

Sustainable Finance Framework

1.1. About Albaraka Türk

Albaraka Türk (or “the Bank”) is the first participation bank of Türkiye and the only participation bank traded in Borsa Istanbul. The Bank was established in 1984 from the synergy of Al Baraka Group (ABG), one of the most distinguished groups operating in the finance sector in the Middle East, Islamic Development Bank (IDB) and a local industrial group which has been operating in the Turkish economy for more than half a century. As of 31 December 2023, Albaraka Türk is 43.37% owned by ABG (total 45.09% including publicly traded shares), 8.30% to Dallah Albaraka Holding, and 46,61% by other local and foreign shareholders and public shares listed on Borsa Istanbul.

Albaraka Türk is among the most important financial partners of Turkish industrialists and investors in global markets. The Bank offers a seamless experience for its customers through a widespread service network of 223 in Türkiye, two branches abroad in Erbil and Baghdad, and alternative distribution channels, and is taking firm steps towards becoming a regional financial powerhouse in the Gulf, Middle East and North Africa.

Albaraka Türk supports the real economy by fulfilling its mission of financing production and trade in the most effective way in line with the principles of participation banking. The Bank collects funds through special current accounts and participation accounts, and directs funds to the real sector in segments such as individual finance, corporate finance, leasing and project-based profit/loss sharing. Albaraka Türk, which is a pioneer in the development of the start-up ecosystem in Türkiye, provides incubation and acceleration opportunities to entrepreneurs with technology-based business ideas and projects with Albaraka Garage, which is the first startup acceleration center in the world established under the roof of a participation bank where technology-based startups are supported with valuable acceleration opportunities that is a first for participation banks, making a qualified contribution to the development of the entrepreneurship ecosystem in Türkiye. Insha Ventures, which was founded by Albaraka Portföy Yönetim A.Ş. Innovation Venture Capital Investment Fund in 2020, proceeds with its activities to develop and manage financial technology (FinTek) projects. In line with its vision to be the reliable, innovative, digital pioneer of participation finance, the Bank continues its digital transformation process at a rapid pace and is successfully working towards the goal of offering all its physical branch services in end-to-end digital environments.

Albaraka Türk carries out all its business processes within the scope of ISO 9001:2008 Quality Certification. In 2016, Albaraka Türk was awarded the ISO 22301 Business Continuity Certification and took an important step towards the uninterrupted operation of its business processes.

Vision, Mission and Core Values



Mission

To fulfill the financial needs of society through a customer-centric approach, in accordance with the principles and moral values of participation finance, and to provide high value to all our stakeholders in a solution-oriented manner by acting with a socially responsible awareness.



Vision

To be the trusted, innovative and digital pioneer of participation finance by providing financial services through the best customer experience, and ensuring sustainable profitable growth.



Core Values

- Trust
- Cooperation
- Innovation & Agility
- Customer & Solution Oriented
- Development

1.2. Albaraka Türk's Sustainability Strategy

Albaraka Türk launched its Sustainable Banking Program in 2015 with the support of ABG. Under the program, the Bank aims to become a leading financial institution which is sensitive to people and the environment, supports economic and global development while working with all of its stakeholders to build a sustainable world, in line with its relevant policies and procedures. Albaraka Türk has designed its business model in accordance with its Sustainability Strategy and in accordance with the United Nations Sustainable Development Goals (SDG).

The Bank is the first and only participation bank to join the Borsa Istanbul Sustainability Index since 2019 and has been voluntarily responding to the Carbon Disclosure Project (CDP) Climate Change and Water Security surveys since 2015. An Annual Sustainability Report and Annual Report are published on its website while from 2022, the Bank began to publish an Integrated Annual Report¹.

¹ <https://www.albaraka.com.tr/documents/aboutus/sustainability/pdf/2023-annual-report.pdf>



Albaraka Türk, which has been included in the BIST Sustainability Index since 2019, continued to develop its ESG activities built on its banking model through various initiatives. In the Science Based Targets initiative (SBTi) project, initiated in 2021, the Bank has made significant progress in 2023 and completed its work to a great extent. In 2024, the Bank aims to obtain SBTi validated targets to reduce greenhouse gas emissions arising from commercial real estate, long-term corporate credits, the power generation sector in the corporate credit portfolio, and the power generation project finance portfolio.

