Second Party Opinion Report

Albaraka Türk
Sustainable Finance Framework Document

07-10-2024

Evaluation Summary

Metsims Sustainability Consulting assesses that Albaraka Türk Katılım Bankası A.Ş.'s (Albaraka Türk) Sustainable Finance Framework supports green and sustainable finance as an effective and targeted instrument. This assessment has been made in accordance with the principles set out by the International Capital Markets Association (ICMA) for Green and Social Bonds.

Content

Use of the Fund

The categories identified for revenue utilisation are in line with the parameters set by the Turkish Capital Markets Association. Metsims submits that the selected categories are appropriate as they are expected to generate positive environmental contributions and have a positive impact on various United Nations Sustainable Development Goals (SDGs), in particular SDGs 3, 5, 6, 7, 8, 9, 11 and 12. The proceeds from the issuances will finance or refinance eligible green and sustainable projects within 12 months. The retrospective review period of relevant R&D and expenditures is up to 36 months.

Project Evaluation/Selection

The evaluation and selection of projects that comply with Albaraka Türk's participation banking principles will be carried out by the Sustainability Working Group established under the Sustainability Executive Committee. The Sustainability Working Group will meet twice a year to monitor compliance, facilitate impact reporting and update frameworks to align with business strategy and legislation. Metsims has determined that the project selection process is in line with established market practices.

Management of the Fund

Albaraka Türk undertakes that the proceeds will be monitored transparently and carefully audited in accordance with the transaction-specific agreements. The unused portion of the funds obtained through the issuance will be directed to investment instruments in accordance with interest-free/participation finance principles until they are allocated to the relevant sustainable projects. As a result, fund management procedures are subject to established market practices.

Reporting

Albaraka Türk is committed to providing regular reports on fund allocations through both its official website and Public Disclosure Platform. This commitment includes annual reporting on fund utilisation and impact analysis until all fund allocations are finalised. Metsims has determined that Albaraka Türk's reporting on fund utilisation and impact analysis is in line with current market practices.

Project Tag

Project Description:
Providing Second Party Opinion to the Sustainable Finance Framework document of Albaraka Türk Katılım Bankası A.Ş.

Source Organisation/Fund User:
Albaraka Türk Katılım Bankası A.Ş. (Albaraka Türk)

Advisory Committee:
Albaraka Türk Katılım Bankası A.Ş. Advisory Committee

Frame Preparer:
Albaraka Türk Katılım Bankası A.Ş. (Albaraka Türk)

Sustainability Second Party View:
Metsims Training and Consultancy Services Ltd. Şti. (Metsims Sustainability Consulting)

Metsims Project Manager :
Hüdai Kara, BSc. MSc. DPhil., Founder and Director
Doray Örgün, BSc. MSc., Sr. Sustainability Consultant

1. INTRODUCTION

Albaraka Türk, Türkiye's first participation bank and the only participation bank listed on Borsa Istanbul, was established in 1984 with the synergy of Al Baraka Group (ABG), one of the leading financial institutions in the Middle East, the Islamic Development Bank (IDB) and a local industrial group with over half a century of history in the Turkish economy. Driven by a vision of a sustainable future, Albaraka Türk is committed to ensuring that its stakeholders play an important role in achieving the ultimate goal of net zero emissions.

Focusing on making a sustainable contribution to the entrepreneurship ecosystem in Türkiye, Albaraka Türk established Albaraka Garage, a pioneering initiative among participation banks.

The project categories targeted by Albaraka Türk to contribute to the United Nations Sustainable Development Goals (SDGs) within the framework of its sustainable financing approach are listed below:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Conservation of terrestrial and aquatic biodiversity
- Clean transport, Sustainable water and wastewater management
- Adaptation to climate change
- Eco-efficient and/or circular economy-adapted products, production technologies and processes
- Green buildings

Albaraka Türk considers it a responsibility to provide comprehensive information to all its stakeholders by announcing its commitment to sustainability. This commitment is geared towards driving economic and social development with a focus on climate change and actively participating in capital markets that adhere to sustainability principles for growth initiatives.

This Second Party Opinion has been prepared to assess the appropriateness of the Framework as a prerequisite for sustainable financing sought by Albaraka Türk to realise its sustainable investments aimed at promoting positive social and environmental impacts. The assessment includes an assessment of compliance with national legal requirements, information for potential investors, and the principles to be followed with respect to sustainable debt financing.

2. SCOPE AND LIMITS OF SECOND PARTY OPINION

This Second Party Opinion prepared by Metsims Sustainability Consultancy has been meticulously prepared based on the Albaraka Türk Sustainable Finance Framework. This assessment includes the principles of the "Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate Guidelines" issued by the Capital Markets Board (CMB) on 24/02/2022. It also takes into account the Green and Social Bond principles (sources such as GBP & SBP), Sustainability Linked Bond Principles (SBLP) and Sustainability Bond Guidelines (SBG)

framework documents, Climate Bond Initiative Taxonomy, Green Law Principles, Islamic Development Bank (IsDB) Sustainable Finance.

The main purpose of this Second Party Opinion is:

- to assess the compliance of Albaraka Türk's Sustainable Finance Framework with international standards,
- to assess the appropriateness and potential positive impacts of projects earmarked for funding, and,
- to determine its consistency with the company's ethics and objectives.

Metsims Sustainability Consultancy, with its team specialised in Sustainable Finance, has prepared this Second Party Opinion by observing the principle of independence. In the preparation of this Second Party Opinion, information provided by Albaraka Türk to both our consultancy and the public has been used with the understanding that such information is accurate, up-to-date and comprehensive. It is imperative to note that none of the information contained in this assessment should be construed as investment advice as defined by applicable law, nor should it be construed as an assessment of the economic performance and reliability of the financing provided.

