.albaraka.com.tr/assets/tr/pdf/Albaraka-Turk-CDP-Climate-and-Water-Footprint-Verification-Report.pdf>

### Climate Governance Efforts at Albaraka Türk Participation Bank

Below is a summary of the climate governance efforts undertaken as part of CDP in 2017, 2018, and 2019:

2017	2018	2019	Targeted Efforts for 2020-2022
Setting organizational limits as part of greenhouse gas emission calculations and determining a calculation methodology	Calculating Scope 1 & 2 & 3 greenhouse gas emissions for 2017	Calculating Scope 1 & 2 & 3 greenhouse gas emissions for 2018	<b>Establishing an Environmental and Social Governance System and Integrating it with Credit Risk Assessment System</b>
Calculating Scope 1 & 2 & 3 greenhouse gas emissions for 2016	Verifying the calculations of Scope 1 & 2 & 3 greenhouse gas emissions for 2017	Verifying the calculations of Scope 1 & 2 & 3 greenhouse gas emissions for 2018	<b>Setting Science-Based Targets</b> Calculating the entire climate burden for the Bank and setting science-based targets
Identifying risks, opportunities and targets related with Climate Change	Identifying risks, opportunities and targets related with Climate Change	Calculating water consumption and verifying calculations for 2018	<b>Making TCFD (Task Force on Climate-Related Financial Disclosures) preparations</b> Arranging the financials of the Bank in a manner to reflect climate risks and performing relevant valuations
Taking CDP Climate Change Survey	Identifying risks, opportunities and targets related with Water Management	Identifying risks, opportunities and targets related with Climate Change	<b>Climate Finance Capacity Building</b> Capacity building for ESG in particular for the Bank to utilize new climate finance channels (Climate fund syndications, climate/green sukuk issuance etc.)
	Calculating water consumption and verifying calculations for 2017	Identifying risks, opportunities and targets related with Water Management	
	Taking CDP Climate Change Survey	Taking CDP Climate Change Survey	
	Taking CDP Water Report Survey	Taking CDP Water Report Survey	
		Analyzing decision-making mechanisms and structuring options under the Environmental, Social and Governance Program	
		Providing training as part of Environmental and Social Governance and Risk Management	

CDP Scores for 2017, 2018 and 2019



2017 - CDP Climate Change	C (Awareness)
2018 - CDP Climate Change	C (Awareness)
2018 - CDP Water Management	C (Awareness)
2019 - CDP Climate Change	B (Management)
2019 - CDP Water Management	B- (Management)



## Environmental Investments

### Carbon Disclosure Project (CDP) Practices

#### Service Vehicles

- Service vehicles have been replaced by vehicles with reduced exhaust emissions.
- Electric cars have been put into use at the Head Office.

#### Refrigerating Gas Use

- The amount of refrigerating gas used in the equipment at the Head Office building remained within GWP and ODP values.

#### Solar Window Films

- Use of air conditioners has been reduced and greenhouse gas emissions dropped thanks to the solar window films placed on the facade of the Head Office building.

#### Insulation

- Energy efficiency has remained a priority for the Head Office building and insulation has been determined to be above minimum standards.

#### Energy Savings

- The operating system of heating and cooling devices has been replaced, resulting in approximately 20% less energy consumption.

#### Fresh Air

- The rates of fresh air circulated inside the Head Office building have been kept above the international level.
- Air handling units providing fresh air were monitored through the automation system and the rates of fresh air inside the Head Office building were kept under constant control.
- Smoking was banned in the areas where there is a risk of smoke getting inside the building.

#### Air Conditioning

- The air in the external environment was purified from dust, dirt and poisonous gases by using high-efficiency filters to provide clean air to the Head Office building.

#### Energy Savings

- Timers of the light sensors in the Head Office offices have been re-adjusted, resulting in approximately 6% less energy consumption.
- The operating system of the garden lights has been changed, leading to approximately 50% less energy consumption.

#### Transportation

- Personnel shuttles are used for transport to the Head Office building. Shared personnel shuttles helped reduce CO<sub>2</sub> emissions and protect the nature.

#### Lighting Systems

- High-efficiency lighting fixtures are used in the Head Office building. Fluorescent bulbs used in lighting fixtures are selected from among low-mercury models.
- The Head Office building has a design that enables maximum daylight utilization. In this way, it is aimed to reduce the energy spent on lighting and to increase the positive effects of daylight on the people working indoors.

