

Sustainability Report

1 July 2012 to 31 December 2013





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About this report

This second sustainability report from T. Garanti Bankası A.Ş. represents the bank's performance on the issue of sustainability as determined in parallel with the feedback of its stakeholders for the 18 month period ending 31 December 2013. Where relevant, the bank has also included data from the previous reporting period for comparative purposes.

Going forward, Garanti plans to report on its sustainability performance every 12 months.

This report has been prepared in accordance with Global Reporting Initiatives (GRI) G4 reporting guidelines to comprehensive level and also includes application of the G4 Sector Disclosures Financial Services sector supplement.

There is a comprehensive index according to GRI G4 principles on Page 142.





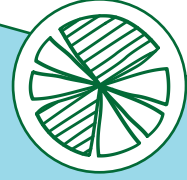
Our Mission

is to continuously and noticeably increase the value we create for our customers, shareholders, employees, the society and the environment by utilizing our influence, agility and organizational efficiency.



Our Strategy

is to maintain long-term sustainable growth by continuously creating value.



Our Vision

is to be the best bank in Europe.





Our Core Values

“Our customers ...”

Are the cause of all our operations and efforts. We always strive to satisfy our customers above and beyond their expectations. We are honest, courteous, helpful, solution-oriented and always pleasant.

“Garanti Bank & its employees have high moral values”

We conscientiously follow rules and regulations without exception. Having a good conscience is of paramount importance for both the organization and the individuals which form it.

“The most important element for us is the human factor”

We value individuals, attach strong importance to the human mind and invest continuously in human resources. Our quality is driven and ensured by our employees.

Every team member is driven primarily by a quest for quality. We understand the importance of delegating responsibilities. We encourage our employees to take initiative. We believe in the energy for “desire” that makes our employees creative and productive. We believe that every employee of our Bank is a “leader in his/her field” and that they are the one who knows best what they are doing.

Continuous progress

We sustain the quality of our services by constantly improving ourselves rather than maintaining the status quo. Investing in our people and technology to achieve continuous progress is an inseparable element of our policy. Our primary duty is to sustain a high level of quality while constantly improving the quality of our products and services. Our approach to improving quality is proactive; we strive to identify the needs and expectations of our customers and address them before they are voiced by our customers.

Our environmental & social responsibilities

We undertake every effort to be beneficial to the society, the environment and humankind. We believe that the environmental and social values set out by Garanti Bank for all of its stakeholders will be taken as a model not only in the banking sector but also in the entire national economy while providing significant contributions to Turkey’s development.

Teamwork

We believe in effective teamwork and open lines of communication. We do not compromise these principles. We are opposed to strict layers of hierarchy. Everybody at Garanti Bank from the CEO to the lowest ranking personnel and all of the organizations which we cooperate with coalesce into a unified power to realize the vision. The effective teamwork of the Bank is strengthened by collaboration, mutual trust and respect.



Key Sustainability Highlights



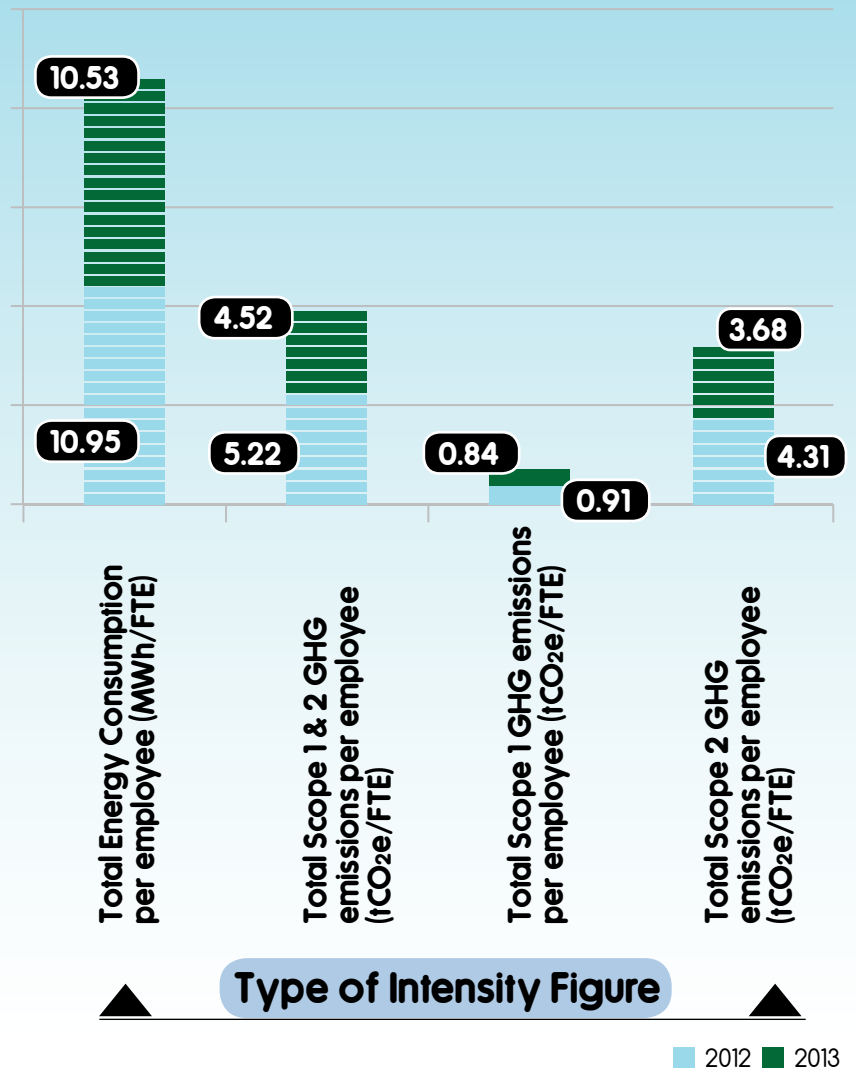
- ▶ Disabled-friendly 36 branches and 98 ATMs for orthopedically disabled people and 26 ATMs for visually disabled people
- ▶ 90 meetings organized in 64 provinces until the end of 2013, we got together with nearly 28,000 SMEs in Garanti Anatolian Meetings
- ▶ Amount of loans provided to women entrepreneurs reached TL 1.9 billion by end of 2013
- ▶ Total funds allocated to renewable energy investments reached USD 3 billion at end of 2013