While this Second Party Opinion confirms the conformity of the Sustainable Finance Framework with the national and international standards referred to, it does not guarantee compliance with possible future revisions of these standards. Metsims Sustainability Consulting expressly disclaims responsibility for the use of the potential impacts identified in this opinion after the realisation of sustainable finance. It is also very important to recognise that this opinion should not be construed as a statement, warranty or assertion in favour of or against the accuracy, reliability or completeness of any statement in the report and the circumstances surrounding such statement.

3. METSIMS SUSTAINABILITY CONSULTING SECOND PARTY OPINION

In its assessment of the Albaraka Türk Sustainable Finance Framework, Metsims Sustainability Consulting accepts Albaraka Türk's stance on the alignment of the principles of the Sustainable Sukuk with the "Green Debt Instrument, Sustainable Debt Instrument, Green Sukuk, Sustainable Sukuk Guidelines" established by the Turkish Capital Markets Board on 24/02/2022. Albaraka Türk asserts that these principles are in line with the Green and Social Bond Principles announced by the International Capital Markets Association (ICMA) in June 2021 and the four main components of the CMB's aforementioned guidance. Albaraka Türk also argues that the funds are not only efficient but also effective in realising the intended objectives. The rationale for this perspective is explained below.

3.1 Sustainable Sukuk Framework Document

A. Utilisation of Funds Obtained from the Issue

Metsims Sustainability Consultancy is of the opinion that the projects planned to be financed with the funds from this Sustainable Financing transaction, fit within the above mentioned categories and will contribute to the company's objectives. The ICMA Green Bond Principles published in June 2021 define specific categories of projects eligible for financing. These include **Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Protection of Terrestrial and Aquatic Biodiversity, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Eco-Efficient and/or Circular Economy Adapted Products, Manufacturing Technologies and Processes, and Green Buildings.** Metsims Sustainability Consultancy claims that the projects intended to be financed through the funds obtained in this Sustainable Financing transaction are in line with the categories and will contribute significantly to the company's objectives.

The net proceeds from the issuances will be allocated to the financing or refinancing of eligible categories of projects, with a focus on green and sustainable projects. Under this Framework, these funds are expected to be utilised within 12 months from the date of issuance. In addition, the look-back period for research and development and other related expenditures related to the refinancing of green and sustainable projects is estimated to be up to 36 months.

As a financial institution, Albaraka Türk serves customers and potential customers from different sectors. Therefore, the funds provided through the Green-Blue/Social/Sustainable financing instrument are evaluated within the framework of specified project categories and in line with the relevant Sustainable Development Goals (SDGs). The environmental benefits derived from the projects and their contribution to the SDGs are described under each project category.

3.1.1 Eligible Green Project Categories

Project Categories	Project Selection Criteria	UN Sustainable Development Relationship with Objectives
Renewable Energy	Production of components related to renewable energy production and financing/refinancing of renewable energy infrastructure • Onshore and offshore energy projects • Hydroelectric projects that are supported by the Ministry of Environment and Urbanisation of the Republic of Türkiye with an Environmental Impact Assessment Report proving minimal negative impact on the environment. Relevant projects must also have the following qualifications. ○ Installations with lifetime emissions below 100 g CO2e / kWh	

	○ Projects with power density of the electricity generation plant higher than 5W/m2 ○ The plant generates energy by utilising the flow rate and natural regime of water. • Geothermal energy projects with life-cycle GHG emission intensity <100gCO2e/kWh • Onshore and offshore solar energy (Photovoltaic, Concentrated Solar Energy derived from at least 85% of solar energy) • Bioenergy projects with lifecycle GHG emission intensity <100gCO2e/kWh and derived from a sustainable food source (e.g. agricultural waste or forestry waste) or waste sources that do not compete with food sources or deplete existing terrestrial carbon pools • Green hydrogen or green ammonia, projects involving the production of hydrogen using electrolysis powered entirely by renewable energy, with a lifecycle GHG emission intensity of 3tCO2e/tH2 or less Eligible blue projects also include offshore wind and floating energy systems.	
Energy Efficiency	Financing/refinancing of products, equipment and technologies that will increase operational energy efficiency • Projects that improve operational energy efficiency by at least 20% or reduce greenhouse gas emissions by at least 20% • Installation of specific energy efficient equipment or appliances rated in the two highest classes of the national energy efficiency label in Türkiye • Smart grids, energy storage facilities, metering systems with a clear connection to renewable energy.	

	• End-stage R&D projects focussing on improving energy efficiency. • Household expenditure in support of energy saving measures Financing and/or refinancing of projects to improve efficiency in the provision of bulk energy services: • 30-50% energy saving high efficiency cooling systems	
Green Buildings	Financing or refinancing of green building projects that meet the following criteria a) Regionally, nationally or internationally recognised standards or certificates: - BEP-TR "B" or higher energy labelling provided by the Energy Performance Certificate issued in accordance with the relevant Turkish legislation - LEED Certificate (Gold and above) - BREEAM Certificate (Very good and above) - ÇEDBİK Green Building Certificate (Very good and above) b) Energy efficiency improvements that reduce energy consumption by at least 30% under ASHRAE 90.1 2010 or globally recognised equivalent schemes c) Commercial or residential building renovation projects that achieve at least a 30 per cent energy efficiency improvement or retrofit the building to achieve at least one of the green building certifications listed in the Framework	
Pollution Prevention and Control	Financing or refinancing of projects that prevent air, soil and water pollution: Waste Management Facilities: Construction of facilities that include waste collection, sorting, processing and treatment, aiming at a 90 per cent reduction in landfill waste by diverting 90 per cent of waste to recycling or energy recovery. Waste must be segregated in accordance with the national waste hierarchy. Waste Prevention and Minimisation for Industries:	