Since 2016, Albaraka Türk has been measuring and disclosing Scope 1 and Scope 2 greenhouse gas emissions according to the GHG protocol, to fulfill its environmental obligations. Scope 3 emissions are calculated according to the Partnership for Carbon Accounting Financials (PCAF). The announcement of emission reduction goals in line with the SBTi, an internationally recognized platform, contributes to our principles of transparency and reliability and prepares the Bank for the Sustainable Banking ecosystem.

Albaraka Türk's Head Office Building is Türkiye's first LEED Gold certified headquarters. The Bank has implemented the Zero Waste Project initiated by the Ministry of Environment, Urbanization and Climate Change to prevent waste, use resources more efficiently, reduce the amount of waste generated and recycle waste.

1.3 Sustainable Finance

Albaraka Türk has established 2021 to 2025 goals to finance sustainable activities. The Bank aims to enrich the scope of Sustainable Finance products such as renewable energy, roof top solar power projects and gray water loans, targeting both individual and commercial customers who are looking to achieve their sustainable objectives. Gray water loans are related to projects carried out to reuse the recycled water obtained from gray water in areas such as reservoir feeding, garden irrigation, vehicle washing, rough cleaning, cooling tower feeding and laundry.

1.4 Environmental, Social and Governance System

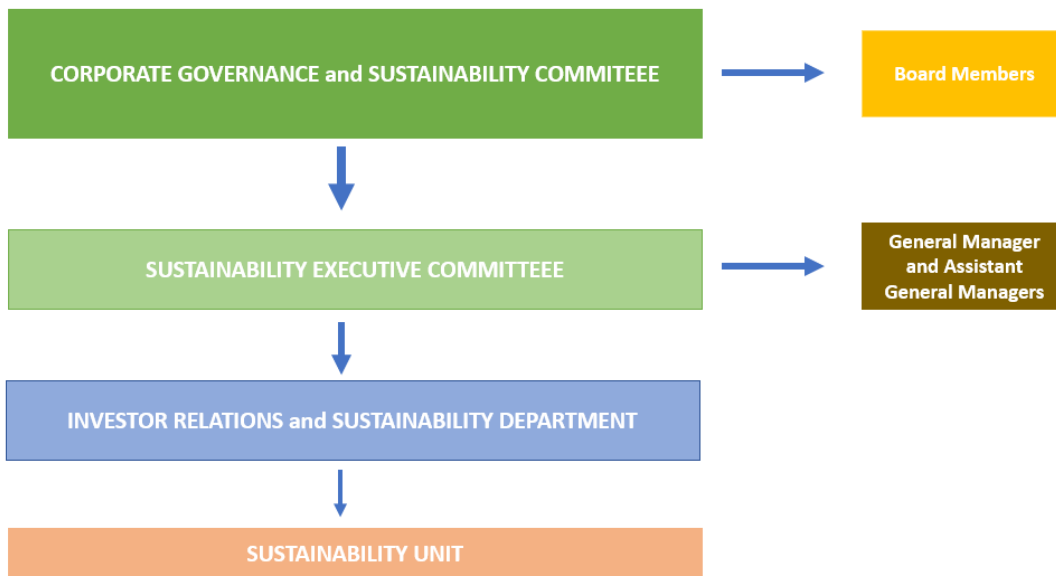
Albaraka Türk carries out its environmental sustainability activities within the scope of the ISO 14001 Environmental Management System. An environmental policy² is implemented to guide the Bank's approach to protect the environment across all its activities.

1.5 Sustainability Governance

Having successfully implemented its sustainability approach in all components of its organizational structure, Albaraka Türk's sustainability efforts are led by the Bank's Board of Directors.

The Corporate Governance and Sustainability Committee and the Sustainability Executive Committee, which report to the Albaraka Türk Board of Directors, are among the Bank's most important committees.

Albaraka Türk's sustainability efforts are planned and coordinated by the Sustainability Unit within the Investor Relations and Sustainability Department.