- ▶ Garanti Bank signed Women's Empowerment Principles in 2014
- ▶ Percentage of women employees 57%
- ▶ Wind Energy – 57% Share of Garanti Bank in Turkey's total installed capacity of wind power among Turkish Banks (as of 2013)
- ▶ By end of 2013, 23 projects had been evaluated in depth in line with the Environmental and Social Impact Assessment Process



Energy Intensity Figures



- ▶▶ 18th strongest bank in the World¹
- ▶▶ 4,209 employees completed distance learning program to better serve disabled customers
- ▶▶ 497 women in 6 cities received certificates at Women Entrepreneur Executive School
- ▶▶ Reduced CO₂ emissions intensity by 23.1%
- ▶▶ 50% of employees working in ISO14001 certified buildings

- ▶▶ 67% increase in waste recycling
- ▶▶ The First Institution in Turkey awarded with "IIP Gold Certificate"
- ▶▶ Received "Sustainability Award for Environmental and Social Performance" from EBRD²

¹Ranked 18th in Bloomberg Market's annual "World's Strongest Banks" list in 2013 as the only Turkish Bank.

²In 2014, European Bank for Reconstruction and Development (EBRD) presented Garanti Bank with the "Sustainability Award for Environmental and Social Performance" for its comprehensive environmental social risk assessment system.



Sustainability Strategy and Policy

In April 2014, Garanti Bank officially approved a new sustainability strategy and policy in order to acknowledge the importance it places on conducting its business activities in a responsible manner and strengthen its Vision to be the best bank in Europe and its Mission of increasing the value it creates for its stakeholders.

Overall Sustainability Vision



Garanti Bank strongly believes that operating sustainably is a key driver to the long-term success of the Bank, and aims to be the leader in introducing and implementing sustainable banking to Turkey.

Building on the Bank's Core Values, Garanti Bank defines Sustainability as a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in.



Garanti Bank aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives.



Furthermore, Garanti Bank is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products and remain a sustainability leader in Turkey.



Sustainability Strategy and Policy

The below principles, highlight the measures Garanti Bank will be taking to achieve the Bank's sustainability vision:



Principle

Focusing on Customers through Sustainable finance

Areas of Focus

Introduce new practices to Turkey that go beyond common practices and compliance to relevant national laws and regulations;

Enhance E&S risk processes across the Bank and its subsidiaries to minimize the negative impact of lending and investment activities;

Educate customers on Sustainability and become a trusted advisor in supporting and facilitating customers to minimize their own footprint;

Develop products and services that help catalyze the transition towards a more sustainable economy, increase financial inclusion and commit to ethical marketing and selling.

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Principle

Focusing on managing Environmental impact of operations

Areas of Focus

Measure and monitor the Bank's environmental footprint, and implement measures to increase resource and energy efficiencies;

Set targets to reduce emissions and resource usage in targeted areas and increase cost-effectiveness;

Work closely with suppliers to benefit from the latest environmentally friendly solutions and expand sustainability across the supply chain.

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Principle

Focusing on Communities Areas of Focus

Invest in communities through direct contributions and development of mutually beneficial partnerships;

Build on Garanti Bank's current philanthropy and sponsoring activities to further increase the wellbeing and lifestyle of Turkish communities.

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Sustainability Principles

Garanti Bank focuses on improving the basics of banking by integrating sustainability into its operations.



Principle

Focusing on Stakeholders

Areas of Focus

Liaise and engage with different stakeholders at the national and international levels to follow the latest developments and include their views into decision-making processes;

Play an active role in increasing financial education and sustainability awareness within Turkish society;

Report transparently on issues material for the Bank and its major stakeholders.