	• Investments to reduce waste generation in enterprises by 50% through process optimisation and recycling initiatives Air Quality Development: • Air pollution reduction projects, including fully automated air quality measurement systems and regulatory measures, targeting a 20% reduction in particulate matter (PM) and nitrogen oxides (NOx) emissions in urban areas Water Pollution Control: • Projects to reduce water pollution through improved wastewater treatment systems, aiming to achieve a 50% reduction in pollutants such as nitrogen and phosphorus in discharged wastewater • Carry out soil clean-up projects to restore contaminated land to a safe and usable condition and ensure compliance with environmental regulations Eligible Blue projects include wastewater management facilities within 100 km of the coast; solid waste management projects within 50 km of the coast or an oceanic river; and other non-point source pollution management projects within 200 km of the coast or within 50 km of an oceanic river (and its tributaries).	
Clean Transport	Financing and/or refinancing of infrastructure related to the production, purchase, development or maintenance of low carbon vehicles: • Zero and low carbon passenger cars and light commercial vehicles with direct emissions below 50gCO2e/p-km until 31 December 2025 and 0gCO2e/p-km thereafter • Zero and low carbon freight vehicles with direct emissions below 25gCO2e/p-km until 31 December 2025 and below 0gCO2e/p-km thereafter • Electric railway and railway infrastructure	

	• Infrastructure projects for zero emission transport and low carbon transport, including active mobility vehicles (e.g. bicycles) • Establishment of the necessary infrastructure for zero emission in transport and infrastructure and equipment for low carbon mobility systems and public transport vehicles with zero exhaust emission	
Sustainable Water and Waste Management	Financing and/or refinancing of projects to reduce water consumption or increase water use efficiency • Recycling systems that aim to control/minimise water consumption and save at least 5%, except for projects related to activities using fossil fuels. For example, water reuse system for dyeing processes used in the textile industry or water leak detection systems. • Water Scarcity and Quality Solutions: Products, services and projects to solve water scarcity and quality problems, including water recovery systems, leak detection systems and infrastructure projects for water and sanitation pipelines • Water Recycling/Recovery Technologies: Developing technologies and products certified according to water efficiency standards, such as rainwater harvesting systems that reduce, reuse or recycle water consumption and systems that enable grey water recovery or reuse • Sustainable Water and Wastewater Management: clean and/or potable water, wastewater treatment, sustainable urban drainage systems and river reclamation and other flood prevention systems • Wastewater Treatment and Sewerage Plants: Projects related to the construction, rehabilitation, renovation or upgrades for the conveyance and treatment of wastewater, including water and wastewater treatment plants and sewerage systems	

Adaptation to Climate Change	Financing and/or refinancing of projects to increase the resilience of ecosystems, including measures to address drought, desertification, extreme weather events, rising sea levels, declines in agricultural productivity, forest fires and epidemics: • Development of Flood Mitigation Infrastructure: Development of infrastructure, such as flood mitigation barriers, to protect communities and ecosystems from flooding and related damages resulting from climate change • Forest Fire Mitigation and Management Systems: Implementation of wildfire mitigation and management systems to reduce the frequency and severity of wildfires and protect ecosystems and biodiversity • Climate Observation and Early Warning Systems: Ensure that proactive measures are taken to reduce impacts on ecosystems and societies by establishing climate observation networks and early warning systems to monitor greenhouse gas emissions and provide timely warnings for extreme weather events • Urban Drainage Improvement Projects: Implementing urban drainage improvement projects to effectively manage storm water, reduce urban flooding and protect ecosystems in urban areas within the scope of urban drainage improvement needs arising from climate change Eligible Blue projects include coastal climate adaptation and resilience projects within 50 km of the coast or in a marine environment.	

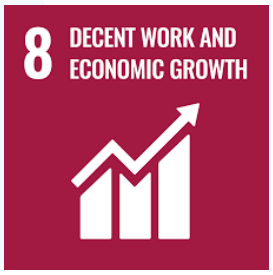
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	Financing and/or refinancing the production of resource efficient products, related processes or technologies: • Paper-based packaging certified by FSC, PEFC or Rainforest Alliance • Bio-based, biodegradable and compostable packaging • Projects to increase the proportion of recycled content in packaging • Projects that increase the recyclability or reusability of products	
Environmentally Sustainable Management of Natural Resources and Land Use	Financing and/or refinancing of projects to combat land degradation, deforestation and forest degradation: • Combating Land Degradation and Deforestation: Projects to combat land degradation, including desertification, soil pollution, deforestation and drought through sustainable land management practices and reforestation efforts • Forestry Conservation and Rehabilitation: Environmentally sustainable forestry projects, including afforestation, reforestation and rehabilitation of degraded forests, certified under the Rainforest Alliance, Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) to protect and enhance forest ecosystems Eligible Blue projects include environmentally sustainable aquaculture.	
Conservation of Terrestrial and Aquatic Biodiversity	Financing and/or refinancing of projects aimed at preventing the loss of biodiversity and promoting the protection and conservation of ecosystems • Environmentally Sustainable Management of Living Natural Resources and Land Use	

	Projects for approved organic agricultural production and investment in irrigation technologies such as replacement of surface irrigation system with drip, underground or sprinkler irrigation systems, fertigation equipment and measures providing support for automatic/digital measurement and management of water consumption. • Conservation of Biodiversity and Protection of Endangered Species: Focusing on biodiversity conservation by protecting and monitoring endangered species, habitats and ecosystems in Environmental Protected Areas aiming to protect and enhance terrestrial and marine biodiversity • Ecosystem Restoration and Conservation: Support projects that support the restoration and protection of natural terrestrial and marine landscapes to enhance biodiversity gains and ecosystem resilience • Environmentally Sustainable Aquaculture: Support environmentally sustainable aquaculture practices certified under the Aquaculture Stewardship Council (ASC) and Marine Stewardship Council (MSC) Eligible Blue projects include marine ecosystem management, conservation and restoration projects in the marine environment or within 100 km of the coast.	