#### Water

- In the Head Office, water-saving apparatus were installed in the lavatory faucets, helping reduce water consumption by around 20%.
- Water efficiency was achieved by adopting drip irrigation system and sprinkler systems in green areas.
- Treated artesian water was used in lavatories and for the purposes of irrigation in the green areas of the Head Office.
- Wastewater used in the lavatories was treated as part of the Gray Water Project and reused in the reservoirs.

### Zero Waste Project

Albaraka Türk is an active participant in the Zero Waste Project launched by the Ministry of Environment and Urban Planning. The Bank has undertaken a wide range of efforts to further boost its performance in prevention/reduction, reuse and procurement.

In 2019, the Bank implemented the following Zero Waste related projects:

- Wastewater in lavatories was treated as part of the Gray Water Project and reused in reservoirs.
- Sustainable cleaning materials, and cleaner, safer, and healthier environmentally-sensitive products were used to clean the office floors of the headquarters building.
- Paper waste was sent to recycling facilities to ensure they can be put into use again.
- To prevent waste batteries from mixing with the natural environment, the Bank separated and collected batteries at the Head Office building. Approximately 50 kg of waste batteries were separated and delivered to the official waste collection authority TAP (Portable Battery Manufacturers).

Thanks to successfully executing its digital transformation drive, Albaraka Türk significantly reduced its paper consumption and contributed to the Zero Waste Project in 2019.

Paper Saving	Amount Saved (Annual)
Photocopy Machine Change	4,800,000 A4 Papers
On-Tablet Tracking of Documents in Training Activities	82,000 A4 Papers
Performing Transactions on Digital Systems (Product/Service Requests, Tenders, Vehicle Requests, Invoices, Failure Alerts etc.)	200,000 A4 Papers
Running Office Work Flows on the System	285,000 A4 Papers
Around 65% of the Posters and Brochures Sent to the Branches Displayed on Branch TVs and Screens	12,000,000 A4 Papers
Bereket Magazine Uploaded on our Website and the Number of Printed Versions Dropped from 20,000 to 7,000	3,588,000 A4 Papers
Paper Waste Sent to Recycling	1,375,000 A4 Papers
<b>Total</b>	<b>22,258,000 A4 Papers</b>



## Environmental Investments

## Natural Resource Consumption Indicators

Albaraka Türk aims to minimize natural resource consumption across its business operations in order to leave a more inhabitable world for future generations.

## Albaraka Türk's Carbon Footprint

Year	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> e)	Scope 3* (tCO <sub>2</sub> e)	Scope (1&2) (tCO <sub>2</sub> e)	Total
2019	3,922.06	7,410.19	2,901.12	11,332.25	14,233.37
2018	3,546.69	7,618.11	2,339.02	11,164.80	13,503.82
2017	5,198.40	7,564.60	2,143.90	12,763.00	14,906.90
2016	6,312.50	7,960.80	1,567.70	14,273.30	15,841.00

\*Scope 3 emissions include flights for business travels and paper consumption.

## Total Electricity Consumption (joule)

2019	16,192 MW (58,290 GJ)
2018	15,503 MW (55,810 GJ)
2017	15,366 MW (55,317 GJ)

## Albaraka Türk's Water Footprint

Year	2017*	2018*	2019**
m <sup>3</sup>	22,487	60,394	61,173

\*Water footprint was only calculated for the Head Office building in 2017 and 2018.

\*\*The Head Office and all branches were included in the calculations for 2019.

## Albaraka Türk's Paper Consumption

Year	2017	2018	2019
Ton	93	101	130

## Albaraka Türk's Environmental Performance Indicators

Resource	Unit	Total Consumption (2017)	Total Consumption (2018)	Total Consumption (2019)
Electricity	MWh	15,366	15,084	16,193
Natural Gas Used for Heating	Sm <sup>3</sup>	721,846	559,367	692,682
Natural Gas Used for Heating	MWh	7,903	6,124	7,584
Coal Used for Heating	Ton	10	20	10
Coal Used for Heating	MWh	35	70	35
Diesel Oil Used for Heating	Liter	9,269	7,045	1,861
Diesel Oil Used for Heating	MWh	93	71	19
Vehicle Fleet Gas Consumption	Liter	6,976	2,948	1,581
Vehicle Fleet Gas Consumption	MWh	70	30	16
Vehicle Fleet Diesel Fuel Consumption	Liter	737,826	807,836	785,768
Vehicle Fleet Diesel Fuel Consumption	MWh	7,438	8,144	7,921
Diesel Oil Used for Generator	Liter	19,345	19,811	17,773
Diesel Oil Used for Generator	MWh	195	200	179
Total Energy Consumption	MWh	31,101	29,722	

