

SUSTAINABLE FINANCE, GREEN AND SOCIAL SUKUK FRAMEWORK



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ABOUT THE FRAMEWORK

Emlak Katılım

as Turkey's leading, young and innovative participation bank - has the vision of supporting prudent and sustainable investments and providing sustainable finance that takes into account social, ecological and economic criteria in the development of the country.

With this vision, it has developed the Sustainable Finance and Green and Social Sukuk guide with Metsims Sustainability Consulting to guide the economic development of the country focussing on sustainability and climate change, and to ensure that natural and social life is positively affected.

This Sustainable Finance and Green and Social Sukuk Framework is prepared based on the following environmental funding principles and standards formed by following international organisations regarded as an important milestone accepted in Turkey: **International Capital Markets Association (ICMA)**¹ Green Bond principles, Islamic Development Bank (IsDB)² Sustainable Finance Framework, Republic of Indonesia Green Bonds and Green Sukuk Framework³, and Malaysia Security Commission Sustainable and Responsible Investment Sukuk Framework.⁴

Social funding principles follow the International Capital Market Association (ICMA)⁵ Social Bond Principles.

This guide aims to support investments in terms of social and environmental sustainability and, in this context, to be a reference for potential investors who will invest in green and/or social sukuk.

1. *Green Bond Principles*, ICMA, June 2021, p. 4.

2. *Sustainable Finance Framework*, IsDB, November 2019, p. 3.

3. *The Republic of Indonesia Green Bond and Green Sukuk Framework*, The Republic of Indonesia (ROI), 2020, p.1.

4. *Sustainable and Responsible Investment Sukuk Framework: An Overview*, The Securities Commission Malaysia, 2014, p.5.

5. *Green Bond Principles*, ICMA, June 2021, p.4.

OUR HISTORY

The bank's roots reach back to Emlak ve Eytam Bankası, which was established in Ankara on 3 June 1926 at the instructions of President Mustafa Kemal Atatürk and which was set up to undertake the building of public works, to support construction enterprises, and to manage the rights and entitlements of orphans as well as to supply credit in order to achieve such aims.

On 1 September 1946, the bank was reconstituted as "Türkiye Emlak Kredi Bankası" (Real Estate & Credit Bank of Turkey). On 6 January 1988, Anadolu Bankası and Türkiye Emlak Kredi Bankası were merged into a new bank operating under the name "Türkiye Emlak Bankası" (Real Estate Bank of Turkey). Denizcilik Bankası A.Ş. had transferred to Türkiye Emlak Bankası A.Ş. with the all of its assets and liabilities on 29 November 1992.

During the period in which the Türkiye Emlak Bankası A.Ş. operates, in addition to its banking activities has become serious brand in the construction of qualified housing projects in line with the its establishment purpose, and has produced important housing projects in many provinces of Turkey, especially in İstanbul, Ankara and İzmir.

The Bank has entered into a restructuring process with the Law no. 4603 and the transition from the public law status to the status of private law has achieved. Under a protocol agreement that went into effect on 7 July 2001, all (the sole exception was the bank's claims under loans concerning which legal action had been initiated before 7 July 2001.) of Türkiye Emlak Bankası A.Ş.'s assets were turned over to the Ziraat Bank and Halk Bank.

As of this date, the protocol also decided the termination of the bank's operational and deposit-acceptance license. Pursuant to a regulatory change in Statute 4603 associated with Statute 7020, the bank officially emerged from liquidation on 27 May 2017. Following emerge from liquidation of the Bank, the bank's status was approved as a participation bank. The bank's legal name ("Türkiye Emlak Katılım Bankası A.Ş.") was registered on 10 September 2018.

Having obtained necessary authorizations from BRSA (BDDK) as Turkey's youngest participation bank, Türkiye Emlak Katılım Bankası resumed its operations to make Turkey stronger with its 93 years of experience and with the most experienced and hardworking team of Turkey.

On 21 March 2019 the bank opened its main branch and as of end-2019 the bank was conducting its operations through eleven branches, which number reached fifty as of end-2020.

Türkiye Emlak Katılım Bankası will develop sustainable financing models, accessible by everyone in economic cycle from manufacturers to consumers, for the strategic sectors such as construction sector with high contribution to economic development and employment.

ABOUT US

With the vision of being Turkey's innovative and leading participation bank, and the strength we derive from our deep-rooted history, we perform our activities to contribute to Turkey's economy by providing Islamic Banking compliant financial solutions to support the real sector, mainly the real estate sector.

- 1926**
ESTABLISHED IN ANKARA BY ORDER OF MUSTAFA KEMAL ATATURK UNDER THE NAME OF 'EMLAK VE EYTAM BANKASI'
- 1930**
FINANCING PUBLIC AND CIVIL PROJECTS FOR THE RE-CONSTRUCTION OF THE COUNTRY
- 1936**
FINANCED THE FIRST 'HOUSING COOPERATIVE' PROJECT IN TURKEY, 'BAHÇELİEVLER', INTRODUCED THE CONCEPT OF 'HOUSING CREDITS' TO TURKEY
- 1938**
ESTABLISHMENT OF 'EMLAKBANK YAPI LIMITED', THE CONSTRUCTION SUBSIDIARY OF EMLAKBANK, TO GENERATE FUNDING SOURCES TO THE BANK THROUGH LEADING PUBLIC PROJECTS
- 1946**
REORGANIZATION OF THE BANK WITH A STRONGER FOCUS ON HELPING THE COUNTRY GROW FURTHER THROUGH EXEMPLARY PUBLIC AND HOUSING PROJECTS; NAME CHANGED TO 'TÜRKİYE EMLAK KREDİ BANKASI ANONİM ORTAKLIĞI'
- 1988**
ANADOLU BANK WAS MERGED INTO THE BANK AND NAME CHANGED TO 'TÜRKİYE EMLAK BANKASI A.Ş.'
- 1992**
DENİZCİLİK BANKASI A.Ş., WITH ITS FULL ASSETS IN MARITIME SECTOR, WAS MERGED INTO EMLAK BANK
- 2001**
BANKING CRISIS IN TURKEY; CEASE OF BANKING OPERATIONS AND TRANSFER OF ALL ASSETS/LIABILITIES TO TC ZİRAAT BANKASI, START OF LIQUIDATION PROCESS
- 2017**
END OF LIQUIDATION PROCESS
- 2018**
GOVERNMENT'S DECISION TO RE-ESTABLISH THE BANK AS A PARTICIPATION BANK (GENERAL ASSEMBLY, SEPTEMBER 3)
- 2019**
COMPLETION OF RE-ESTABLISHMENT PROCESS, GAINING OPERATING LICENSE, FEBRUARY 27; STARTING FULL OPERATIONS & OPENING CENTRAL BRANCH, MARCH 21
- 2020**
THE BANK ISSUED TURKEY'S FIRST EVER MUDHARABAH POOLS LINKED WAKALAH SUKUK, JUNE 2020
- 2021**
THE BANK ISSUED TURKEY'S FIRST EVER MUDHARABAH SUKUK BASED ON RISK-PROFIT SHARING, MARCH 2021

CORPORATE VALUES

MISSION

To contribute to the development of Turkish economy by supporting real sector, the real-estate sector being one of the focus areas, through Participation Banking compliant solutions using the power we have due to our deep rooted history

VISION

To become Turkey's pioneer and innovative participation bank.