3.1.2 Eligible Social Project Categories

Project Categories	Project Selection Criteria	UN Sustainable Development Relationship with Objectives

Cost-effective Basic Infrastructure	Financing and/or refinancing the production of basic infrastructure and the production of components necessary to increase access to infrastructure: • Projects that provide access to clean drinking water and basic sanitation, including septic tanks and treatment facilities • Projects to expand access to electricity in underserved areas, including the construction of electricity distribution networks and the installation of home electrification systems, aiming to increase the electrification rate to 90 per cent in target areas • Extending mobile and broadband network coverage to underserved or unconnected populations [rural areas] Target Audience: Economically disadvantaged regions in Türkiye, rural areas defined as municipalities with a population of 25,000 or less	 
Access to Basic Services	Financing and/or refinancing of projects to expand access to public, free, subsidised or non-profit health services and related infrastructure: • Construction, maintenance or renovation of hospitals or health centres • Provision of emergency medical response, disease control services, medical supplies, screening tests, vaccines or other medicines free of charge for all, regardless of ability to pay, to prevent the spread of communicable diseases or health epidemics • Provision of medical and diagnostic equipment, health safety equipment and medical hygiene supplies Financing and/or refinancing of projects to expand access to public, free, subsidised or non-profit education services and related infrastructure: • Construction, maintenance or renovation of educational institutions, including primary and	 

	secondary schools, high schools, universities, technical/vocational training centres • Establishment or upgrading of training facilities and provision of operational support (e.g. schools and universities offering formal graduation and certification) • Establishment or upgrading of vocational training centres and provision of operational support (e.g. training in chambers of commerce, programmes for the unemployed, etc.) • Financing of educational equipment such as desks and other learning materials Target Audience: General	
Job Creation programmes designed to prevent and/or alleviate unemployment resulting from socioeconomic crises, including the potential impact of SME financing and microfinance	Financing and/or refinancing of Micro, Small and Medium Enterprises (MSMEs) as defined by KOSGEB to create employment and/or reduce unemployment: • SMEs where at least 51% of women are owners (if the ownership rate is between 20%-50%, women should have a managerial role). • SMEs owned by young people (up to 29 years of age as defined in Turkish national legislation) or migrants (at least 20% ownership) • SMEs located in regions with incomes lower than the national GDP average • SMEs located in economically disadvantaged regions of Türkiye as determined by the Socio-Economic Development Index of Districts (SEDI-2022) and categorised as 4th to 6th according to their development level • SMEs facing the impacts of natural disasters and health pandemics Target Audience: SMEs, women, youth, migrants	

Socioeconomic Progress and Empowerment	Financing and financial services for projects that support social order: • Projects to support groups of people at higher risk of poverty, social exclusion, discrimination and violence than the general population, including but not limited to persons with disabilities, isolated elderly and children. • Projects that aim to strengthen the position of women in society, such as initiatives to increase educational opportunities, improve access to health care, promote economic empowerment through skills training and entrepreneurship support, and increase employment opportunities • Projects enabling disabled or elderly people to participate more actively in social and economic activities by increasing their accessibility Target Audience: Women, disabled, elderly	

Initiatives to increase the capacity of companies in the field of **renewable energy** or to establish new facilities for renewable energy production fall under this project category. There are criteria for financing renewable energy generation and related infrastructure, focussing on a few key technologies. This category includes onshore and offshore wind projects, hydropower projects that meet environmental impact standards set by the Ministry of Environment and Urbanisation, geothermal energy projects with low lifecycle GHG emissions, and onshore/offshore solar energy systems that generate at least 85 per cent of their energy from solar sources. Bioenergy projects should have low lifecycle GHG emissions and utilise sustainable sources of feedstock or waste. In addition, green hydrogen or green ammonia production qualifies if it is powered entirely by renewable energy and meets certain emission intensity standards. "Blue projects" such as offshore wind or floating solar systems are also eligible for financing under these criteria. The United Nations Sustainable Development Goals (SDGs) are aligned with this endeavour, seeking to significantly increase the proportion of renewable energy in the global energy mix by 2030.

The **energy efficiency** project category covers technologies designed to reduce energy consumption per unit of product, developments in new and refurbished buildings, energy storage solutions, district heating systems, smart grids and various appliances and products. This category includes financing opportunities for technologies and projects aimed at improving operational energy efficiency and bulk energy service delivery. For operational efficiency, projects must demonstrate a minimum 20 per cent improvement in energy efficiency or a 20 per cent reduction in greenhouse gas emissions. It also supports the installation of energy efficient equipment, smart grids, energy storage systems and metering systems integrated with renewable energy, which are in the first two classes of Türkiye's national energy label. Late-stage R&D initiatives focussing on household spending on energy efficiency improvement and energy saving measures are also eligible. With regard to collective energy services, financing is available for the renovation of commercial or residential buildings with the aim of achieving at least a 30 per cent

efficiency improvement through high-efficiency district cooling systems with 30-50 per cent energy savings, or to achieve certain green building certifications specified in the Framework. These efforts are in line with the United Nations Sustainable Development Goals (SDGs) and contribute to the goal of doubling the global rate of energy efficiency progress by 2030.

The scope of sustainable infrastructure development projects for clean and/or potable water, wastewater treatment, sustainable urban drainage systems, river reclamation and other flood mitigation techniques are included in the **sustainable water and wastewater management** project scope. Financing opportunities for projects focussing on reducing water consumption and improving water use efficiency in various sectors are identified in this category. Eligible initiatives include projects that aim to achieve at least a 5 per cent reduction in water consumption through monitoring systems and reuse technologies, excluding those linked to fossil fuel operations. It also covers solutions to water scarcity and quality, such as recovery systems and infrastructure for water and sanitation pipelines. Technologies for water recycling certified according to relevant efficiency standards, such as rainwater harvesting, are supported. The financing extends to projects that improve drinking water distribution with improved quality, efficiency or climate resilience, adhering to regulatory frameworks. In addition, investments are available for wastewater treatment and sewerage facilities, including construction, upgrades and refurbishments to improve wastewater conveyance and treatment capabilities. The Sustainable Development Goals (SDGs) aim to improve water quality, wastewater management and promote safe reuse worldwide by 2030.