² <https://www.albaraka.com.tr/documents/about-us/sustainability/pdf/environmental-policy.pdf>

2. Albaraka Türk's Sustainable Finance Framework

Albaraka Türk has established the Sustainable Finance Framework ("Framework") under which the Bank can issue Green, Social, Sustainability and Blue capital market products and participation finance instruments (collectively "Sustainable Finance Instruments").

- 1) **Green Finance Instruments:** Financial products (murabaha, interbank wakala and customer wakala, etc.) and lease certificates (sukuk) and/or various capital market instruments compliant with participation finance principles within the scope of financing/refinancing of eligible green projects
- 2) **Social Finance Instruments:** Financial products (murabaha, interbank wakala and customer wakala, etc.) and lease certificates (sukuk) and/or various capital market instruments compliant with interest-free finance/participation banking principles within the scope of financing/refinancing of eligible social projects
- 3) **Sustainable Finance Instruments:** Financial products (murabaha, interbank wakala and customer wakala, etc.) and lease certificates (sukuk) and/or various capital market instruments in compliance with participation finance principles within the scope of financing/refinancing of eligible green and social projects
- 4) **Blue Finance Instruments:** Financial instruments (murabaha, interbank wakala and customer wakala etc.) and lease certificates (sukuk) and/or various capital market instruments compliant with participation finance principles within the scope of financing/refinancing of eligible Blue projects supporting the sustainable blue economy and ocean health

The Framework is aligned with the following principles:

- International Capital Market Association ("ICMA") Green Bond Principles ("GBP") 2021 (with June 2022 Appendix)³
- International Capital Market Association ("ICMA") Social Bond Principles ("SBP") 2023⁴
- International Capital Market Association ("ICMA") Sustainability Bond Guidelines ("SBG") 2021⁵
- Bonds to Finance the Sustainable Blue Economy September 2023⁶
- Loan Market Association ("LMA") Green Loan Principles ("GLP") 2023⁷
- Loan Market Association ("LMA") Social Loan Principles ("SLP") 2023⁸

The Framework is structured according to the following 4 components of the above principles as well as the recommendation regarding External Review.

³ [ICMA GBP 2021](#)

⁴ [ICMA SBP 2023](#)

⁵ [ICMA SBG 2021](#)

⁶ [ICMA Bonds to Finance the Sustainable Blue Economy 2023](#)

⁷ [LMA GLP 2023](#)

⁸ [LMA SLP 2023](#)

- a) Use of Proceeds
- b) Process for Project Evaluation and Selection
- c) Management of Proceeds
- d) Reporting


2.1. Use of Proceeds


The amount equivalent to the net proceeds from the issuances will be allocated towards financing/refinancing, in whole or in part, projects in the eligible project categories. The funds from the issuances are expected to be used for financing green/sustainable projects within 12 months from the issuance date under this Framework.

The project categories align with the guidelines such as the Capital Markets Board's ("CMB") "Green Bond, Sustainable Bond, Green Lease Certificate, Sustainable Lease Certificate Guide" dated 24/02/2022; International Capital Market Association's ("ICMA") "Green Bond Principles", "Social Bond Principles", "Sustainability Bond Guidelines"; Loan Market Association ("LMA") "Green Loan Principles" and "Social Loan Principles"; and Islamic Development Bank's ("IsDB") "Sustainable Finance Framework" among other international standards for project categories.



The estimated retrospective review period for research and development and other relevant, supporting expenses for green/sustainable projects to be refinanced is expected to be up to 36 months.


2.1.1. Eligible Green Project Categories


Eligible Project Categories	Eligibility Criteria	UN SDG
Renewable Energy	<p>Financing and/or refinancing of the production of renewable energy as well as the manufacturing of related components and infrastructure:</p> <ul style="list-style-type: none"> • Onshore and offshore wind • Hydropower projects with the Environmental Impact Assessment Report that proves the minimum negative impact on the environment by the Ministry of Environment and Urbanisation of the Republic of Turkey and must meet any of the criteria below: <ul style="list-style-type: none"> ○ "Facilities with lifetime emissions below 100 g CO₂e/kWh" ○ "Projects with power density exceeding 5W/m² for electricity generation facilities" ○ Electricity generation facility is run of river plant without artificial reservoir 	