CORE VALUES

Trust

We establish responsive business relationship based on trust with our clients, stakeholders and employees.

Accountability

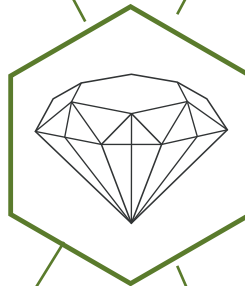
We try to do our best and hold ourselves responsible to fulfil our commitments.

Respect

We consider the respect to our clients, employees, stakeholders and to environment as our base and unchanging priority.

Innovativeness

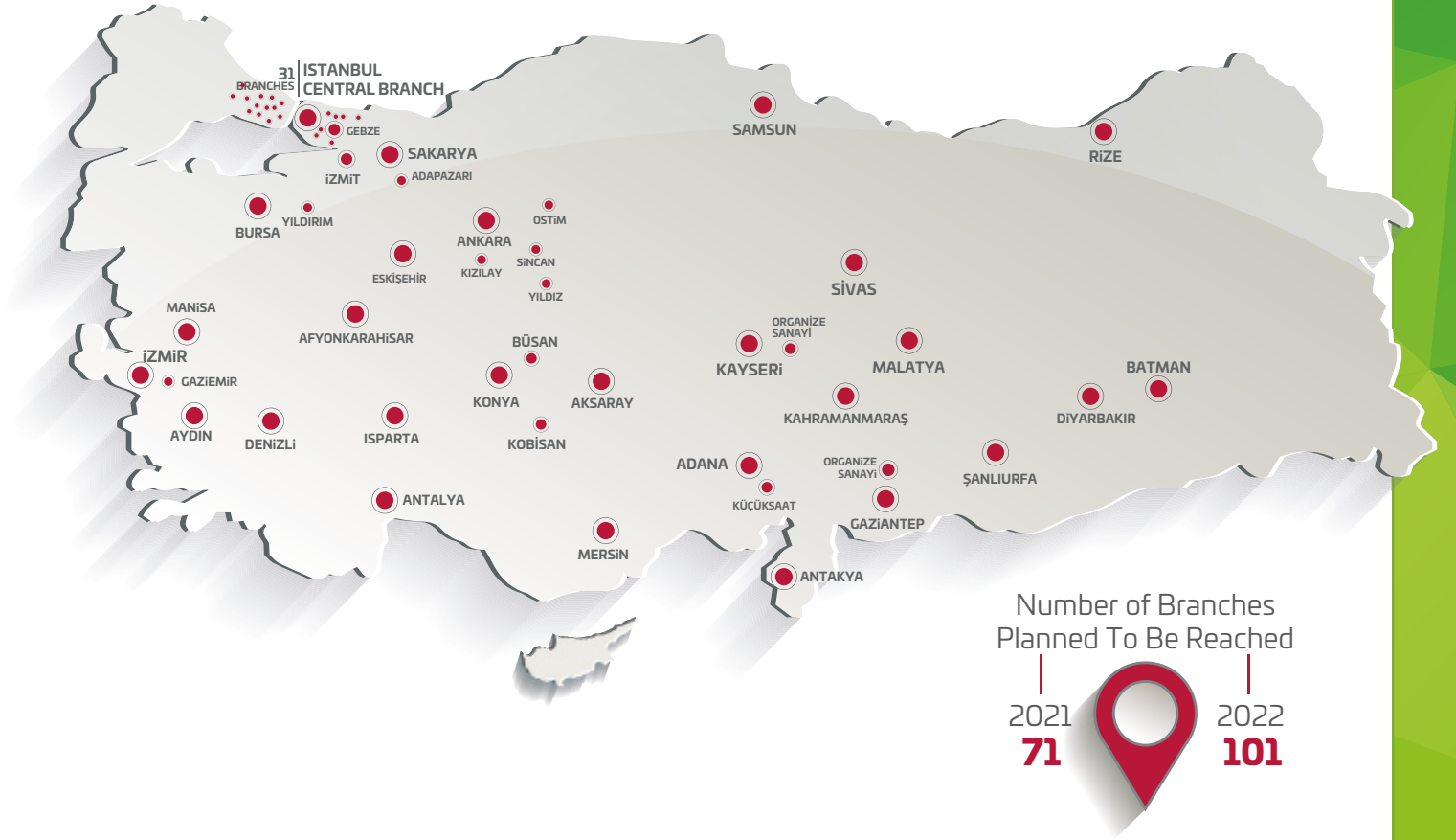
With our innovative products and services, we become a solution partner to satisfy today's and future financial needs of the real sector.



STRONG GOVERNMENT SUPPORT

Owner Title / Name-Surname	Share in Capital (%)
Ministry of Treasury and Finance	99.99
Other	0.00001
Total	100

OUR BRANCHES



ISTANBUL BRANCHES

Genel Müdürlük (Merkez)	Sultanbeyli	Beşyüzevler	Mecidiyeköy	Maslak	İkitelli Metro
İkitelli	Laleli	Kavacık	Merter	Maltepe	
Fatih	Pendik	Esenyurt	İmes	Osmanbey	
Ümraniye	Altunizade	Kağırca	Üsküdar	Sultançiftliği	
Erenköy	Beykent	Sultanhamam	Avclar	Sefaköy	
Bağcılar	Güneşli	Levent Sanayi	Metrokent	İstoç	

FINANCIAL STRENGTH

In its assessment dated 02/08/2019, in which the international rating agency Fitch Ratings evaluated the bank for the first time, it announced the 'long-term foreign currency (fc)' credit rating as 'B+' with a negative outlook.