In the category of **pollution prevention and control** projects, measurable impact indicators include the annual reduction in greenhouse gas emissions measured in CO2 equivalent, as well as the reduction of emissions such as NOx, and particulate matter including PM. This category includes financing opportunities for projects that aim to reduce air, land and water pollution. It includes investments in integrated waste management facilities to achieve a 90% reduction in landfill waste, prioritising recycling and energy recovery. Industrial initiatives focus on reducing waste generation by 50% through process optimisation and recycling strategies. Air quality improvement projects include the implementation of improved air quality monitoring systems and regulatory measures to achieve a 20% reduction in particulate matter (PM) and nitrogen oxides (NOx) emissions in urban areas. Water pollution control efforts aim for a 50 per cent reduction in nitrogen and phosphorus pollutants through improved wastewater treatment systems. In addition, funding supports soil remediation projects to remediate contaminated land to meet environmental standards. Eligible "Blue projects" cover wastewater and solid waste management facilities close to coastal areas or rivers flowing into oceans, as well as non-point source pollution management at certain distances from coasts or rivers. Furthermore, alignment with the United Nations Sustainable Development Goals underlines the commitment to responsible chemical and waste management by 2030, with a focus on waste prevention, reduction, recycling and reuse.

Clean transport covers a variety of modes, including electric, hybrid, public, rail and non-motorised options, and addresses all aspects of transport. This includes the development of infrastructure to support clean energy vehicles and initiatives to minimise harmful emissions. To summarise the funding opportunities for low-carbon vehicles and related infrastructure, eligible projects include zero- and low-carbon passenger and light commercial vehicles with a direct emissions target of less than 50gCO2e per passenger-km by the end of 2025 and achieving zero emissions thereafter. Similar criteria apply to freight vehicles with a target of emissions below 25gCO2e per tonne-km by the same deadline. Public transport projects are required to have zero tailpipe emissions, while investments are also directed towards electrified railway systems and related infrastructure. Funding extends to infrastructure that supports zero-emission transport and low-carbon options, including facilities and equipment for active mobility

such as cycling. In line with the United Nations Sustainable Development Goals, the aim is to increase access to affordable, accessible and sustainable transport systems by 2030.

Green buildings refer **to** projects that comply with regionally, nationally or internationally recognised standards or certifications. The financing supports green buildings that meet certain eligibility criteria. This includes buildings certified under recognised standards such as BEP-TR Energy Performance Certificate (EPC) with a grade of "B" or higher according to Turkish regulations, or under international certifications such as LEED (Gold and above), BREEAM (Excellent and above) and ÇEDBİK (Very Good and above) Green Building Certificates. Alternatively, financing is available for energy efficiency improvements that achieve a minimum 30 per cent reduction in energy consumption according to ASHRAE 90.1 2010 standards or equivalent global plans. These initiatives aim to promote sustainable building practices and reduce environmental impact through improved energy efficiency and certification compliance. These green building initiatives are in line with the United Nations Sustainable Development Goals and specifically contribute to the target of reducing the environmental impact of cities by 2030.

In the project category focussing on products, **production technologies and processes** in line with circular economy principles, quantitative impact indicators cover the rate of conversion of recycled materials into secondary raw materials as well as the reduction, reuse and avoidance of new raw materials. Funding focuses on resource-efficient products, processes and technologies. Eligible projects include paper-based packaging certified by organisations such as the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) or the Rainforest Alliance. It also supports bio-based, biodegradable and compostable packaging initiatives, as well as projects to increase the proportion of recycled content in packaging materials. In addition, funding is also available for projects that increase the recyclability or reusability of products, aiming to reduce environmental impact and promote sustainable practices in the manufacturing and packaging industries. Furthermore, the United Nations Sustainable Development Goals play an important role in contributing to improving infrastructure and developing sustainable industries by 2030.

Qualitative impact analysis indicators have been established in the Social Bond categories, particularly in the **Low Cost Basic Infrastructure** project category. The financing and refinancing initiative aims to increase access to basic infrastructure in economically disadvantaged areas of Türkiye, particularly rural areas with a population of 25,000 or less. Projects focus on providing clean drinking water and basic sanitation, including septic tanks and treatment plants. They also aim to expand access to electricity in underserved areas through the construction of electricity distribution networks and home electrification systems, targeting an electrification rate of 90 per cent in certain areas. The initiative also aims to deploy mobile and broadband networks to improve connectivity in rural and unconnected populations. At the same time, these efforts are in line with the United Nations Sustainable Development Goals by contributing to expanding infrastructure and improving technology to ensure modern and sustainable energy services for all in developing countries by 2030.

Within the scope of **Supporting Start-ups and Innovations**, another component of the social bond categories, quantitative impact analysis indicators include the number of start-ups supported and the amount of financing provided. The financing and refinancing initiative for Micro, Small and Medium Enterprises (MSMEs) defined by KOSGEB aims to create jobs and reduce unemployment in Türkiye. It prioritises SMEs owned by women (at least 51% or 20-50% women in managerial roles), youth (up to 29 years of age) and migrants (at least 20% ownership). The initiative also targets SMEs in low-income regions, economically disadvantaged regions defined by the Socio-Economic Development Index of Regions (SEDI-2022) in categories 4 to 6, and those affected by natural disasters and health pandemics. These efforts contribute to the United Nations Sustainable Development Goals by promoting policies that support job creation and business growth by 2030.