## "Recycle, Don't Waste" Project

Electronic waste collected with the support of Albaraka Türk employees was recycled during the year. Computers were donated to schools with revenue generated from this staff activity. The Bank recorded the following data as part of this effort:

- Electronic Waste Collected from Head Office and Branch Locations: 261 kg
- Products Recovered: 78.79 kg
- Breakdown of Products Reintroduced to Secondary Industries:
  - 34.99% Metal
  - 30.88% Precious Metal
  - 20.58% Plastics
  - 11.72% Energy
- Carbon Savings Achieved through Recycled Waste: 752.64 kg



## Social Investments

*In 2019, Albaraka Türk continued to implement projects that benefit important issues such as education, health and environment within the scope of Corporate Social Responsibility activities.*



Albaraka Türk focuses primarily on education, healthcare, the environment and vulnerable groups, and makes social investments in these priority areas. Established by the Bank, Bereket Foundation has granted scholarships to 62,454 students to date. The Foundation has played a central role in Albaraka Türk's social investments since 1987.

### The Value We Generate for Education

- **Bereket Foundation Scholarship Support:** Founded by Albaraka Türk, Bereket Foundation granted scholarships to help students continue their education in 2019. During the year, the Foundation presented scholarships to 1,947 students, 92 Ph.D. candidates and 1,855 undergraduate students.
- **Add Value for the Future Project:** In 2018, Albaraka Türk commenced "Add Value for the Future Project," aimed at ensuring equal opportunities in education. Continuing to expand the effort in 2019, the Bank garnered the Platinum Award, ranking first in the "Quality Education" category at the 11<sup>th</sup> Corporate Social Responsibility Summit organized by the Corporate Social Responsibility Foundation of Turkey. Add Value for the Future Project was implemented in coordination with the Ministry of National Education, reaching some 15 thousand students from 65 elementary schools and high schools in 46 provinces in the Black Sea, Central Anatolia, Eastern

Anatolia and Southeast Anatolia regions. The initiative was designed to outreach to disadvantaged schools lacking equal access to opportunities in cities across Turkey. "Mind and Intelligence Games," introduced as an elective course in the curriculum pursuant to the Communique issued by the Ministry of National Education in academic year 2012-2013, was not offered at all schools due to logistical hurdles and insufficient knowledge of the curriculum. Albaraka Türk's Add Value for the Future Project targeted regional schools facing hardships in terms of equal access to opportunities. Under this initiative, various meetups with the themes of mind games, innovation and effective learning were designed. At the selected schools, Mind and Intelligence Games laboratories composed of 105 pieces were built. Consultant teachers were provided with starter trainings on the initiative and games. Furthermore, a booklet was prepared for teachers' review during the relevant academic year. Meanwhile, digital guidance was provided to students and teachers alike on Albaraka Türk's YouTube channel where the rules and techniques of the games were described. Assuming that teachers will continue these courses, the Bank expects the beneficiaries of the initiative to climb in the coming years.

- **Book Supports:** Albaraka Türk provided library support to 15 elementary schools and high schools.
- **Technology Classrooms:** Albaraka Türk set up technology, computer and robotic coding classrooms at three schools to give young generations access to instruction in digital transformation.



**Projects that Generate Social Value**



## Social Investments

### The Value We Generate for Healthcare

- **Support for Gaza Physical Therapy and Rehabilitation Center:** Albaraka Türk supported the Doctors Worldwide clinic in Gaza that has provided physical therapy, rehabilitation, nursing and psycho-social support since 2015. The Bank assisted the clinic to deliver the Gaza people with a total 4,010 healthcare sessions – including 1,480 physical therapy and rehabilitation sessions, 2,374 medical treatments, and 156 psycho-social sessions.
- **Healthcare Support:** Albaraka Türk continued to provide financial support to address the health problems of Bank staff and their relatives, while meeting the motorized wheelchair needs of employees' relatives.

### The Value We Generate for the Environment

- **Planting Seedlings:** Creating value for the environment through the voluntary contributions of employees every year, Albaraka Türk planted 2,283 seedlings to fight forest fires on the occasion of National Forestation Day.