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Principle

Focusing on Human Resources

Areas of Focus

Monitor employee satisfaction and ensure a fair remuneration and benefits scheme at all seniority levels;

Continuously educate employees and proactively engage them to develop and implement sustainable initiatives in their day-to-day activities, both at and outside work.

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Principle

Focusing on Corporate Sustainability Governance

Areas of Focus

Adopt an effective governance structure to develop, implement and monitor sustainability actions within the Bank;

Integrate sustainable banking into Garanti Bank's operations in line with the bank identity and culture.

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Sustainability Strategy and Policy

Sustainability Strategy Summary Chart

- ▶ Strengthen the financial capacity of Turkish women by providing them financial education and access to our products and services
- ▶ Support financial planning and health of our retail clients
- ▶ Develop innovative sustainable financial products linked to material issues for society and Garanti



SMEs and Retail Clients

Impact

Business
Financial Systems
Communities
Individuals



- ▶ Advise our corporate clients to help them make their businesses more sustainable
- ▶ Extend E&S risk framework and management systems across the bank, local and international subsidiaries

Corporate and Commercial Clients



- ▶ Develop and implement a financial education program
- ▶ Engage with stakeholders and build partnership
- ▶ Support philanthropic programs with a focus on material issues for society

Stakeholders

HR: Enhance employees knowledge and life style

Environmental Footprint: Enhance operational efficiency

Governance: Enhance integration of sustainability within the bank



Message from the



CEO Ergun Özen

Dear Stakeholders,

I am delighted to present our first Sustainability Report prepared in accordance with the new GRI G4 Sustainability Reporting Guidelines of the Global Reporting Initiative to Comprehensive option covering the 18-month period to 31 December 2013. During the reporting period, the world economy moved past the financial crisis toward a stabilized economy. While signs of improvement were becoming visible in developed countries, emerging market economies witnessed shifting capital movements, increases in bond rates, depreciation of national currencies and drops in stock markets in the latter half of the year. The Fed's announcements on tapering played a key role in shifting global market dynamics and the changing monetary policies of the Fed as well as other key central banks will continue to influence the global economy going forward.

Despite global economic uncertainties and changing parameters, the Turkish economy continued to grow throughout the reporting period, with 4.0% growth in 2013. Our banking sector was an important contributor to this growth performance with its strength and dynamism. In a challenging year such as 2013,

Garanti Bank's performance was a testament to its leading position in the Turkish financial sector. While Garanti strengthened its resource base through its outperformance in deposit growth and continued access to international funding sources it was also successful in channeling these funds to the Turkish economy. Garanti Bank's credit volume exceeded TL 163 billion in 2013 via diversified lending to consumers and SMEs as well as to large corporates.

As the global economy strives to continue to move beyond the financial crisis, the global community, including states, institutions and the civil society, is becoming increasingly aware of, and concerned with, issues surrounding sustainability. Rapid population growth, increasing urbanization and changing consumption habits resulting from rising prosperity are taxing the finite resources of our planet. Social and political transformation is altering communities, countries and regions. Physical effects of climate change are disrupting the lives of communities across the world. Changing technologies are altering modes of production, skills requirements and consumer preferences.

As Turkish citizens, we also feel the effects of these changes, from rising urbanization and its effects on the infrastructure of our cities to the need for greater empowerment of women in the journey to a more sustainable economy which utilizes the potential of the entire population, from greater scrutiny of institutions' environmental impacts to rising concerns regarding climate change and its effects including resource scarcity such as water. In short, Turkey and the world at large is facing overarching and often supranational issues in environmental and social sustainability, which necessitate collaborative efforts of governments, communities and the business world.

As a leading financial institution in Turkey, Garanti Bank is an integral actor in the financial sector. Moreover, with its scale and outreach of operations, Garanti Bank is a fundamental driver in achieving sustainable financial and economic stability. Aware of the responsibility which accompanies our impact, we are committed to contributing to sustainable growth in the communities in which we operate, conducting our business in a responsible manner and increasing the value we provide



As noted in our Policy, our aim is to ascertain the guiding principles of our sustainability strategy and efforts and, ultimately, to improve the basics of banking by integrating sustainability into all our operations.

for our customers, shareholders, employees, the environment and the society as a whole. We are further aware that these goals can only be achieved through shared responsibility and collaboration with all our stakeholders, engagement with our peers and institutions along our value chain and implementing best practices and international standards in our products and services.

To this end, I am proud to announce that in 2013 Garanti Bank developed a comprehensive policy governing its sustainability approach. Resting on 6 fundamental principles, our Sustainability Policy, which was approved by the Board of Directors in 2014, identifies key areas of impact for Garanti Bank and sets out the cornerstones of our roadmap towards a sustainable future as we work to become the best bank in Europe and increase the value we create for our stakeholders.