	<ul style="list-style-type: none"> • Geothermal power projects with lifecycle GHG emissions intensity < 100gCO₂e/kWh • Onshore and offshore solar energy (Photovoltaic, Concentrated Solar Power with a minimum of 85% power generation derived from Solar sources) • Bioenergy with lifecycle GHG emissions intensity < 100gCO₂e/kWh , and derived from sustainable feedstock (e.g. agricultural residues or forestry residues) or waste sources that do not compete with food sources or deplete existing terrestrial carbon pools • Green hydrogen or green ammonia limited to the production of hydrogen using electrolysis powered entirely with 100% renewable energy and lifecycle GHG emissions intensity at or below 3tCO₂e/tH₂ <p>Eligible Blue projects include offshore wind or floating solar systems.</p>	
<p>Energy Efficiency</p>	<p>Financing and/or refinancing of technologies, equipment or product to improve operational energy efficiency:</p> <ul style="list-style-type: none"> • Projects improving operational energy efficiency at least by 20% or reducing GHG emissions by at least 20% • Installation of specific energy efficient equipment or appliances rated in the highest two classes of the national energy efficiency label in Türkiye⁹ • Smart grids, energy storage facilities, metering systems with clear linkage to renewable energy • Late-stage R&D projects focused on increasing energy efficiency 	



⁹ Within the scope of the [Turkish National Energy Labelling Framework regulation \(Annex 1\)](#), the top two energy labels are A and B. Any changes in the Turkish National Energy Labelling Framework will be reflected accordingly.



	<ul style="list-style-type: none"> Expenditures for households supporting energy saving measures <p>Financing and/or refinancing of projects to improve efficiency in the delivery of bulk energy services:</p> <ul style="list-style-type: none"> Highly efficient district cooling systems that result in 30-50% energy savings 	
Green Buildings	<p>Financing and/or refinancing of green buildings that meet either of the below eligibility criteria:</p> <p>a) Regionally, nationally or internationally recognized standards or certificates:</p> <ul style="list-style-type: none"> BEP-TR Energy Performance Certificate (EPC) rating of "B" or higher as provided by relevant Turkish regulations LEED (Gold and above) Certificate BREEAM (Excellent and above) Certificate ÇEDBİK (Very Good and above) Green Building Certificate <p>b) Energy efficiency retrofits that reduce energy consumption by at least 30% under the ASHRAE 90.1 2010 or globally recognised equivalent schemes</p> <p>c) Commercial or residential building renovation projects that achieve at least a 30% increase in energy efficiency or improve the structure to obtain at least one of the green building certifications listed in the Framework.</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>
Pollution Prevention and Control	<p>Financing and/or refinancing of projects to reduce pollution to air, land and water:</p> <ul style="list-style-type: none"> Integrated Waste Management Facilities: Construct facilities to manage waste, including collection, sorting, processing, and treatment, aiming to achieve a 90% reduction in landfill waste by diverting it to recycling or energy recovery. Waste will be sorted in accordance with the national waste hierarchy 	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>

	<ul style="list-style-type: none"> • Waste Prevention and Reduction for Industries: Investments to reduce waste generation in industrial settings by 50% through process optimization and recycling initiatives • Air Quality Improvement: Projects to reduce air pollution, including full-automatic air quality measurement systems and regulatory actions, with a target of achieving a 20% reduction in particulate matter (PM) and nitrogen oxide (NOx) emissions in urban areas • Water Pollution Control: Implement projects to reduce water pollution through improved wastewater treatment systems, aiming to achieve a 50% reduction in pollutants like nitrogen and phosphorus in discharged wastewater • Undertake soil remediation projects to restore contaminated land to a safe and usable state, ensuring compliance with environmental regulations. <p>Eligible Blue projects include wastewater management facilities within 100km of the coast; solid waste management projects within 50km of the coast or a river that drains to the ocean; and other non-point source pollution management projects within 200km of the coast or within 50km of rivers (and their tributaries) that flow to the ocean.</p>	
<p>Clean Transportation</p>	<p>Financing and/or refinancing of the production, purchase, development or maintenance of low-carbon vehicles and related infrastructure:</p> <ul style="list-style-type: none"> • Zero and low carbon passenger and light commercial vehicles with direct emissions below 50gCO₂e/p-km until 31 December 2025 and 0gCO₂e/p-km after it. • Zero and low carbon freight vehicles with direct emissions below 25gCO₂e/p-km until 31 December 2025 and 0gCO₂e/p-km after 	