### Our Projects for Vulnerable Groups

- **Albaraka Türk's Accessible Banking Program:** Albaraka Türk is committed to improving the service quality for disabled customers and customers aged over 70, aiming to eliminate the obstacles they face every day. The Bank embraces its social responsibilities to overcome these difficulties. With its efforts, Albaraka Türk ensures that disabled customers and customers over 70 have seamless access to banking services.
- **Branch Design for the Disabled:** All branch locations of Albaraka Türk in Turkey comply with the "Regulation on the Accessibility of Banking Services" issued by the Banking Regulation and Supervision Agency (BRSA), and have the capacity to serve disabled customers.

#### The following services are provided under the program:

- Bank staff members are encouraged to learn sign language and take training courses to help them properly communicate with disabled customers. Remote video support is also provided at branch locations for communication in sign language.
- Utmost attention is paid to ensure that all signposts and boards are accessible to disabled customers; informational notes at the doors of the branch locations are printed in Braille.
- Contracts are also published on the Albaraka Türk corporate website to make sure these documents are accessible to all customers. Disabled customers have the option to listen to audio versions of the contracts via use of screen readers. Disabled customers and customers over 70 are also allowed to withdraw cash, deposit cash and make balance inquiries at

### Our Projects for Vulnerable Groups

domestic ATMs free of charge. To boost branch accessibility for all disabled customers and customers over 70, the Bank has appointed dedicated customer representatives for these customer groups to ensure that they have seamless access to banking services. This effort in effect grants these customers priority access to banking services.

- The special needs and requirements of disabled customers were taken into account in designing the Bank's digital channels.
- To assist disabled customers and customers over 70 in performing transactions easily, the Bank also made sure that its ATMs deliver good quality light and feature buttons that require the least physical movement and effort.

- **Audio Library Project:** Albaraka Türk established an audio library at the Istanbul Mufti Office and assumed a leading role in audio recording religious books for the visually-impaired.

### Projects Implemented with Employee Participation

- **Water Well:** Thanks to the support of Albaraka Türk employees, two water-wells were opened in Chad, one of the poorest countries in Africa. This effort allowed hundreds of people in need in the region to access clean water without having to travel long distances.
- **Recycle, Don't Waste Project:** Electronic waste collected with the support of Albaraka Türk employees was recycled during the year. Computers were donated to schools with revenue generated from this staff activity. The Bank recorded the following data as part of this effort:
  - Electronic Waste Collected from Head Office and Branch Locations: 261 kg
  - Products Recovered: 7879 kg
  - Breakdown of Products Reintroduced to Secondary Industries:
    - 34.99% Metal
    - 30.88% Precious Metal
    - 20.58% Plastics
    - 11.72% Energy
  - Carbon Savings Achieved through Recycled Waste: 752.64 kg

#### Social Responsibility Club Activities

The Social Responsibility Club, where Albaraka Türk employees conduct volunteer activities, organized events and support campaigns for students in village schools and outreached to 2,568 students from 160 schools in 2019. In addition,

- Clothing assistance was provided to 23 children undergoing cancer treatment;
- Twenty bags of garbage were collected during the environmental cleanup event at Aydos Forest.

### Projects Implemented with Employee Participation

#### In 2019, Albaraka Türk's social responsibility activities raised employee awareness on sustainability across the organization.

#### Other Club Activities


Albaraka Türk organizes club activities for its staff, aiming to boost employee motivation and generate social value. Employees' clubs within the Bank carried out the following activities during 2019:

CULTURE & ARTS CLUB		
Project Name	Project Details	Number of Participants
Knowledge Contest	40 contests were organized and all employees were offered books as gifts. These entertaining and informative contests offered the chance to have a sense of competition for employees.	243
Usla Cooking Workshop	At the Italian cuisine workshop, training was organized on gastronomy and participants received certificates.	20
Welcome to the Month of Ramadan Concert	The Bank welcomed the month of Ramadan with the performance of the Bereket Hymn Band.	100
School Report Day for Children	In order to celebrate children for their school reports, an event was organized where entertaining activities were performed such as illusion, pantomimes, shadow puppetry, and Hacivat and Karagöz show.	325