The fact that Türkiye Emlak Katılım Bankası A.Ş. is a public bank was the main factor in Fitch Ratings giving the Bank a B+ rating. After Fitch Ratings upgraded Turkey's credit rating outlook from 'Negative' to 'Stable' on 1 November, it also revised the outlooks of 20 Turkish banks, including Türkiye Emlak Katılım Bankası A.Ş. , to 'Stable' on November 12, 2019. Fitch Ratings cited the reduction of downside risks to the government's ability to support banks as the rationale for the revised outlook.

In the assessment dated 22/05/2020 in which Fitch Ratings evaluated the bank, with the argument that the state's ability to assist state banks in potential need has decreased due to the events in the Turkish economy and the decrease in the Central Bank's foreign exchange reserves, the Bank's long-term foreign currency reserves, which were previously 'B+', money (long term foreign currency) grade has been updated to 'B'. Fitch Ratings has determined the Bank's outlook rating, which was previously 'Stable', as 'Negative' in line with the actions they took for the entire sector. The Bank's long-term local currency rating has not changed and has been affirmed as 'BB-'.

In the assessment dated 26/02/2021, in which Fitch Ratings evaluated the Bank, it has updated the outlook of the long-term local credit rating of the Bank as 'Stable'.

In the assessment made by Fitch Ratings on 18/05/2021, the Bank's rating and outlook have not been changed and the current situation has been confirmed.



FITCH RATINGS 18 MAY, 2021

Long Term Foreign
Currency Credit Rating B/Stable
(18th of May, 2021)

Long Term Local Currency
Credit Rating BB-/Stable
(18th of May, 2021)

Short Term Local
Currency Credit Rating B

Support Rating Floor (SRF) B

Support Rating (SR) 4

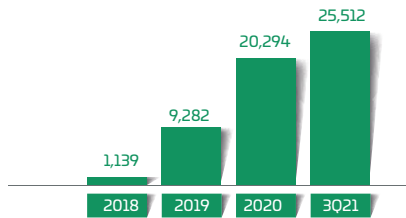
National Long Term Rating
AA (TUR)/ Stable
(18th of May, 2021)

FINANCIAL STATEMENTS

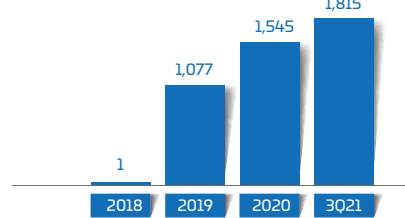
Balance Sheet (000 TL)

	2018	2019	2020	3Q21
Total Assets	1,138,798	9,282,224	20,294,448	25,511,723
Loans (Net)	-	5,730,333	13,570,624	14,797,341
Funds Collected	-	5,952,676	11,677,303	16,453,765
Subordinated Loans	-	1,076,666	1,545,981	1,814,896
Shareholders' Equity	1,101,106	1,169,173	1,539,295	1,598,633
Paid-in Capital	750,000	750,000	1,026,915	1,026,915
(Operating Profit) Gross Profit	-	272,916	500,377	452,796
Provisions	-	98,577	94,223	63,841
Net Profit	543,696	44,979	80,626	50,945
Capital Adequacy Ratio (CAR)	268.36%	63.64%	28.30%	25.24%
NPL Ratio	-	0%	0%	0.02%

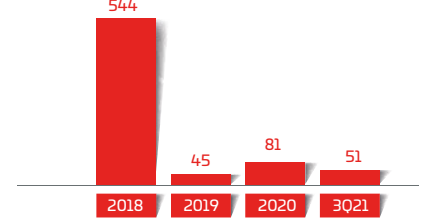
Assets (TL mn.)



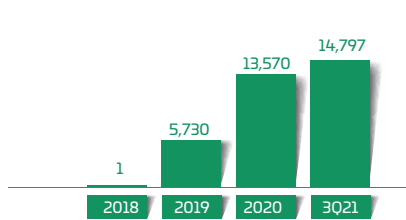
Subordinated Debt Instruments (TL mn.)



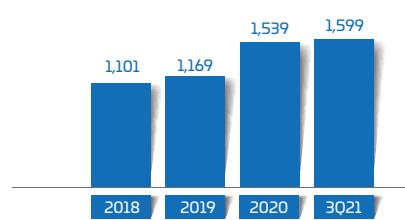
Net Profit (TL mn.)



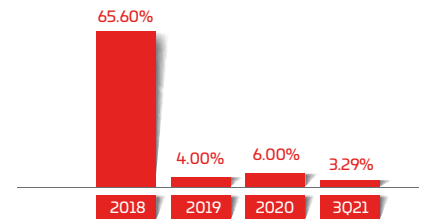
Loans (Net) (TL mn.)



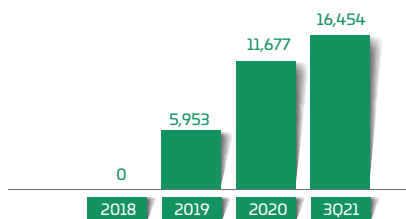
Equity (TL mn.)



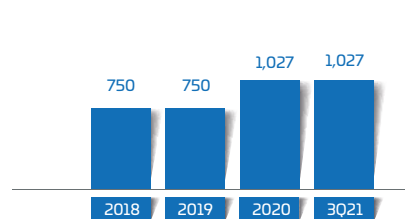
Return on Equity (ROE) (%)



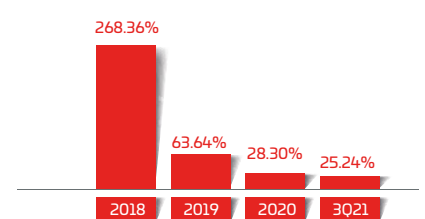
Funds Collected (TL mn.)



Paid in Capital (TL mn.)



Capital Adequacy Ratio (CAR)



SUSTAINABILITY

With the Earth Summit organized by the United Nations in Stockholm in 1972, the impact of human beings on the environment and the world's natural resources reserves was opened for discussion for the first time. The first Climate Summit, held in 1979, scientifically revealed the reality of climate change and how it could lead to changes in our lives.