	<ul style="list-style-type: none"> • Electrified railway and railway infrastructure • Infrastructure required for zero direct emissions transport and low carbon transport including e.g. infrastructure/equipment for active mobility (e.g. cycling) • Establishing the necessary infrastructure for zero-emission transportation, including infrastructure and equipment for low-carbon mobility systems and zero-exhaust emission public transport vehicles. 	
<p>Sustainable Water and Wastewater Management</p>	<p>Financing and/or refinancing of projects to reduce water consumption or improve water usage efficiency:</p> <ul style="list-style-type: none"> • Projects aiming to decrease water consumption at least 5% such as water consumption monitoring systems aiming to control and minimize water consumption, water reuse systems for dying process example for textile industry, as well as water leakage detection systems. Projects that are related with operations using fossil fuels are excluded • Water Scarcity and Quality Solutions: Products, services, and projects to resolve water scarcity and quality issues, including water reclaim systems, leak detection systems, and infrastructure projects for water and sanitation pipelines • Water Recycling/Recovery Technologies: Develop technologies and products certified to water efficiency standards, such as rainwater harvesting systems and greywater recovery or reuse systems, that reduce, reuse, or recycle water consumption. • Sustainable Water and Wastewater Management: Including clean and/or potable water, wastewater treatment, sustainable urban drainage systems, river rehabilitation, and other flood prevention systems. 	

	<ul style="list-style-type: none"> • Wastewater Treatment and Sewage Plants: Projects related to construction, upgrades, renovations, or improvements for the transportation and treatment of wastewater, including water and wastewater treatment plants and sewer systems 	
Climate Change Adaptation	<p>Financing and/or refinancing of projects related to increasing the resilience of ecosystems, including measures to address drought, desertification, extreme weather events, rising sea levels, declines in agricultural productivity, forest fires and epidemics:</p> <ul style="list-style-type: none"> • Flood Mitigation Infrastructure Development: Develop infrastructure such as flood mitigation barriers to protect communities and ecosystems from flooding and related damages caused by climate changes. • Wildfire Mitigation and Management Systems: Implement wildfire mitigation and management systems to reduce the frequency and severity of wildfires, protecting ecosystems and biodiversity • Climate Observation and Early Warning Systems: Establish climate observation networks and early warning systems to monitor greenhouse gas emissions and provide timely alerts for extreme weather events, enabling proactive measures to mitigate their impacts on ecosystems and communities • Urban Drainage Improvement Projects: Implement urban drainage improvement projects to effectively manage rainwater, reduce urban flooding, and protect ecosystems in urban areas, addressing the need for enhanced urban drainage due to climate change. 	

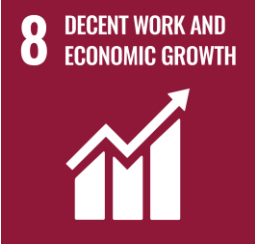
	<p>Eligible Blue projects include coastal climate adaptation and resilience projects within 50km of the coast or within the marine environment.</p>	
<p>Eco-efficient and/or Circular Economy-adapted Products, Production Technologies, and Processes</p>	<p>Financing and/or refinancing of the production of resource efficient products, related processes or technologies:</p> <ul style="list-style-type: none"> • Paper based packaging certified by the Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or the Rainforest Alliance • Bio-based, biodegradable, and compostable packaging • Projects to increase recycled content ratio in packaging • Projects that increase the recyclability/reusability of products 	
<p>Environmentally sustainable Management of Living Natural Resources and Land Use</p>	<p>Financing and/or refinancing of projects to combat land degradation, deforestation, and forest degradation:</p> <ul style="list-style-type: none"> • 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: Projects for environmentally sustainable forestry, 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 <p>Eligible Blue projects include environmentally sustainable aquaculture.</p>	