The number of initiatives and the amount of financing supported within the scope of **Supporting Initiatives and Innovations** within the social bond categories are considered as quantitative impact analysis indicators. The financing and financial services initiative supports projects that improve the social order by meeting the needs of vulnerable groups. It includes projects targeting people at higher risk of poverty, social exclusion, discrimination and violence, such as people with disabilities, isolated elderly and children. The initiative also focuses on women's empowerment by increasing educational opportunities, improving access to healthcare, promoting economic empowerment through skills training and entrepreneurship, and increasing employment opportunities. It also aims to ensure the active participation of people with disabilities and the elderly in social and economic activities by increasing their accessibility. The United Nations Sustainable Development Goals serve to increase policies that support job creation and business growth by 2030.

Metsims Sustainability Consulting is of the opinion that the categories selected for the utilisation of the funds provided are in compliance with international standards, CMB "Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate Guidelines" and market practice.

B. Project Evaluation and Selection Process

The categories of projects eligible for financing by Albaraka Türk are summarised below:

ELIGIBLE GREEN/BLUE PROJECT CATEGORIES	▪ Renewable Energy (including generation, transmission, devices and products) ▪ Energy efficiency (technologies that reduce energy consumption per unit of product, such as new and renovated buildings, energy storage, district heating, smart grids, appliances and products) ▪ Pollution prevention and control (including air emission reduction, greenhouse gas control, soil remediation, waste prevention, waste minimisation, waste recycling and energy/emission efficient waste-to-energy conversion) ▪ Clean transport (e.g. electric, hybrid, public, rail, non-motorised, multi-modal transport, infrastructure for clean energy vehicles and reduction of harmful emissions) ▪ Sustainable water and wastewater management (including sustainable infrastructure for clean and/or potable water, wastewater treatment, sustainable urban drainage systems and river reclamation and other forms of flood mitigation) ▪ Climate change adaptation (including information support systems such as climate observation and early warning systems and efforts to make infrastructures more resilient to climate change impacts) ▪ Eco-efficient and/or circular economy-adapted products, production technologies and processes (such as eco-labelling or environmental certification, development and promotion of environmentally sustainable products with resource-efficient packaging and distribution) ▪ Green buildings (green buildings that meet the requirements of regionally, nationally or internationally recognised standards or certificates) ▪ Environmentally Sustainable Management of Living Natural Resources and Land Use ▪ Protection of Terrestrial and Aquatic Biodiversity

	▪ Projects that provide positive environmental, economic and climatic benefits in aquatic habitats such as seas and oceans ▪ Sustainable use and conservation of water and marine resources
ELIGIBLE SOCIAL PROJECT CATEGORIES	▪ Low-cost basic infrastructure (e.g. clean drinking water, sewerage, sanitation, transport, energy) ▪ Access to basic services (e.g. health, education and vocational training, health) ▪ Affordable housing ▪ Job creation, including the potential impact of SME finance and microfinance ▪ Food safety ▪ Socio-economic progress and empowerment ▪ Projects that support social order in accordance with interest-free/participation finance principles ▪ Academic and research and development based projects that will support science ▪ Projects to support vulnerable/disadvantaged groups ▪ Projects to strengthen the place of women in social life

Albaraka Türk has selected the project categories specified under the heading of project selection and evaluation, taking into account their direct or indirect positive contribution to the objectives of accelerating the transition to a circular economy and facilitating transformation through innovation, reducing greenhouse gas emissions and protecting biodiversity. We hereby undertake that there is no negative impact on other environmental objectives determined within the framework of the company's sustainability goal and policy.

Albaraka Türk will exclude the following projects from the exclusion list, taking into account the principles of the Green Bond Initiative.

- All projects that generate energy from fossil fuels.
- Waste incineration projects where the energy content is not assessed.
- Creation of landfill sites without landfill gas collection and utilisation infrastructure.
- Logging activities without sustainable certification and management.
- Heavy industry investments such as cement, aluminium and steel.
- Activities related to alcohol, gambling and armament that do not comply with participation finance principles.
- Polystyrene or non-recyclable plastic production processes.
- Production of ozone depleting chemicals, projects that are predicted to jeopardise biodiversity.
- Air transport of passengers and cargo, water transport of passengers or cargo.
- Energy efficiency activities to extend the life of thermal power plants using fossil fuels.
- Central heating systems using fossil fuels.
- Buildings with the lowest level of international standards (LEED).
- Means of transport and personal land transport.

- Agricultural activities in marshes and wetlands.

Albaraka Türk's sustainability approach is based on the United Nations Sustainable Development Goals and the principles of participation/interest-free finance. The process of evaluating and selecting projects at Albaraka Türk is in line with these goals and principles. The projects selected are consistent with Albaraka Türk's financial approach and the above-mentioned principles, and are also in line with the Environmental, Social and Governance (ESG) framework adopted within the company.

The Sustainable Financing Working Group to be established within the Albaraka Türk Sustainability Executive Committee will be tasked with evaluating and selecting Eligible Projects based on specified criteria. The Group will meet at least twice a year, regularly monitor projects to ensure eligibility and replace ineligible or amortised loans, facilitate allocation and impact reporting, manage updates to second party opinion or post-issuance verification of allocation reports, and update the framework to align with business strategy, market trends and regulatory developments. At the same time, the Sustainable Finance Working Group will assess the material risks of adverse environmental and social impacts to ensure that achieving one environmental or social objective does not undermine other important environmental or social objectives.

Metsims Sustainability Consulting expresses the view that the project selection and evaluation process at Albaraka Türk adheres to international standards and market practices. This verification underlines that Albaraka Türk's practices are in line with established norms and expectations in the global financial environment.