The fact that the rapid economic growth, which started with industrialization, was insufficient to reduce social inequalities between countries and to protect the living environment and natural resources, led to the redefinition of the concept of development and the current definition of the concept of sustainability. In the report *Our Common Future*(6), written by Gro Harlem Brundtland in 1987, Sustainable Development was defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

6. Gro Harlem Brundtland, *Our Common Future*, Oxford University Press, 1987, p.25.

In the following years, the United Nations organized many conferences on climate change and sustainable development, including ecological, economic and social growth, and assisted countries in determining roadmaps to follow. With the Kyoto Protocol signed in Japan in 1997, an action plan was determined against the potentially dangerous effects of climate change, followed by the Millennium Development Goals prepared in 2000, which deal with social equality, environmentalism, and the health of societies.

Although the Kyoto Protocol and Millennium Development Goals contributed to development to a certain extent, their effects were limited. Thereupon, a new roadmap was determined in which the responsibilities of the countries were increased, and the scope of the economic, ecological and social elements were expanded and the targets to be reached by 2030 were elucidated.



SUSTAINABLE DEVELOPMENT GOALS

At the Conference of Parties (COP21) held in Paris in 2015, it was accepted by the 196 countries that are members of the United Nations that, until 2030, the social and economic welfare levels of the countries would increase and world peace be maintained; a roadmap was determined for ecological order and the protection of the future of the planet. These objectives, which are listed under 17 categories, have been accepted as a holistic action plan and as necessary to implement regardless of the economic development levels of the countries.

The Global Goals emerged as the product of an understanding that aims to develop social, economic and ecological goals holistically, while eliminating poverty, and while protecting terrestrial and aquatic life. The effects of climate change on life have emerged much more visibly and undeniably in the last decade.

Melting of glaciers, increasing annual average temperatures and abnormal climatic conditions occurring in different parts of the world will affect our daily lives more and more.

In the Global Risk Report(7) published by the World Economic Forum, severe weather conditions were considered the biggest risk for the fifth year in a row, followed by environmental topics such as Climate Action failure, human harm to nature and the destruction of biodiversity. This situation once again reveals the size and urgency of the reality of climate change.

7. The Global Risks Report,
World Economic Forum, 2021, p.15.

“

The effect of financial capital on climate change adaptation and the adaptation process is being understood more and more each day. Many countries, especially in the European Union, direct capital flow to projects with environmental and social impacts in particular and consider it indispensable for reducing the risks associated with climate change and for achieving the Sustainable Development Goals. In this context, Emlak Katılım, which aspires to being a pioneering and innovative participation bank, emphasizes the importance of Sustainable Finance and Green Sukuk instruments and wants to take the lead in the advancement of these funding types in our country.

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SUSTAINABLE FINANCE, GREEN AND SOCIAL SUKUK FRAMEWORK

Sustainable finance

is a type of finance that aims to support economic growth by reducing pressures on the environment, while at the same time having a key role in fulfilling international commitments to climate and sustainability goals.

Sustainable finance

strongly supports initiatives that help public and private investments to identify and mitigate risks related to Environmental Social and Governance (ESG)* factors, as well as providing financial and institutional transparency for the transition to a low-carbon, resource-efficient and sustainable economy, social and environmental sensitivity, and responsibility.

In recent years, Sukuk - which conforms to Islamic requirements and is socially and ethically sensitive, financing climate change and environmentally sustainable projects - has attracted attention in the world financial markets; it has become an important security in meeting the investment costs of large infrastructure projects, which are of critical importance for the transition to a low carbon economy and have environmental priority.

Sukuk

(Islamic bond or “Sharia-compliant” bond) is an Islamic financial certificate that is issued by special-purpose entities or asset leasing companies to finance any asset, right, investment or activity (underlying asset) in compliance with all kinds of interest-free finance principles. Their owners have a right proportionally to their share of the income from these assets, rights, investments or activities.

* Environmental, Social, & Governance

On the other hand, unlike traditional sukuk,

Green Sukuk is

an interest-free/Islamic capital market product that provides financing to be used for projects that contribute to climate change and the environment. Sukuk issuances must comply with all national and international conventions, including the International Labour Organization (ILO), and in accordance with the laws and regulations of the host country.

Proceeds from Green Sukuk are often used to provide low-carbon economy infrastructure and/or to refinance these projects, to fund subsidies for countries' transition to sustainable development initiatives and projects that comply with the Sustainable Development Goals.

Social Sukuk aims

to solve specific social problems, to eliminate the situations that reduce and/or hinder the welfare of society or a certain group, and to provide positive benefits to society. Social projects can also have environmental side benefits, and it is important to note that the main impact targeted in the project promotion is for social purposes.

The Sustainable Finance and Green and Social Sukuk guidelines have been created under four main headings.



USE OF
PROCEEDS



REPORTING



MANAGEMENT
OF PROCEEDS



PROJECT EVALUATION
AND SELECTION
INDICATORS

1. USE OF PROCEEDS



2.
PROJECT
EVALUATION AND
SELECTION
INDICATORS

4.
REPORTING

3.
MANAGEMENT
OF PROCEEDS

Before issuing Emlak Katılım's Green and/or Social Sukuk, the environmental and/or social benefits of the project should be determined, and the capital should be used for activities and transactions (including other relevant and supportive expenditures such as R&D) in a way that will only serve the stated benefits.

In addition, environmental benefits should be as quantitative and measurable as possible for reporting, but the social benefits contributing to the project can also be evaluated qualitatively.

SUPPORTED PROJECT CATEGORIES

Project categories to be evaluated by Emlak Katılım within the framework of Sustainable Finance and Green and Social Sukuk are listed on the side.

Project categories shows parallelism with frameworks of following organisations: ICMA Green Bond Principles and Islamic Development Bank Sustainable Finance Framework, Republic of Indonesia Green Bond and Green Sukuk Framework and Malaysia Security Commission Sustainable and Responsible Investment Sukuk Framework etc.



Projects for Green Sukuk categories

listed below:

- **Renewable energy**
(including production, transmission, appliances and products);
- **Energy efficiency**
(such as in new and refurbished buildings, energy storage, district heating, smart grids, equipment and products);
- **Pollution prevention and control**
(including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy)
- **Environmentally sustainable management of living natural resources and land use**
(including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes)
- **Terrestrial and aquatic biodiversity conservation**
(including the protection of coastal, marine and watershed environments)
- **Clean transportation**
(such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)
- **Sustainable water and wastewater management**
(including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)
- **Climate change adaptation**
(including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems)
- **Circular economy adapted products, production technologies and processes**
(such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services) and/or certified eco-efficient products

Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance.