<p>Terrestrial and Aquatic Biodiversity Conservation</p>	<p>Financing and/or refinancing of projects to prevent the loss of biological diversity, promote the conservation and protection of ecosystems</p> <ul style="list-style-type: none"> • Environmentally Sustainable Management of Living Natural Resources and Land Use: Projects aimed at investing in certified organic agricultural production and replacing surface irrigation systems with drip, subsurface, or sprinkler technologies, including fertigation equipment and automatic/digital water management measures. • Biodiversity Preservation and Endangered Species Conservation: Focus on biodiversity preservation by conserving and monitoring endangered species, habitats, and ecosystems in Environmental Protection Areas, aiming to protect and enhance terrestrial and marine biodiversity * Ecosystem Restoration and Conservation: Support projects for the restoration and conservation of natural terrestrial and marine landscapes, including wildlife habitat management, ecosystem rehabilitation from a degraded state, and rewilding projects, to enhance biodiversity gains and ecosystem resilience • Environmentally Sustainable Aquaculture: Supporting environmentally sustainable aquaculture practices certified under the Aquaculture Stewardship Council (ASC) and the Marine Stewardship Council (MSC). <p>Eligible Blue projects include marine ecosystem management, conservation, and restoration projects within the marine environment or within 100km of the coast.</p>	 
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2.1.2. Eligible Social Project Categories

Eligible Project Categories	Eligibility Criteria	UN SDG
Affordable Basic Infrastructure	<p>Financing and/or refinancing of the production of basic infrastructure to enhance access to related components and infrastructure:</p> <ul style="list-style-type: none"> Projects providing 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 household electrification systems, aiming to increase the electrification rate to 90% in target regions Deployment of mobile and broadband network in underserved or unconnected populations [in rural areas] <p>Target Population: Economically disadvantaged regions in Türkiye¹⁰, rural areas defined as municipalities with population of 25,000 or less,</p>	 
Access to Essential Services	<p>Financing and/or refinancing of projects to expand access to public, free, subsidized or non-profit healthcare services as well as related infrastructure:</p> <ul style="list-style-type: none"> Construction, maintenance or refurbishment of hospitals or healthcare centers Provision of emergency medical response, disease control services, medical supplies, screening tests, vaccines or other drugs which are free for all regardless of ability to pay, in order to prevent the spread of infectious diseases or health pandemics 	 

¹⁰ Economically disadvantaged areas of Turkey are identified by the Socio-Economic Development Index of Districts (SEDI-2022), falling within categories 4 to 6 based on their development levels

	<ul style="list-style-type: none"> • Provision of medical and diagnostic equipment, health safety equipment and medical hygiene supplies <p>Financing and/or refinancing of projects to expand access to public, free, subsidized or non-profit education services as well as related infrastructure:</p> <ul style="list-style-type: none"> • Construction, maintenance or refurbishment of educational institutions including primary and secondary schools, high schools, universities, technical/vocational training centers • Establishment or improvement of educational facilities and provision of operational support (e.g. schools and universities awarding official degrees and certificates) • Establishing or improving vocational training centres and providing operational support (e.g. training in chambers of commerce, programmes for the unemployed, etc.). • Financing educational equipment such as desks and other learning materials <p>Target Population: General Public</p>	
<p>Employment Generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance</p>	<p>Financing and/or refinancing of Micro, Small and Medium (MSME) enterprises defined by KOSGEB¹¹ to generate employment and/or alleviate unemployment:</p> <ul style="list-style-type: none"> • MSMEs owned by women (at least 51%); if ownership is between 20-50%, women to assume at least one of the managerial roles • MSMEs owned by youths (up to 29 years old as defined by the Turkish national legislation) or migrants (at least 20% ownership) 	

¹¹ [KOSGEB definition for Micro and SME in Türkiye](#)

	<ul style="list-style-type: none"> MSMEs located in areas that have lower income than the country GDP average MSMEs located in economically disadvantaged areas of Turkey, as identified by the Socio-Economic Development Index of Districts (SEDI-2022), falling within categories 4 to 6 based on their development levels MSMEs facing the effects of natural disasters and health pandemics <p>Target Population: MSMEs, women, youths</p>	
<p>Socioeconomic Advancement and Empowerment</p>	<p>Financing and financial services for projects that support social order:</p> <ul style="list-style-type: none"> Projects to support groups of persons that experience a higher risk of poverty, social exclusion, discrimination and violence than the general population, including, but not limited to, people with disabilities, isolated elderly people and children. Projects aimed at strengthening the position of women in social life, such as initiatives to enhance educational opportunities, improve access to healthcare, promote economic empowerment through skills training and entrepreneurship support, and enhance employment opportunities Projects that improve accessibility for people with disabilities or elderly people, enabling them to participate more actively in social and economic activities <p>Target Population: Women, people with disabilities, elderly</p>	