Our Sustainability Policy covers all business activities of Garanti Bank and was developed in line with corporate regulations and legislations as well as internationally recognized standards of sustainability regarding institutions in general and financial institutions

in particular. As noted in our Policy, our aim is to ascertain the guiding principles of our sustainability strategy and efforts and, ultimately, to improve the basics of banking by integrating sustainability into all our operations.

Following the inception of our new Sustainability Policy, we further undertook a reorganization of our sustainability governance structure with a view to optimization. During the reporting period, the Sustainability Committee comprised of a large number of internal stakeholders.

First formed in 2010, the Committee is the body responsible for managing the Bank's sustainability related initiatives and has worked to integrate sustainability into all our operations. In addition to the development of our Sustainability Policy as well as our Sustainability Strategy, other notable achievements of the Committee include the development and implementation of the Environmental and Social Loan Policies and the complementary Environmental and Social Impact Assessment Process as well as various stakeholder initiatives including membership to and engagement with international organizations such as UN Global

Compact, Turkish Business Council for Development and UNEP FI.

In 2014, the Committee membership was restructured to include the Executive Vice Presidents of Support Services, Loans, Project and Acquisition Finance, Strategic Planning & Investor Relations, SME Banking and Human Resources Coordinator. Reporting to the Committee, 7 working groups were established, each of which represent one of the principles identified in our Policy (with sustainable finance being divided into retail and corporate customer segments). The aim of this restructuring is to focus sustainability efforts in line with our Policy and Strategy and to facilitate decision-making and implementation processes.

During 2012 and 2013, Garanti Bank continued to offer sustainable products and services in a responsible manner. Our longstanding support to education, culture, arts, sports and the environment continued during the reporting period.



During 2012 and 2013, Garanti Bank continued to offer sustainable products and services in a responsible manner. Our longstanding support to education, culture, arts, sports and the environment continued during the reporting period.

For example, 'No Limits in Teaching' project ('Öğretmenin Sınırı Yok'), which we launched to address education, one of Turkey's most material issues, strives to provide personal and professional training to teachers through the Teachers Academy Foundation. By the end of 2013, the project had reached 85,095 teachers working at 3,407 schools in 79 cities since it started 5 years ago.

Aware of the importance of facilitating the access to financial services for all members of the community and our responsibility therein, we continued our efforts to transform our service points including branches and ATMs to accommodate our disabled customers. As of the end of 2013, Garanti Bank has 36 disabled-friendly branches, 98 orthopedically disabled friendly ATMs and 26 visually disabled friendly ATMs. We understand the importance of the role our branch personnel plays in providing financial services to our customers and we have undertaken trainings to raise awareness and provide the necessary tools for communication.

Regarding our efforts to improve the lives of our disabled customers holistically, we have taken on the sponsorship of the Wheelchair Basketball Leagues until October

2016 in the 12th year of our support to basketball. In addition, we began extending support to the women's, men's and juniors National Wheelchair Basketball Teams.

A key element of financial inclusion and a cornerstone of sustainable economic growth, SMEs have remained our focus. Since 2002, we have been meeting with SMEs in the Garanti Anatolian Meetings, which provides a discussion platform for solutions on the basis of sectors and provinces. In 90 meetings organized in 64 provinces until the end of 2013, we got together with nearly 28,000 SMEs.

Garanti Bank has long viewed women entrepreneurs as a special customer group within our SME banking platform. The amount of loans provided to women entrepreneurs has reached TL 1.9 billion at the end of 2013. In order to extend our support outside of the provision of credit, we collaborated with Bosphorus University Lifelong Learning Center to launch Women Entrepreneurs Executive School. The school is intended to provide women entrepreneurs with fundamental business, management and marketing knowhow and has been held in 6 cities during the reporting period.

Garanti Bank considers the management of its indirect impact on the environment and society via its lending activities as another key component of its sustainable finance approach and responsible banking commitment. To this end, we have been evaluating all new investment projects above a threshold with our Environmental and Social Impact Assessment Process. We aim to continue to observe international best practices and further develop our procedures where necessary.

Our commitment to our Environmental and Social Loan Policies and the principle of paying regard to maximizing the environmental and social benefits in financing projects considering their environmental and social impacts, has been embodied in our staunch financing support to renewable energy. The total funds allocated to wind energy investments have reached USD 1.5 billion at the end of 2013.

Simultaneously, we have continued our efforts to monitor, measure and manage our direct impact on the environment. Our Environmental Management System, certified to ISO14001 in 2013, is most extensive implementation of an EMS among Turkish banks. We aim to implement

Message from the CEO



We aim to implement our Environmental Management System in all branches and service centers of the Bank by the end of 2015.

EMS in all branches and service centers of the Bank by the end of 2015. Furthermore, Garanti Bank reported on its GHG emissions and climate change strategies relating to 2013 in its 5th submission to CDP in 2014. For the first time, this disclosure included an independent limited assurance of Scope 1 and Scope 2 GHG emissions for 2013.