Projects for Social Sukuk⁸ categories listed below:

Affordable basic infrastructure

(e.g. clean drinking water, sewers, sanitation, transport, energy)

Access to essential services

(e.g. health, education and vocational training, healthcare, financing and financial services)

Affordable housing;

Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socio-economic crises, including through the potential effect of SME financing and microfinance

Food security and sustainable food systems

(e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)

Socioeconomic advancement and empowerment

(e.g. equitable access to, and control over, assets, services, resources and opportunities; equitable participation and integration into the market and society, including reduction of income inequality).

8. *Social Bond Principles*, ICMA, June 2018, p.3.

9. *Green Bond Database Methodology*, Climate Bonds Initiative, September 2020, p.23.

10. *Environmental and Social Policy*, The European Bank for Reconstruction and Development (EBRD), May 2014, p.12.



Considering the principles of the Green Bond Initiative,⁹ the following projects will be excluded from the Green and Social Sukuk evaluation by Emlak Katılım:

All projects generating energy from fossil fuels;

- Improvement activities in projects with high greenhouse gas emissions (clean coal, etc.)
- Energy efficiency activities that will 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) and energy efficiency (EPC average) E or below
- Public, transport and personal land transport vehicles
- Passenger or cargo transportation on water
- Passenger and cargo air transportation
- Creation of landfills without greenhouse gas collection and evaluation infrastructure
- Waste incineration projects where energy content is not evaluated
- Agricultural activities in swamps and wetlands
- Tree cutting activities without sustainable certification and management
- Heavy industry investments such as cement, aluminium and steel
- Polystyrene or non-recyclable plastic production
- Production of ozone-depleting chemicals.

Apart from these, projects that the European Bank for Reconstruction and Development¹⁰ (EBRD) has excluded from the scope of investment, which foresees that they will endanger biodiversity in environmental impact assessment, including projects that may cause conflict in the society such as alcohol, gambling and armament and projects that are not considered in accordance with Islamic principles within the scope of Green Sukuk, will be considered out of scope.



1.
USE OF
PROCEEDS



4.
REPORTING



3.
MANAGEMENT
OF PROCEEDS



2. PROJECT EVALUATION AND SELECTION INDICATORS

During the project selection and evaluation process, the company requesting financing is expected to explain into which of the above-mentioned categories it fits while promoting its project, and to what extent. In addition, the company's current social and environmental impact assessment analysis and its ESG approach, if any, informing how the risks of the project will be determined and managed are considered important data. Emlak Katılım will carry out the project selection and evaluation process thanks to its expert teams within the bank.

Examples of projects that Emlak Katılım will primarily support within the scope of Sustainable Finance and Green and Social Sukuk guideline and related evaluation indicators are listed below. These indicators comply with the Harmonized Effect Analysis Criteria recommended by ICMA.¹¹

- WIND POWER PLANTS
- SOLAR POWER PLANTS
- HYDROELECTRIC POWER PLANTS
- GEO THERMAL POWER PLANT
- BIOGAS AND BIOMASS POWER PLANTS
- WASTEWATER TREATMENT PLANTS
- COGENERATION AND TRIGENERATION
- GREY WATER SYSTEMS
- GREEN CERTIFIED BUILDINGS
- SMART CITIES
- CLEAN TRANSPORTATION
- AFFORDABLE BASIC INFRASTRUCTURE
- ACCESS TO ESSENTIAL SERVICES
- AFFORDABLE HOUSING
- EMPLOYMENT GENERATION
- FOOD SECURITY AND SUSTAINABLE FOOD SYSTEMS

11. Harmonised Framework for Impact Reporting, ICMA, June 2021, p.10.

WIND POWER PLANTS

Wind power plants are energy systems that convert the kinetic energy of the air in motion in wind corridors first into mechanical energy and then into electrical energy. They are sustainable energy facilities that produce energy using only natural resources.



They contribute to Sustainable Development Goal SDG 7.2:

By 2030, increase substantially the share of renewable energy in the global energy mix.

Sustainable Finance and Green Sukuk Categories

Wind Power Plants

Project Selection and Evaluation Indicators

Annual greenhouse gas emission reduction amount

Annual amount of energy produced

Fossil fuels used for maintenance, repair and management should not be more than 15% of the total energy consumed

Contribution towards UN Sustainable Development Goals

TARGET 7.2



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

SOLAR POWER PLANTS

Solar power plants have different electronic properties that energise when hit by photons from sunlight, creating an electric field and convert them into electrical energy. They are sustainable energy facilities that produce energy using only natural resources.



They contribute to Sustainable Development Goal SDG 7.2:

By 2030, increase substantially the share of renewable energy in the global energy mix.

Sustainable Finance and Green Sukuk Categories

Solar Power Plants

Project Selection and Evaluation Indicators

Annual greenhouse gas emission reduction amount

Annual amount of energy produced

Fossil fuels used for maintenance, repair and management should not be more than 15% of the total energy consumed

Panel efficiencies and distortion rates 13 %

Contribution towards UN Sustainable Development Goals

TARGET 7.2



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

The efficiency and acceptable distortion rates of the panels to be used within the scope of the project cannot be lower than the values specified in the table below.

Technology	Efficiency Rates %	Distortion Rates
Polycrystalline Silicon Cells	15.5%	First year 2.5% thereafter 0.7%
Monocrystalline Silicon Cells	16%	First year 3% thereafter 0.7%
High Concentrated PV	28%	First year 2% thereafter 0.5%
Silicon Based PV	11%	During entire life cycle of the product 20%

HYDROELECTRIC POWER PLANTS



Hydroelectric power plants generate electricity by converting kinetic energy in flowing water into mechanical energy and then into electrical energy. The rate of flow or fall of the water determines the amount of energy in the flowing water. Conservation of biodiversity is an important criterion in hydroelectric plants.

They contribute to Sustainable Development Goal SDG 7.2:

By 2030, increase substantially the share of renewable energy in the global energy mix.

The rate of renewable energy in the network to which Pumped Storage Hydroelectric Power Plants contribute cannot be less than 20 percent.

Sustainable Finance and Green Sukuk Categories

Hydroelectric Power Plants

Project Selection and Evaluation Indicators

Flora and fauna diversity in the project area

Fossil fuels used for maintenance, repair and management should not be more than 15% of the total energy consumed

Energy production emission value should be 100 gCO₂e/kWh

Energy generation power density must be greater than 5 W/m²

Contribution towards UN Sustainable Development Goals

TARGET 7.2



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

GEOHERMAL POWER PLANT



Geothermal power derives from hot water, steam and gases containing chemicals, formed by the heat accumulated in various depths of the Earth's crust. Geothermal energy is the technology of using this heat and gas pressure for electricity and heating. Geothermal power plants are sustainable energy facilities established for the purpose of generating energy in this manner.