2.1.3. Exclusion List

- Fossil fuel production, transportation, refining, transmission and distribution
- Energy efficiency activities to extend the life of thermal power plants using fossil fuels
- Central heating systems using fossil fuels

- Cross-border trade of waste and waste products that are non-compliant with the Basel Convention and its regulations Creation of landfills without greenhouse gas collection and utilization infrastructure
- Logging activities without sustainable certification and management
- Heavy industry investments such as cement, aluminum and steel
- Projects that are not accepted in accordance with interest-free/participation finance principles; projects that will disrupt social order such as alcohol, gambling and armament
- Production of polystyrene or non-recyclable plastics
- Production of ozone depleting chemicals, projects that are predicted to jeopardize biodiversity
- Passenger and cargo air transport operated using fossil fuels
- Passenger or cargo transport on water operated using fossil fuels
- Buildings at the lowest level of international standards (LEED) and Energy efficiency or below
- Public, transport and private land transport vehicles using fossil fuels Activities conducted on the wetlands as defined by the RAMSAR Convention on Wetlands

2.2. Project Evaluation and Selection Process

A Sustainable Credit and Product Working Group, established under the Sustainability Executive Committee of Albaraka Türk, is responsible for evaluating and selecting Eligible Projects in accordance with the eligibility criteria specified in section 2.1.

Sustainable Credit and Product Working Group will:

1. Meet at least twice a year
2. Regular monitoring of Eligible Projects to ensure compliance with the eligibility criteria. Exclude loans which no longer comply with the eligibility criteria or have been redeemed and replace them on a best-efforts basis
3. Facilitate and oversee the allocation and impact reporting
4. Manage updates to the second party opinion or post-issuance verification of allocation report
5. Manage updates to the framework to ensure alignment with business strategy as well as market and regulatory developments

2.2.1. Environmental and Social Risk Management Process

The Sustainable Finance Working Group will assess any known material risks of negative environmental and social impacts to ensure that while an environmental and/or social objective is achieved, it will not negatively impact other material environmental and/or social objectives.

2.3. Management of Proceeds

The net proceeds of the Sustainable Finance Instruments will be managed by Albaraka Türk in a portfolio approach. Albaraka Türk will allocate net proceeds to an Eligible Project Portfolio in accordance with the project evaluation and selection process.

Albaraka Türk will strive over time, to achieve a level of allocation to the Eligible Project Portfolio which matches or exceeds the balance of net proceeds from its Sustainable Finance Instruments. Albaraka Türk will commit to allocate the net proceeds to Eligible Projects within 24 months from issuance date of the Sustainable Finance Instruments.

Pending allocation, the net proceeds will be invested in accordance with interest-free/participation finance principles. For avoidance of doubt, net proceeds will not be invested in activities under the exclusion list in section 2.1.3.

2.4. Reporting

Albaraka Türk will report on the allocation of net proceeds from Sustainable Finance Instruments on an annual basis within 12 months from issuance of the Sustainable Finance Instruments until full allocation, and as necessary in the event of any material changes.

Wherever feasible, Albaraka Türk will report on the aggregated impact of the Eligible Project portfolio on a category level. Albaraka Türk will align, on a best efforts basis, the reporting with the portfolio approach described in ICMA's Harmonized Framework for Impact Reporting¹².

The relevant disclosures will be made public on public disclosure platform (<https://www.kap.org.tr>) and on the website www.albarakaturk.com.tr.

The allocation report will include:

- Net proceeds from the Sustainable Finance Instruments
- Amount or percentage of allocation to eligible project categories
- Example of the projects to which this funding has been allocated
- Brief description of the projects
- Share of refinancing
- Balance of unallocated proceeds

If confidentiality agreements, competition considerations or a large number of sub-projects limit the detail that can be shared, information may be presented in general terms or on an aggregated basis (showing the funding allocated to specific types of projects in percentage breakdowns).