As Garanti Bank, we will continue to work to fulfill our responsibility in the global effort for building a sustainable future. In this pursuit, we are committed to remain as a pioneer in developing and implementing innovative approaches through technology, effectively managing our environmental footprint and maintaining our environmental and social risk assessment framework.

I would like to invite you – our valuable stakeholders – to share your feedback regarding the content of this report, which underlines the steps that we have taken in the area of sustainability and wish all of you happy tomorrow.



sustainability@garanti.com.tr

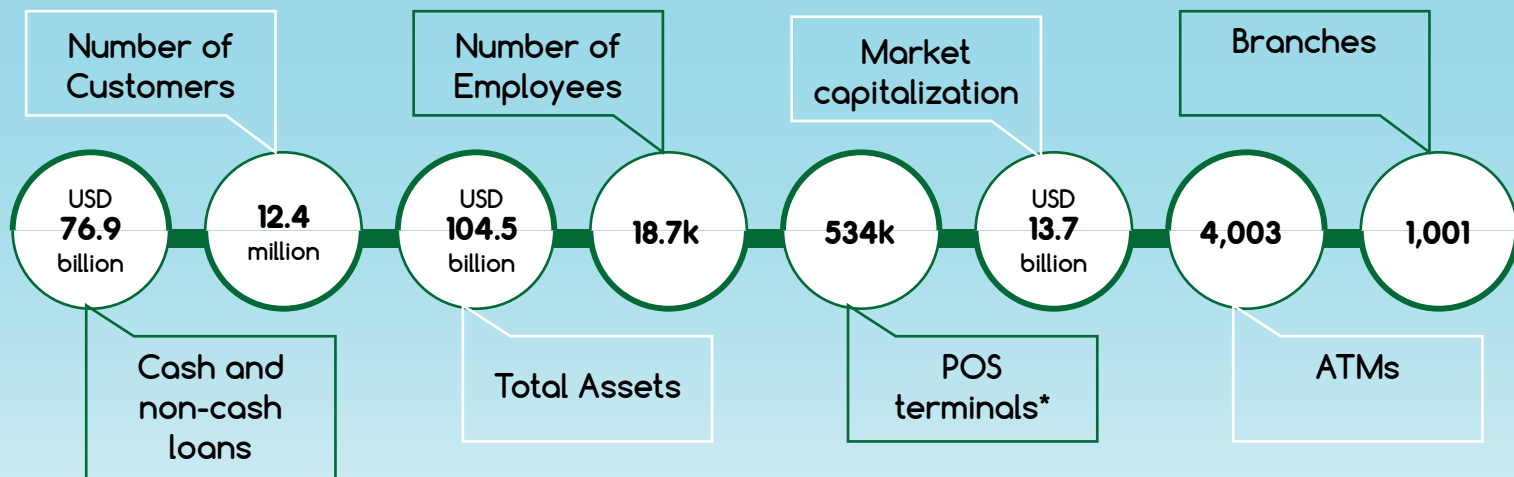


.....
Ergun Özen, CEO



Garanti in brief

Key Facts

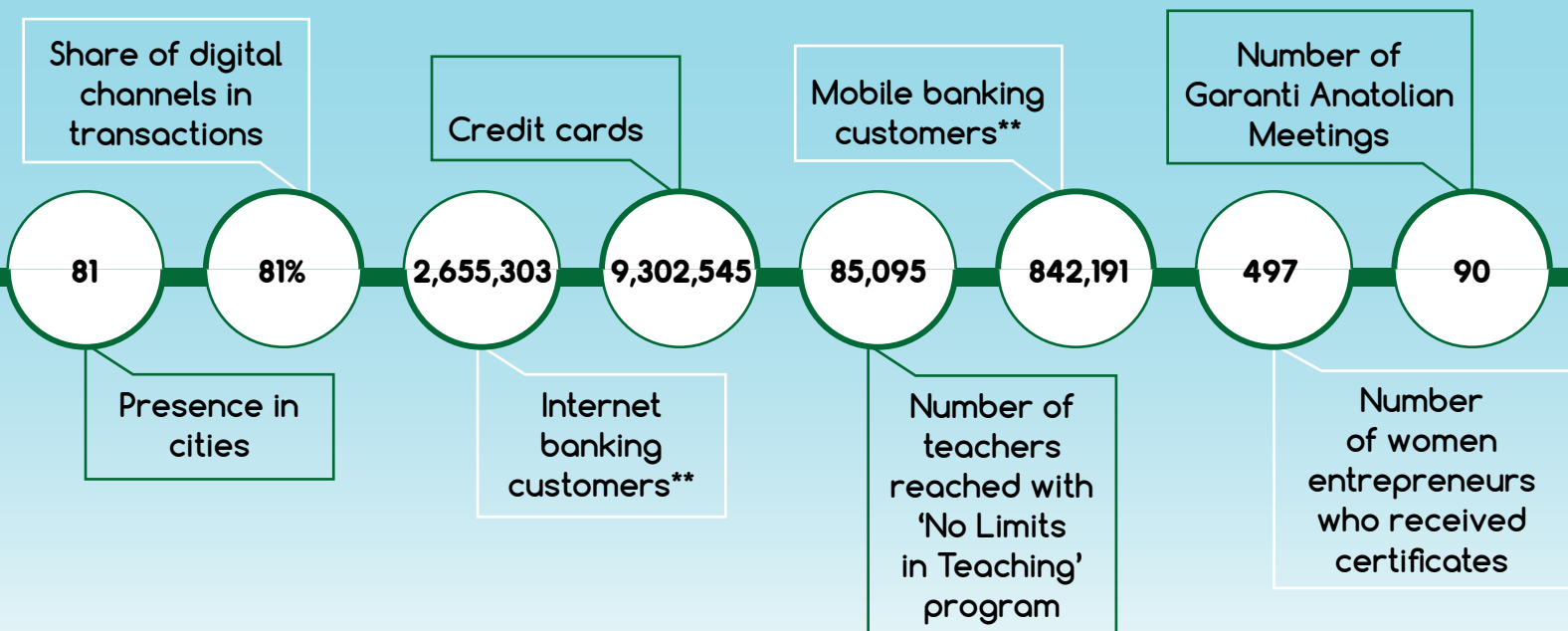


* Includes shared POS

**Active customers only – minimum one log or call per quarter

Selected Consolidated Financial Indicators of Garanti Bank (TL million)

| | 31 December 2013 | 31 December 2012 |
|------------------------------------|------------------|------------------|
| Cash Loans | 128.9 | 100.1 |
| Non-Cash Loans | 34.2 | 23.8 |
| Total Assets | 221.5 | 179.8 |
| Shareholders' Equity | 23.0 | 21.6 |
| Total Deposits | 119.2 | 97.8 |
| Profit before Taxes and Provisions | 6,436 | 5,779 |
| Profit before Taxes | 4,453 | 4,307 |
| Net Profit | 3,405 | 3,359 |



Key Financial Ratios* (%)

| | 31 December 2013 | 31 December 2012 |
|-----------------------------------|------------------|------------------|
| Average Return on Equity | 15.2 | 17.0 |
| Average Return on Assets | 1.7 | 2.0 |
| Non-Performing Loans Ratio | 2.7 | 2.6 |
| Capital Adequacy Ratio (Basel II) | 13.7 | 16.9 |



Market Shares* (%)

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Total Performing Loans | 12.5 | 12.8 |
| TL Performing Loans | 10.8 | 10.8 |
| FC Performing Loans | 17.0 | 18.3 |
| Credit Cards – Issuing Volume (Cumulative) | 17.2 | 17.9 |
| Credit Cards – Acquiring Volume (Cumulative) | 19.7 | 19.2 |
| Consumer Loans** | 13.6 | 13.0 |