They contribute to Sustainable Development Goal SDG 7.2.:

By 2030, increase substantially the share of renewable energy in the global energy mix.

Sustainable Finance and Green Sukuk Categories

Geothermal Power Plants

Project Selection and Evaluation Indicators

Fossil fuels used for maintenance, repair and management should not be more than 15% of the total energy consumed

Energy production emission value should be 100 gCO₂e/kWh

Contribution towards UN Sustainable Development Goals

TARGET 7.2

7 AFFORDABLE AND CLEAN ENERGY



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

BIOGAS AND BIOMASS POWER PLANTS



Biomass and biogas power plants are designed to produce energy from biological wastes that would normally decompose in nature. Biomass can be processed into solid, liquid and gaseous fuels. As a result, while main products such as biodiesel, bioethanol, pyrolytic gas are produced, by-products such as fertilizer and hydrogen can also be obtained.

Biomass power plants, which obtain energy by physically burning biological wastes, can be used in the fields of electricity, heat generation and transportation.

Biogas power plants are plants that obtain energy by burning methane gas, which is produced by the decomposition of animal manure or other organic wastes accumulated in a sealed pool. While ensuring the elimination of environmental wastes, they also produce fuel.

Biomass and biogas power plants contribute to Sustainable Development Goal SDG 7.2:

By 2030, increase substantially the share of renewable energy in the global energy mix.

Sustainable Finance and Green Sukuk Categories

Biogas and Biomass Power Plants

Project Selection and Evaluation Indicators

Emission reduction of around 80% compared to energy produced with fossil fuels.

Energy production emission value should be 100 gCO₂e/kWh

Sustainable use of raw materials

Contribution towards UN Sustainable Development Goals

TARGET 7.2



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

WASTEWATER TREATMENT PLANTS

Wastewater treatment plants are facilities in which foreign substances that may cause environmental pollution are removed from the wastewater by physical, biological and other advanced methods in the wastewater generated because of use. Ensuring the treatment of wastewater to use water more efficiently and to protect existing resources is beneficial for the environment, and these facilities are important in order to prevent environmental degradation.



They contribute to Sustainable Development Goal SDG 6.3:

By 2030, improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Sustainable Finance and Green Sukuk Categories

Wastewater Treatment Plants

Project Selection and Evaluation Indicators

Amount of treated dirty water (m3)

The amount of water that is prevented, reused or reduced (m3)

Contribution towards UN Sustainable Development Goals



COGENERATION AND TRIGENERATION



This is a facility concept that expresses the production of energy where it is consumed. While cogeneration means combined heat- and-power production, trigeneration adds cooling to the combined generation process. With cogeneration systems, electricity and heat are produced in the same place, and the economic burden is also reduced. In addition, the waste heat released can be used to solve various heating or steam needs. With trigeneration systems, in addition to electricity and heat, cooling is also produced in the same place. With this method, energy costs are greatly reduced.

They contribute to Sustainable Development Goal SDG 7.2:

By 2030, increase substantially the share of renewable energy in the global energy mix.

Sustainable Finance and Green Sukuk Categories

Cogeneration and Trigeneration

Project Selection and Evaluation Indicators

The amount of energy reduced

The amount of carbon gas whose emission is prevented

Contribution towards UN Sustainable Development Goals



GREY WATER SYSTEMS

The less polluted and domestic wastewater from showers, bathtubs and sinks, which does not contain cesspool waste, is called 'grey water'. Grey water systems provide more efficient use of water and protect existing resources by ensuring the treatment of domestic wastewater.



They contribute to Sustainable Development Goal SDG 6.A:

By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Sustainable Finance and Green Sukuk Categories

Grey Water Usage

Project Selection and Evaluation Indicators

The amount of water reduced (m3)

The amount of water that is prevented, reused, or reduced (m3)

Contribution towards UN Sustainable Development Goals



GREEN CERTIFIED BUILDINGS



Green certified buildings are buildings that are certified at the national and international level in which the efficiency in water use, energy consumption and harmful gas emissions into the atmosphere, use of materials and resources, interior conditions, innovative designs are evaluated and complied with.

They contribute to Sustainable Development Goals:

SDG 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

SDG 6.4. By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

SDG 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Sustainable Finance and Green Sukuk Categories

Green Certified Buildings

Project Selection and Evaluation Indicators

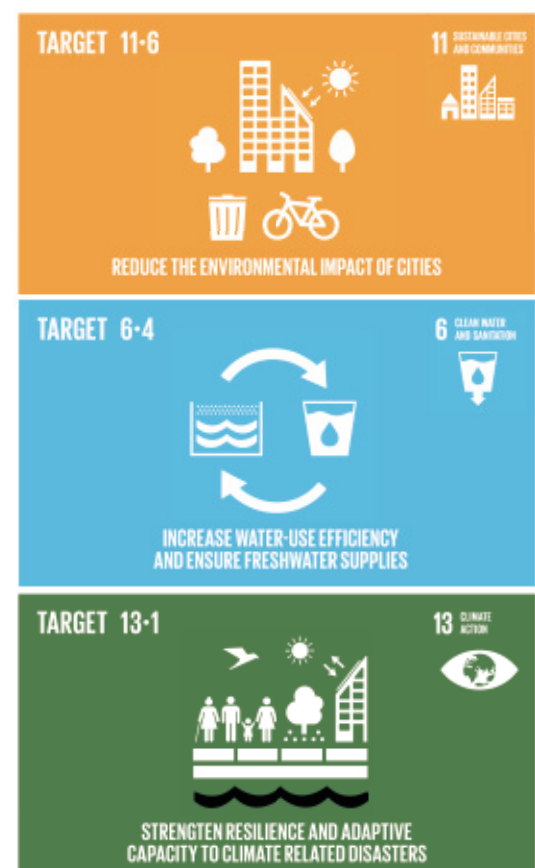
The carbon footprint of the building (CO₂/m²)

Water footprint of the building

Waste management of the building

Available Green building certifications of the building

Contribution towards UN Sustainable Development Goals



SMART CITIES

Smart cities are cities in which different types of electronic devices, the internet and sensors are used to collect data and then manage assets, resources and services more efficiently through the information obtained from this data.



They contribute to Sustainable Development Goal SDG 11.B:

By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.