¹² <https://www.icmagroup.org/sustainable-finance/impact-reporting/>

The impact report will include the following metrics, where feasible.

Project Category	Impact Indicators
Renewable Energy Production	<ul style="list-style-type: none"> Annual renewable energy installation power (MW) Total amount of renewable energy generated annually (MWh) 80% greenhouse gas reduction compared to conventional power plants Emissions of the generated electricity are lower than 100g CO₂ equivalent/kWh
Energy Efficiency	<ul style="list-style-type: none"> Energy consumption per unit product kWh/unit product Annual energy savings in terms of (electricity: MWh, energy: GJ) SPP Panel efficiencies and depreciation rates
Sustainable Water and Waste Water Management	<ul style="list-style-type: none"> Reduction in annual absolute water use (m)³ Annual amount of wastewater treated, reused or avoided (m)³ Annual amount of raw/untreated sewage sludge processed and disposed (tonnes) Improving water sanitation and quality
Pollution Prevention and Control	<ul style="list-style-type: none"> Amount of waste prevented, reduced, reused or recycled (tonnes) Amount of greenhouse gas emissions reduced annually (CO₂ e) Annual production from non-recyclable waste in energy/emission efficient waste to energy facilities (electricity, MWh; energy, GJ) Energy recovered from waste, net energy produced, excluding support fuel (electricity, MWh; energy, GJ) Annual amount of waste segregated and/or collected and processed (including composted) or disposed (tons)
Clean Transport	<ul style="list-style-type: none"> Reduction of energy per unit passenger for transport (GJ) Reduction of emissions per unit passenger for transport (CO₂ e) Amount of fossil fuels avoided, reused or reduced (barrels of oil) Alternative vehicles and infrastructure studies
Low Cost Basic Infrastructure	<ul style="list-style-type: none"> Proportion of households with hygienic water installations (%) Proportion of households without sewerage connection (%) Proportion of households accessing public transport network (%) Proportion of households accessing municipal waste management and treatment services (%)
Green Buildings	<ul style="list-style-type: none"> Reduction of energy used per unit area of gross construction area (kWh/m², J/m)² Emission reduction per unit area of gross construction area (kWh/m)² "B" and above classification grade in the Energy Performance Certificate in terms of energy performance according to local regulations in Türkiye and compliance with the regulations. Green buildings with environmental certification, such as LEED, must be at least "Gold" level and in compliance with regulations Green buildings with BREEAM certification must be at least "very good" and comply with the regulations
Products, production technologies and processes adapted to the circular economy	<ul style="list-style-type: none"> Amount of raw materials reused, reduced or avoided (tons) Conversion rate to secondary raw materials (%)
Access to Basic Services	<ul style="list-style-type: none"> Construction and operation projects aimed at improving health services

	<ul style="list-style-type: none"> • Projects aiming to increase public access to health services • Construction, operation and equipment supply of state hospitals and health facilities • Construction and operation or supply equipment to public educational facilities and related infrastructure
SME Finance, Micro Finance and Employment Creation	<ul style="list-style-type: none"> • Amount of financing and refinancing provided to SMEs (\$) • Number of jobs where decent, equal work, equal pay principles are applied • Access rate of SMEs and entrepreneurs to finance (%) • Proportion of virtual enterprises and SMEs with a positive social/environmental impact operating in economically underperforming and/or natural disaster-affected areas (%) • Construction and operation of childcare facilities to support women's employment • Projects aiming to increase employment, especially women and/or young labour force

3. External Review

3.1. Second Party Opinion

Albaraka Türk has engaged with Metsims to provide a Second Party Opinion on the Framework in terms of its alignment with the ICMA and LMA principles. The Second Party Opinion will be made available on <https://www.albaraka.com.tr/en>.

3.2. Post-issuance verification

Albaraka Türk intends to engage an independent third-party reviewer to assess the alignment of the allocation of the net proceeds to eligible projects in line with the Framework's criteria. The report will be made available on <https://www.albaraka.com.tr/en>.