| Total Customer Deposits | 11.3 | 11.5 |
| TL Customer Deposits | 10.4 | 10.0 |
| FC Customer Deposits | 12.9 | 14.8 |
| Customer Demand Deposits | 12.7 | 13.5 |
| Mutual Funds | 14.5 | 15.6 |

* For sector comparison, BRSA unconsolidated financials are used in market share calculation. Sector data is based on BRSA, commercial banks only.

** Includes consumer credit cards.

Garanti Bank in Numbers

| | 31 December 2013 | 31 December 2012 |
|-----------------------------|------------------|------------------|
| Branch Network | 1,001 | 936 |
| +Domestic | 990 | 926 |
| +Abroad | 11 | 10 |
| Personnel | 18,738 | 17,285 |
| ATM | 4,003 | 3,508 |
| Total Customers | 12,400,077 | 11,724,760 |
| Internet Customers** | 2,655,303 | 2,367,473 |
| Mobile Banking Customers ** | 842,191 | 439,634 |
| Credit Cards | 9,302,545 | 9,088,470 |
| Debit Cards (Paracard) | 7,350,311 | 7,014,706 |

** Active customers only

Group Structure

Garanti Bank's Ownership Structure and Information on Garanti shares:

| | Number of Shares | Nominal (TL) | Share (%) |
|---|------------------------|-------------------------|------------|
| Doğuş Group (Total) | 101,747,654,520 | 1,017,476,545.2 | 24.2256 |
| BBVA (Banco Bilbao Vizcaya Argentaria S.A.) | 105,042,000,000 | 1,050,420,000.0 | 25.0100 |
| Others | 213,210,345,480 | 2,132,103,454.8 | 50.7644 |
| Total | 420,000,000,000 | 4,200,000,000.00 | 100 |

Garanti Bank initially offered its shares to the public in 1990. The first Turkish company to offer its shares to international markets in 1993, Garanti participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, OTCQX International Premier in 2012, where companies traded must meet high financial standards and demonstrate an effective disclosure process.

Garanti shares are traded on the biggest market of Borsa Istanbul, National Market, while its Depositary Receipts are listed on the London Stock Exchange Main Market and are traded on the International Order Book (IOB) service for international shares.