Sustainable Finance and Green Sukuk Categories

Smart Cities

Project Selection and Evaluation Indicators

Amount of blocked, reused or reduced water (m3)

The amount of energy reduced

Waste management and waste to energy

Reduced greenhouse gas emissions

Built environment

Contribution towards UN Sustainable Development Goals



CLEAN TRANSPORTATION



Clean transportation covers the replacement of motor vehicles using fossil resources with hybrid or electric motor systems that reduce harmful greenhouse gas emissions. This may be for public vehicles as well as for individual vehicles. In addition, car-pooling applications can also be considered for the solution of individual vehicle use and the traffic problem in cities.

It contributes to Sustainable Development Goal SDG 13.1:

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Sustainable Finance and Green Sukuk Categories

Clean
Transportation

Project Selection and Evaluation Indicators

Reduced carbon emissions

Amount of blocked, reused
or reduced fuel
(barrels of oil)

Contribution towards UN Sustainable Development Goals



AFFORDABLE BASIC INFRASTRUCTURE



The Affordable basic infrastructure (ABI) includes the provision or development of community needs such as clean water, sewage, sanitation, transportation and energy, etc. infrastructure at affordable costs. Reducing the number of households without water and sewerage systems includes efforts to reduce the number of regions that do not have access to the public transportation network.

ABI contributes to Sustainable Development Goals:

SDG 6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

SDG 9.1. Develop quality, reliable, sustainable, and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Sustainable Finance and Social Sukuk Categories

Affordable Basic Infrastructure

Project Selection and Evaluation Indicators

Percentage of households not connected to clean water system

Percentage of households without a sewer connection

Percentage of households that do not have access to public transportation network



Contribution towards UN Sustainable Development Goals



ACCESS TO ESSENTIAL SERVICES



Health services include the provision and/or development of basic services such as formal and vocational education, access to health and social security, and financial services. Providing and supporting formal, vocational and lifelong education, facilitating access to economic resources for entrepreneurship and providing the necessary infrastructure to reach them can be given as examples of basic services.

Access to these contributes to Sustainable Development Goals:

SDG 14. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of 13 property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

SDG 3.8. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

SDG 4.1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

SDG 4.2. By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

SDG 4.3. By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

SDG 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Sustainable Finance and Social Sukuk Categories

Access to Essential Services

Project Selection and Evaluation Indicators

Increase in the number of people with comprehensive health insurance

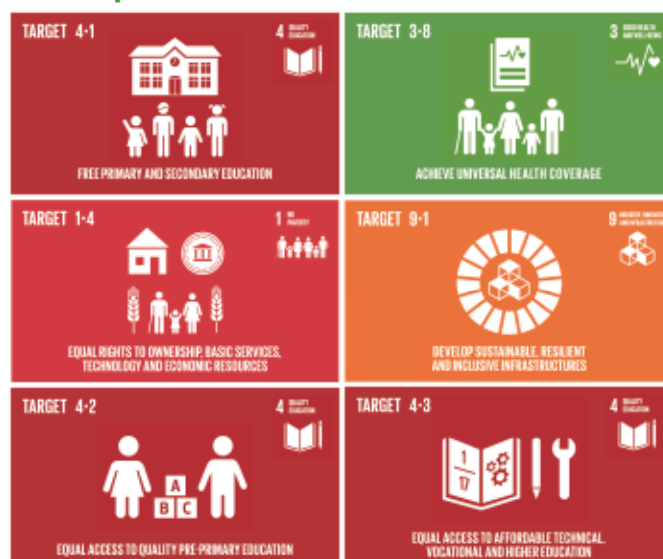
Access rate to primary and secondary education

Adequate and necessary number of educational institutions for entrepreneurship, employment and technical knowledge and lifelong education

In financial services, property and inheritance etc. easy access to economic resources such as

Network ratio of durable and inclusive infrastructure

Contribution towards UN Sustainable Development Goals



AFFORDABLE HOUSING

This includes creating affordable and humane accommodation areas for low-income individuals.

After meeting the primary basic needs of the person such as food, clothing, transportation, education, and health, having income for accommodation is considered 'affordable' housing.



It contributes to Sustainable Development Goal SDG 11.1:

By 2030, ensure access for all to adequate, safe, and affordable housing and basic services and upgrade slums.

Sustainable Finance and Social Sukuk Categories

Affordable Housing

Project Selection and Evaluation Indicators

Number of safe and accessible housing for low-income individuals

Slum, proportion of informal settlements

Contribution towards UN Sustainable Development Goals



EMPLOYMENT GENERATION



This covers the creation of new job opportunities to reduce, prevent or even eliminate unemployment caused by socioeconomic crises. Projects aimed at reducing employment through small and medium enterprises or microfinance will be prioritized.

These contribute to Sustainable Development Goals:

SDG 8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

SDG 9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Sustainable Finance and Social Sukuk Categories

Employment Generation

Project Selection and Evaluation Indicators

Number of employments created where decent, equal work equal pay principles are applied

The rate of access to finance of SMEs and entrepreneurs

Contribution towards UN Sustainable Development Goals



FOOD SECURITY AND SUSTAINABLE FOOD SYSTEMS



Food security and sustainable food systems have gained more importance due to the increasing climate pressure and changing conditions (floods, drought, changes in precipitation rates) due to the effect of global warming. In particular, the provision of nutrients that will ensure the development of infants and children, the supply of food to meet the dietary needs of each individual, the reduction of food loss in the food supply chain, the support of small and medium-sized producers and increasing their productivity will be evaluated under this heading.

They contribute to Sustainable Development Goals:

SDG 2.1. By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

SDG 12.3. By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

Sustainable Finance and Social Sukuk Categories

Food Security and Sustainable Food Systems

Project Selection and Evaluation Indicators

Ensuring access to safe and nutritious food

The ratio of people who do not have access to food to the whole population

Elimination of food loss factors throughout the entire life cycle of food production

Loss rates throughout the food production and life cycle

Contribution towards UN Sustainable Development Goals

TARGET 2-1



UNIVERSAL ACCESS TO SAFE AND NUTRITIOUS FOOD

TARGET 12-3



HALVE GLOBAL PER CAPITA FOOD WASTE



SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT



As well as Emlak Katılım Sustainable Finance and Green and Social Sukuk project categories and Project Selection and Evaluation Indicators, there may be other project-based evaluation criteria not listed above.

In addition to these, especially when the project is financed, the project-specific Environmental Impact Assessment and the fact that the institution applying for the financing does not have any investment in fossil resources are also taken into account in the evaluation.