C. Management of Funds Obtained from Issuance

Albaraka Türk aims to manage the net fund balance prudently by allocating it to the relevant sustainable projects in the specified period. Albaraka Türk will endeavour to achieve a level of allocation to the Eligible Project Portfolio that equals or exceeds the net income balance from the Sustainable Finance Instruments. Albaraka Türk will undertake to allocate the net proceeds to Eligible Projects within 24 months from the date of issuance of the Sustainable Financing Instruments.

In the event that part of the fund is not utilised, Albaraka Türk will invest the fund in investment instruments such as participation accounts or lease certificates according to interest-free/participation finance principles until it is transferred to the relevant sustainable projects. For the avoidance of doubt, net proceeds will not be invested in activities covered by the exclusion list in section 2.1.3.

The utilisation of the funds will be securely monitored and tracked by Albaraka Türk in a transparent manner within the framework of the transaction agreements to be established between the parties. In order to ensure accountability, a separate accounting account will be opened for each financing and project or an alternative method will be used for monitoring and all relevant records will be kept in a secure and transparent manner. In accordance with the investment processes established for eligible projects, Albaraka Türk undertakes to monitor the portion of the funds other than the amount deducted from the total project fund in order to prevent diversion for other purposes. For this purpose, internal monitoring methods determined in writing by Albaraka Türk will be used.

Metsims Sustainability Consulting certifies that fund management procedures are in line with international standards and market practices. This approval reflects recognition of Albaraka Türk's commitment to adhere to established norms and expectations in financial management in a global context.

D. Reporting

Albaraka Türk undertakes to inform the public transparently and comprehensively every year from the date of sustainable financing. This disclosure is made after the funds are fully utilised or at least once a year in accordance with the Capital Markets Board's (CMB) regulations on disclosure of material events. The information to be disclosed will include current information on fund utilisation, important developments and updates on fund utilisation within the framework of CMB regulations.

Annual reports prepared in line with the financing conditions and project characteristics determined during the project evaluation and selection process will contain quantitative data. These data are in line with the objectives of the financed projects, which are determined in accordance with the ICMA Criteria. In addition, qualitative information will be included to show how and to what extent Albaraka Türk has achieved its objectives.

The report will elaborate in several key components; firstly, it will outline the net revenues from the Sustainable Finance Instruments, then, by providing examples of these projects with brief descriptions, it will identify the amount or percentage allocated to the appropriate categories of projects. The report will also show the share of refinancing utilised and highlight the balance remaining from undistributed revenues, thus ensuring transparency and clarity on the distribution and impact of the fund.

In addition, Albaraka Türk will prepare an Impact Report that quantitatively and/or qualitatively calculates the environmental and social impacts and benefits derived from the projects financed with the funds provided. Albaraka Türk has the option to receive specialised consultancy services from firms specialised in impact analysis.

Metsims Sustainability Consultancy asserts that the reporting practices regarding the funds raised comply with international standards and market norms. The consulting firm also confirms that Albaraka Türk's Sustainable Finance Framework complies with the four key components of ICMA's Green and Social Bond Principles published in 2021 and the CMB's Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate guidelines. This opinion underlines Albaraka Türk's determination to comply with recognised standards and principles in sustainable finance.

3.2 ESG and Sustainability Approach

Albaraka Türk adopts a "responsible banking" approach in its sustainability and corporate responsibility initiatives supported by its parent company, Al Baraka Group. Its flagship effort, the Sustainable Banking Programme, underlines the bank's desire to emerge as a leading financial institution that champions social and environmental considerations. In line with relevant policies and procedures, the bank envisages promoting economic growth, supporting global development, and collaborating with stakeholders to foster a sustainable world. One of the cornerstones of Albaraka Türk's responsible banking strategy is its determination to integrate sustainability issues

into its banking objectives and to shape its business model within the scope of the Environmental Social Governance System (ESG). The Bank has initiated baseline studies to assess sustainability risks and impacts, with ongoing efforts to quantify ESG risks in credit disbursements exceeding specified thresholds in pilot sectors.

Transparency is of paramount importance in Albaraka Türk's sustainability commitment, which is evidenced by the annual dissemination of its sustainability activities through the Sustainability Report on its website and the Annual Report. In 2022, the bank further increased this transparency by publishing its Integrated Annual Report, which holistically explains corporate strategies while explaining the link between financial and sustainability activities. Pioneering as Türkiye's first participation bank and the only bank listed on Borsa Istanbul (BIST), Albaraka Türk has been continuously included in the Borsa Istanbul Sustainability Index since 2019, becoming the only participation bank in the index.

3.3 Fund Utilisation Impact Analysis

The project categories determined in the Albaraka Türk Sustainable Financing Framework are in line with the ICMA "Green and Social Bond Principles" and the "Green Debt Instrument", "Sustainable Debt Instrument", "Green Lease Certificate" and "Sustainable Lease Certificate Guidelines" determined by the CMB. The activities carried out within the scope of the determined projects are strategically designed to support the company's Environmental, Social and Governance (ESG) and sustainability approach in line with the principles of participation banking, national targets and the Sustainable Development Goals (SDG) and sub-goals adopted by the United Nations General Assembly in 2015. It is emphasised that the use of funds within the envisaged framework is crucial to the realisation of these goals.