Garanti Bank has a market capitalization of TL 29 billion (USD 14 billion) as of the end of 2013 and is the most valuable company in Turkey. With a free float ratio of 49.88% and TL 15 billion floating market capitalization, Garanti also has the highest free float in BIST 100. Garanti Bank share (GARAN), is the most traded stock with an average of TL 425 million daily turnover and constitutes 15% of BIST 100's total turnover. GARAN is also the most traded stock by foreign investors with a total foreign transactions turnover of USD 30 billion in 2013. Garanti Bank shares constituted 18% of foreign transactions in the BIST and represented 35% of foreign transactions among all listed banks.






Garanti Bank's Credit Ratings


Standard&Poor's (June 27, 2014)

| | | |
|-----------------------------------|--|----------|
| Outlook |  | Negative |
| Long Term FC ICR | | BB+ |
| Long Term TL ICR | | BB+ |
| Stand-alone Credit Profile (SACP) | | bb+ |

Moody's (June 9, 2014)

| | | |
|-------------------------------------|---|----------|
| Long Term FC Deposit Outlook |  | Negative |
| Long Term FC Deposits | | Baa3 |
| Long Term TL Deposits | | Baa3 |
| Short Term TL Deposits | | P-3 |
| Short Term FC Deposits | | P-3 |
| Bank Financial Strength Rate (BFSR) | | D+ (ba1) |
| BFSR Outlook | | Stable |
| Long Term National Scale Rating | | Aa3.tr |
| Short Term National Scale Rating | | TR-1 |

Fitch Ratings (July 22, 2014)

| | | |
|-----------------------------------|---|-----------|
| Outlook |  | Stable |
| Long Term FC | | BBB- |
| Short Term FC | | F3 |
| Long Term TL | | BBB- |
| Short Term TL | | F3 |
| Viability Rating | | bbb- |
| Support Rating | | 3 |
| National Long-term Rating | | AA+ (tur) |
| National Long-term Rating Outlook | | Stable |

JCR Eurasia Rating (April 28, 2014)

| | |
|-----------------------------|---------------------|
| Long Term International FC | BBB (Stable) |
| Term International TL | BBB+ (Stable) |
| Long Term National | AAA (Trk) (Stable) |
| Short Term International FC | A-3 (Stable) |
| Short Term International TL | A-2 (Stable) |
| Short Term National | A-1 +(Trk) (Stable) |
| Sponsor Support | 1 |
| Stand Alone | A |





Corporate Profile

Established in 1946, Garanti Bank, headquartered in Istanbul, is Turkey's second largest private bank with consolidated assets reaching USD 104.5 billion as of 31 December 2013.

Garanti is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage, and asset management besides international subsidiaries in the Netherlands, Russia and Romania.

Garanti provides a wide range of financial services with close to 19,000 employees to its 12.4 million customers through an extensive distribution network that reached 990 domestic branches, over 60 administrative offices and buildings located across Turkey, 6 foreign branches in Cyprus, one in both Luxembourg and Malta, 3 international representative offices in London, Düsseldorf and Shanghai and over 4,000 ATMs as of 31 December 2013 as well as an award-winning Call Center and state-of-the-art internet and mobile banking platforms built on cutting-edge technological infrastructure.



Garanti Bank is jointly controlled by two powerful companies, Doğuş Holding Co. and Banco Bilbao Vizcaya Argentaria S.A. (BBVA), under the principle of equal partnership. With shares publicly traded in Turkey, the UK and the USA, Garanti has an actual free float of 49.88% in Borsa Istanbul as of 31 December 2013.

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself

and facilitate the lives of its customers and by 31 December 2013 its cash and non-cash loans had reached USD 76.9 billion. The high asset quality attained through advanced risk management systems and established risk assessment culture set Garanti Bank apart from its peers in the sector.

Garanti is committed to creating value not only for its customers and shareholders, but for all its stakeholders and society. Garanti's long-term support to sustainability initiatives such as to the environment and education reflects this commitment and many examples are detailed in this report.



Garanti's Products and Services

Garanti facilitates life for its millions of customers with its rich product range and the following section summarises our main products and services. For a detailed description of Garanti Bank's products and services, please see pages 46 to 89 of the 2013 Annual Report:

http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page

Garanti's Integrated Subsidiaries

A list of Garanti's subsidiaries and their respective shareholdings are listed in Appendix 2. Detailed explanations of the different companies are provided on pages 69 to 80 of the 2013 Annual Report:

http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page





Milestones

2010

- ▶ First submission of its greenhouse gas (GHG) emissions and climate change strategy to the CDP Project
- ▶ Sustainability Committee established.
- ▶ Established "Atolye" (Workshop) - project-based innovation platform.