Socioeconomic status covers many sub-headings, from the increase in the income level of individuals to the development of their social and economic basic needs, to increasing the access to these needs. It should be evaluated in a wide range such as the equality of individuals in terms of property and finance, their non-discrimination in their participation in society and economy, elimination of education and income inequalities, and strengthening their human, social and psychological capacities.



SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT

Socioeconomic advancement and empowerment contributes to Sustainable Development Goals:

SDG 1.1. By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.

SDG 2.3. By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

SDG 4.b. By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small-island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.

SDG 5.4. Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.

SDG 8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

SDG 10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

SDG 11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, people with disabilities and older people.

Sustainable Finance and Social Sukuk Categories

Project Selection and Evaluation Indicators

Socioeconomic
Advancement and
Empowerment

The ratio of the population living on the poverty line to the total population

Ratio of income of agricultural and livestock sector employees compared to minimum wage

Number of people benefiting from Family and Social Policies

Number of entrepreneurs and amount of financing provided for entrepreneurs

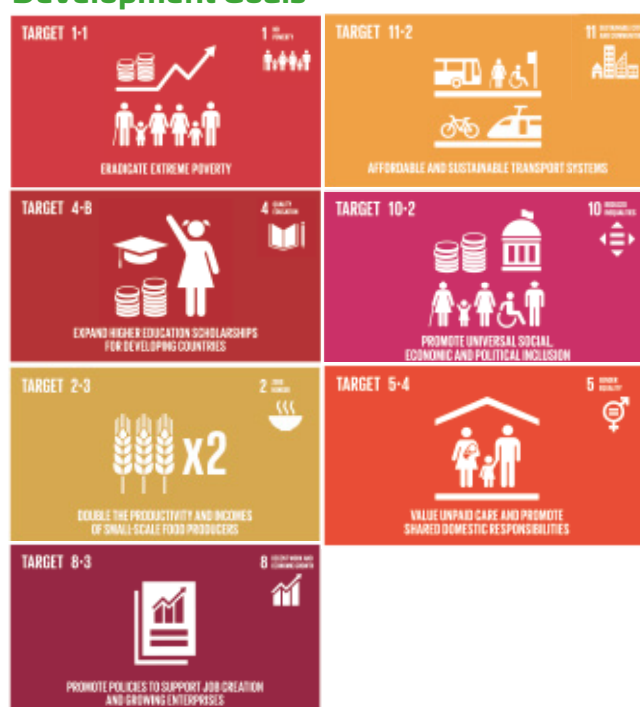
Equalization of income sharing (Gini coefficient)

Representation rate of women in administration and politics

Cycle path length

Rail transport length

Contribution towards UN Sustainable Development Goals





3. MANAGEMENT OF PROCEEDS

Following the preparation of Emlak Katılım's Green and Social Sukuk contracts, the net income arising from projects are managed in the specified accounts stated in the contract in a transparent manner. All revenues subject to Green and Social Sukuk issuance, and all processes related to use of revenues, are followed up by Emlak Katılım.

The management, use and distribution of such revenues is carried out in a convenient and transparent manner by the expert finance staff of Emlak Katılım. If necessary, these accounts can also be verified and audited by independent third parties.



1.
USE OF
PROCEEDS



3.
MANAGEMENT
OF PROCEEDS



2.
PROJECT
EVALUATION AND
SELECTION
INDICATORS



4. REPORTING

During the term of the contract, the company financed within the scope of Emlak Katılım, Sustainable Finance and Green and Social Sukuk issuance promotes the distribution and management of project revenue and the preparation of assessments by using project indicators, if available.

This evaluation includes quantitative information such as reduced carbon emission rates and the amount of cleanly produced energy. It may contain qualitative information such as the sustainability goals of the company using financing and how and to what extent the relevant investment serves the determined goals. This evaluation, which is prepared annually or can be renewed in case of a significant change in the scope of the project, can be prepared to include the following information:

Funding amount allocated for Sustainable Finance and Green and Social Sukuk

The amount of financing used and how the unused amount to be evaluated

Geographical distribution of project activity

Project description, quantitative features if available

Targeted and realized social and environmental impacts and the methods and assumptions used in the assessment of these impacts

Emlak Katılım may publish the evaluations obtained from the financed projects, as part of its own financial reports or as a stand-alone project report at its own discretion.

INDEPENDENT EVALUATION

For each Sustainable Finance and Green and Social Sukuk produced, if it is requested to confirm the compliance with the four basic principles mentioned in the financing framework and/or to make a quantitative impact assessment of any project, Metsims Sustainability Consulting, which developed this framework, will be able to provide support in this regard.

If a Second Opinion Evaluation is required, Emlak Katılım will be able to receive this service from an independent institution it deems appropriate.

METSIMS SUSTAINABILITY CONSULTING

Headquartered in Oxford, UK, with offices in Istanbul, Turkey, Metsims Sustainability Consulting is a leading consultancy delivering business value through sustainability, lean production and resource efficiency. Metsims Sustainability Consulting is specialised in life cycle assessment (LCA), corporate and product carbon footprint and management, environmental product declarations (EPD), environmental profiles of products, EU Ecolabel, environmental labelling, lean production, sustainability indicators and low carbon technology assessment, offering bespoke solutions to businesses across various industries. Metsims Sustainability Consulting is proud to have excellent consultants with many years of experience in metals and mining, ceramics, iron and steels, textiles, chemicals, building materials, food and drinks and energy industries.

Metsims Sustainability Consulting is also frontier in life cycle inventory dataset/database development on construction products for sustainable buildings. UK construction materials EPD Database-UKCoMDat is developed by Metsims Sustainability Consulting as part of Environmental Hub for Global Construction Products Database. We use our extensive knowledge and datasets for measuring sustainability, resource efficiency, circularity and eco-cost of any products and services. Metsims Thanks to its solid foundation in database development for sustainability benchmarking and measurement, we are able to provide project and investment ESG and sustainability assessment along with Second Opinion for the finance and banking industry.

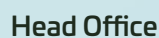
DISCLAIMER

This Framework was drawn up with the aim to provide objective information on the Sustainable Finance and Green and Social Sukuk contingent financing to be provided by Emlak Katılım. It is intended for investors in general, and not for a specific investor in particular. Consequently, this Framework is for information purposes only and Metsims Sustainability Consulting will not accept any form of liability for the substance of the conclusions and/or any liability for damage arising from the use of this Report and/or the information provided in it.

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