FUND USE	RELATED ICMA	RELATED SKA	RELEVANT SKA SUB-OBJECTIVES
Renewable energy production	Renewable energy	7 Accessible and Clean Energy	SDG 7.2. significantly increase the share of renewable energy in global energy resources by 2030
Energy efficiency	Energy Efficiency	7 Accessible and Clean Energy	SDG 7.3. double the global rate of energy efficiency progress by 2030
Sustainable water and wastewater management	Sustainable water and wastewater management	6 Clean Water and Sanitation	SDG 6.3., to be achieved by 2030, aims to improve global water quality by reducing pollution, eliminating waste dumping, minimising the release of harmful chemicals and substances, reducing untreated wastewater by 50%, and significantly increasing global recycling and safe reuse practices. SDG 6.a., By 2030, improve water quality by reducing pollution, eliminating dumping, minimising the release of harmful chemicals and substances, halving the proportion of untreated wastewater and significantly increasing recycling and safe reuse globally
Pollution prevention and control	Pollution prevention and control	12 Responsible Production	SDG 12.4. by 2030, ensure environmentally sound management of chemicals and all wastes throughout their life cycles in accordance with agreed international frameworks, and significantly reduce the release of these

		and Consumption	chemicals and wastes into air, water and soil to minimise their negative impacts on human health and the environment SDG 12.3. aims to significantly reduce solid waste generation by 2030, emphasising prevention, reduction, recycling and reuse as key strategies. This target underlines the commitment to minimise the environmental impact associated with solid waste through comprehensive and sustainable waste management practices.
Clean transport	Clean transport	11 Sustainable Cities and Communities	SDG 11.2. by 2030, ensure access to safe, affordable, accessible and sustainable transport systems for all, with particular attention to the needs of vulnerable people, women, children, persons with disabilities and older persons, improving road safety, in particular by improving public transport
Low-cost basic infrastructure	Low-cost basic infrastructure	9 Industry, Innovation and Infrastructure	SDG 9.1., Build quality, reliable, sustainable and resilient infrastructure, including regional and cross-border infrastructure, to support economic development and people's well-being, with an emphasis on affordable and equitable access for all
Green buildings	Green buildings	11 Sustainable Cities and Communities	SDG 11.6. reduce negative environmental impacts per capita in cities by 2030, with special attention to air quality and municipal waste management and other waste management
Products, production technologies and processes adapted to the circular economy	Products, production technologies and processes adapted to the circular economy	9 Industry, Innovation and Infrastructure	SDG 9.4. By 2030, develop the infrastructure and retrofitting sector to become sustainable through increased resource efficiency and wider acceptance of cleaner and more environmentally sound technologies and industrial processes, with each country acting in accordance with its own capacity
Access to basic services	Access to basic services	3 Health and Quality Life	SDG 3.4 By 2030, reduce premature deaths from non-communicable diseases by one third through prevention and treatment of these diseases and promote mental and emotional health and well-being
SME finance, micro finance and employment creation	Socio-economic progress and empowerment programmes designed to create jobs and prevent and/or mitigate unemployment resulting from socioeconomic crises, including the potential impact of SME	5 Gender Equality	SDG 5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and social life
		8 Decent Work and Economic Growth	By 2030, ensure access to full and productive employment and decent work for all women and men, including young people and persons with disabilities, and fully embrace the principle of equal pay for equal work

	financing and microfinance		
	Low-cost basic infrastructure	9 Industry, Innovation and Infrastructure	Increase access of small-scale industrial enterprises and other enterprises, especially in developing countries, to financial services, including credit with eligible conditions, and their integration into value chains and markets
Supporting start-ups and innovations	Socio-economic progress and empowerment	8 Decent Work and Economic Growth	SDG 8.3. Develop development-oriented policies that support productive activities, decent work, entrepreneurship, creativity and innovation, and promote the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services

4. CONCLUSION

Within the parameters defined in the Sustainable Financing Framework prepared by Albaraka Türk, the institution is authorised to provide financing through green and/or sustainable instruments in various categories. These include supporting initiatives and innovations, including renewable energy generation, energy efficiency, sustainable water and wastewater management, pollution prevention and control, clean transport, low-cost basic infrastructure, green buildings, products, production technologies and processes compatible with the circular economy, access to basic services, SME financing, microfinance, job creation and climate change mitigation. The financing activities carried out in these areas are in line with Albaraka Türk's Environmental, Social and Governance (ESG) approach, participation banking principles and the country's long-term sustainable development goals.

The Albaraka Türk Sustainable Financing Framework meticulously specifies the allocation of funds, eligible project categories, fund management and reporting protocols, and indicators required for impact analysis. If implemented as intended, the document is expected to contribute significantly to the sub-targets under the overarching themes of United Nations Sustainable Development Goals (SDGs) 3, 5, 6, 7, 8, 9, 11 and 12.

In its second-party opinion, Metsims Sustainability Consulting confirmed the effectiveness, goal-oriented structure and usefulness of the Albaraka Türk Sustainable Finance Framework. The framework was found to be in line with the principles set out in the International Capital Markets Association (ICMA) Green and Social Bonds and Capital Markets Board (CMB) Green Debt Instrument and Green Sukuk Guidelines.

Metsims Sustainability Consulting

Founded in 2005 in Oxford, England with Turkish capital, Metsims Sustainability Consulting specialises in resource efficiency, material and process improvement in manufacturing. Over the years, the company has expanded its expertise to include life cycle assessment, product and corporate sustainability and diversified its services to include solutions in the areas of circular economy, natural capital accounting, sustainable finance and innovative business models. Metsims Sustainability Consultancy established its Istanbul office in 2009 in response to the increasing interest in its customer-oriented business strategies and country-specific solutions, and in 2011, Metsims Eğitim ve Danışmanlık Hizmetleri Hiz. Ltd. Şti. as a legal entity in Türkiye in 2011.

Metsims is recognised by the International Capital Markets Association (ICMA) as one of the few global companies with recognised expertise in sustainable finance. Recognised for developing CAGE Carbon®, the world's leading carbon accounting and management platform, the company operates as a sustainability management consulting firm. Metsims focuses on developing methods, tools and databases that make sustainability measurable and provides consultancy services on a global scale.

DISCLAIMER OF LIABILITY

This report has been prepared to explain the framework for the utilisation and evaluation of Green/Sustainable Sukuk contingent financing to be used by Albaraka Türk. It has been prepared for the general information of investors and is not tailored to any specific investor. Consequently, this Second Party Opinion is for informational purposes only and Metsims Sustainability Consulting does not accept any liability for damages arising from the use of this opinion or the information contained therein.

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