HEALTHY LIFE AND SPORT CLUB		
Project Name	Project Details	Number of Participants
Volleyball Tournament	Weekly volleyball matches were organized to encourage female employees to take on sports as an active hobby. Thanks to the project, employees had the chance to acquire new skills and make new friends.	50
Büyükada Second Traditional Cycling Tour	A cycling tour was organized in Büyükada with a high employee participation.	42
Spring Camp	In the Seben district of Bolu, a forest camp was organized involving a long trekking tour to Sebenardı Watchtower and short courses.	22
RPA Champions Camp	The champions of the Robotic Process Automation project had the chance to attend a camping event for 2 days and one night in Bolu/Seben, involving daily trekking tours and training in nature.	24
Basketball Tournament	A basketball tournament was organized with the teams formed by employees.	100
Istanbul Half-Marathon	Employees participated in the Istanbul Half Marathon.	8
Jogging in Belgrade Forest	Participants had the chance to meet up in nature, completing the 6,200 m Jogging and Walking Track along the Neşet Spring in the Belgrade Forest.	16
41 <sup>st</sup> Istanbul Marathon	Employees participated in the 41 <sup>st</sup> Istanbul Marathon.	11
Table Tennis Tournament	Albaraka Türk's team became a champion in the second league of companies and was promoted to the first league.	6
Kartepe Skiing Tour	It was a successful event with the first-time participation of many employees.	44
9 <sup>th</sup> Green Crescent Cycling Tour	Employees were among thousands of participants in the tour organized concurrently in 40 cities of Turkey, pedaling for a healthy life and raising awareness on addictions.	7

LIFELONG DEVELOPMENT CLUB		
Project Name	Project Details	Number of Participants
Book Analyses	Teams gathered to read and have discussions on selected books.	45
English Improvement Group	A team was set up to improve employees' English reading and speaking skills.	20
Chess Tournament	A team was formed to encourage employees to improve their chess skills and attend tournaments.	40
Development Seminars	Seminars were held with instructors and employees to support their personal and collective development.	600
Ceramic Workshops	Employees had the chance to create and paint various household items in the ceramic workshop organized for two weeks.	30

# GRI Content Index

GRI CONTENT INDEX (CORE)			
 <p>“For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.”</p> <p><b>This report was prepared in accordance with Core Option of GRI Standards.</b></p>			
GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission
GRI 101: Foundation 2016			
GRI 102: General Explanations 2016			
	<b>Organizational Profile</b>		
<b>GRI 102: GENERAL EXPLANATIONS 2016</b>	102-1	Front cover	
	102-2	Albaraka Türk in Brief, p. 16-18	
	102-3	Albaraka Türk in Brief, p. 16-18	
	102-4	Albaraka Türk in Brief, p. 16-18	
	102-5	Albaraka Türk in Brief, p. 16-18	
	102-6	Albaraka Türk in Brief, p. 16-18	
	102-7	Albaraka Türk in Brief, p. 16-18	
	102-8	Albaraka Türk in Brief, p. 16-18	
	102-9	Albaraka Türk in Brief, p. 16-18	
	102-10	Albaraka Türk in Brief, p. 16-18	

GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission	
<b>GRI 102: GENERAL EXPLANATIONS 2016</b>	102-11	Our Sustainability and Social Responsibility Priorities, p. 36-37		
	102-12	UNSDG		
	102-13	Memberships and Represented Platforms, p. 41		
	<b>Strategy</b>			
	102-14	Message of Senior Management, p. 28-32		
	102-15	Message of Senior Management, p. 28-32		
	<b>Ethics and Integrity</b>			
	102-16	Our Sustainability and Social Responsibility Priorities, p. 36-37		
	102-17	Our Sustainability and Social Responsibility Priorities, p. 36-37		
	<b>Governance</b>			
	102-18	Our Sustainability Organization; p. 38-39		
	102-19	Our Sustainability Organization; p. 38-39		
	102-20	Our Sustainability Organization; p. 38-39		
	102-21	Our Sustainability Organization; p. 38-39		
	102-22	Our Sustainability Organization; p. 38-39		
	102-23	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-24	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-25	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-26	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-27	Our Corporate Governance and Risk Management Approach, p. 42-66		

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GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission	
<b>GRI 102: GENERAL EXPLANATIONS 2016</b>	102-28	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-29	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-30	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-31	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-32	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-33	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-34	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-35	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-36	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-37	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-38	Our Corporate Governance and Risk Management Approach, p. 42-66		
	102-39	Our Corporate Governance and Risk Management Approach, p. 42-66		
	<b>Stakeholder Engagement</b>			
	102-40	Our Shareholder Map and the Strong Bond with the Shareholders, p. 40		
	102-41	Collective Bargaining Agreement, p. 72		
	102-42	Our Shareholder Map and the Strong Bond with the Shareholders, p. 40		
	102-43	Our Shareholder Map and the Strong Bond with the Shareholders, p. 40		
	102-44	Strategical Sustainability Areas, p. 34-35		

GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission
<b>GRI 102: GENERAL EXPLANATIONS 2016</b>	<b>Reporting</b>		
	102-45	Strategical Sustainability Areas, p. 34-35	
	102-46	Strategical Sustainability Areas, p. 34-35	
	102-47	Strategical Sustainability Areas, p. 34-35	
	102-48	This report contains the information of 2019 reporting period.	
	102-49	This report is the first Sustainability Report of Albaraka Türk.	
	102-50	01.01.2019-31.12.2019	
	102-51	Cover Page	
	102-52	Annually	
	102-53	Strategical Sustainability Areas, p. 34-35	
	102-54	GRI Content Index, p. 86	
	102-55	GRI Content Index, p. 86-92	
	102-56	GRI Content Index, p. 86-92	
	<b>GRI 200: ECONOMIC STANDARD SERIES</b>		
<b>Economic Performance</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-1	Leading Financial and Operational Indicators, p. 21-22	

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GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission
<b>Indirect Economic Impacts</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	203-1	Sustainability Journey of Albaraka Türk, p. 18-20	
<b>Procurement Practices</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 204: PROCUREMENT PRACTICES 2016</b>	204-1	Our Procurement Practices, p. 70	
<b>Anti-Corruption Policy</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 205: ANTI CORRUPTION POLICY 2016</b>	205-1	Efficient Mechanisms against Bribery and Corruption, p. 64-65	

GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission
<b>GRI 300: ENVIRONMENTAL STANDARD SERIES</b>			
<b>Energy</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 302: ENERGY 2016</b>	302-1	Active Participant of CDP, p. 76	
	302-5	Environmental Investments, p. 78	
<b>Water</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 303: WATER 2016</b>	303-1	Environmental Investments, p. 78	
	303-3	Environmental Investments, p. 78	
<b>Emissions</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 305: EMISSIONS 2016</b>	305-1	Consumption Indicators of Natural Resources, p. 80-81	
<b>Compliance with Environmental Regulations</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>	307-2	Albaraka Türk Environmental Policy, p. 74	

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GRI Standards	Explanation Number	Page Number/Direct Source	Reason of Omission
<b>GRI 400: SOCIAL STANDARDS SERIES</b>			
<b>Occupational Health and Safety</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>	403-1	Occupational Health and Safety, p. 71-72	
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<b>Education and Training</b>			
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	103-2	Strategical Sustainability Areas, p. 34-35	
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<b>GRI 404: EDUCATION AND TRAINING 2016</b>	404-1	Completed Educations, p. 69	
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<b>Human Rights</b>			
<b>2016 GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	Strategical Sustainability Areas, p. 34-35	
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	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 412: HUMAN RIGHTS 2016</b>	412-2	Completed Educations, p. 69	
<b>Customer Health and Safety</b>			
<b>2016 GRI 103: MANAGEMENT APPROACH</b>	103-1	Strategical Sustainability Areas, p. 34-35	
	103-2	Strategical Sustainability Areas, p. 34-35	
	103-3	Strategical Sustainability Areas, p. 34-35	
<b>GRI 416: CUSTOMER HEALTH 2016</b>	416-1	Our Quality Policy, Our Corporate Values and Strategic Targets, p. 25	

**United Nations Global Compact (UNGC) Index**

Operating in 17 countries including Turkey, Al Baraka Banking Group (ABG) signed the United Nations Global Compact (UNGC) in 2016. ABG issues an annual Progress Report in line with the UN Development Goals for 2030.



## Our Performance Towards Sustainable Development Goals

Albaraka Türk upholds the UN Sustainable Development Goals as part of the sustainability efforts of the Al Baraka Banking Group (ABG). Albaraka Türk 2019 Sustainability Report was prepared by taking the following 17 Sustainable Development Goals (SDGs) into account. The activities of Al Baraka Banking Group in the field of Sustainable Development Goals (SDGs) can be accessed at the following link: [https://www.albaraka.com/media/pdf/cc/SDGReport\\_2018ENG.pdf](https://www.albaraka.com/media/pdf/cc/SDGReport_2018ENG.pdf).



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