2011

- ▶ Became a member of United Nations Environment Programme Finance Initiative (UNEP FI).
- ▶ Environmental and Social Loan Policies implemented.
- ▶ Environmental and Social Impact Assessment (ESIA) System established.
- ▶ Construction of the Pendik Technology Campus started - to be designed according to the LEED criteria.
- ▶ KOBİLGİ (SME Information) seminars started.
- ▶ Established "SALT", an important milestone in the Bank's longstanding support for culture and the arts.
- ▶ Received acknowledgment in the CDP Project Global 500 Report 2011.
- ▶ Share in operational Wind Energy Power Plants in Turkey increased to 40%.

Since the Bank's inception in 1946, Garanti has had a long and proud history of leading the way in banking in Turkey and has achieved many firsts. A detailed list of key milestones in the Bank's history can be viewed on page 12 of the 2013 Annual Report, accessible from this web-link:

http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page?gbid2=202307

Table 1 above focuses on examples of the Bank's key sustainability milestones since 2010.

2012

- ▶ Full-time “Sustainability Team” established.
- ▶ Signed up to the United Nations Global Compact.
- ▶ First bank in Turkey to become a member of the Business Council for Sustainable Development in Turkey.
- ▶ Received the “2012 Turkey - Carbon Performance Leadership” award from CDP.
- ▶ Joined the WWF Green Office Program.
- ▶ Set up its Environmental Management System and Environmental Policy.
- ▶ Assumed, with the ISO14001 certificate, the title as the Turkish bank that implement an Environmental Management System in the highest number of buildings and to the broadest extent.
- ▶ First and only institution in Turkey to be deemed worthy of the Investors in People (IIP)³ certificate in the “Gold” category.
- ▶ Launched the Sustainability E-Learning Program that is open to all Bank employees.
- ▶ Joined the “HP Planet Partnership Program” for the disposal of used printer cartridges.
- ▶ Executives Summit and Future Meetings to be made carbon-neutral.
- ▶ Launched efforts to facilitate disabled customers' access to financial services.
- ▶ Started its first initiative for an environment-friendly supply chain by including a binding provision concerning full compliance with Garanti Bank's Environmental Management System in supplier contracts.
- ▶ “Rotaban” project brought into practice aiming to reduce fuel consumption of Garanti Bank's personnel service buses in Istanbul.
- ▶ Launched Disability-Friendly Banking initiative

2013

- ▶ Signed “Energy Efficiency in Buildings” manifesto developed by the Business Council for Sustainable Development in Turkey.
- ▶ Increased the number of service points which are included in the Environmental Management System to 260, and the number of Sustainability Representatives to 316.
- ▶ Launched an e-learning programme about its Environmental and Social Risk Management for its employees involved in lending operations.
- ▶ Became the first Turkish Bank to be assigned an A level for its Sustainability Report by GRI (Global Reporting Initiative).
- ▶ Recognized as “Best Bank for Sustainability in Turkey” by World Finance Magazine.
- ▶ Awarded by IAIR⁴, the first magazine that focuses on the global economy and sustainability, with “Best Bank for Sustainability – Europe” award.
- ▶ Joined the pilot programme of the International Integrated Reporting Council (IIRC).
- ▶ Obtained external assurance on its 2013 Scope 1 and 2 GHG emissions reported to CDP for the first time.

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³ IIP is the only international standard in the world to certify the quality of companies' HR practices.

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⁴ IAIR - International Alternative Investment Review, the first-ever magazine that emphasized sustainability from the perspective of the global economy.



Garanti's Sustainability-related indicators

Corporate Governance and Economic

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Market Value (USD billion) | 13.52 | 21.20 |
| Rank Among Publicly-Held Companies at ISE (by Market Capitalization) | 1 | 1 |
| Rank Among Private Banks (by Asset Size) | 2 | 2 |
| Rank Among Private Banks (by Loan Volume) | 2 | 2 |
| Non-Performing Loans (%)* | 2.74% | 2.65% |
| Earnings Per Share (TL)* | 0.81 | 0.79 |
| Net Income (TL)* | 3,405,449 | 3,359,044 |
| Number of Meetings of the Sustainability Committee | 1 | 2 |

* Based on BRSA consolidated figures

Customers

| | 31 December 2013 | 31 December 2012 |
|---|----------------------------|------------------|
| Customers | | |
| Volume of Loans supplied in Cooperation with KOSGEB ⁵ (TL million) | 13.8 | 40.5 |
| Number of Cities visited within the Scope of GAS ⁶ | 7 | 8 |
| Number of SMEs visited within the Scope of GAS | 1,990 | 2,492 |
| Volume of Loans Supplied for Women Entrepreneurs Support Package | Not Available ⁷ | 78 |
| Volume of Loans supplied to Renewable Energy projects (cumulative, USD billion) | 3.1 | 3.0 |

⁵ KOSGEB: Republic of Turkey Small and Medium Enterprises Development Organization. Further information available at <http://www.kosgeb.gov.tr/Pages/UI/Default.aspx>

⁶ GAS: 'Garanti Anadolu Sohbetleri' (Garanti Anatolian Meetings)

⁷ This metric is no longer tracked since not a current KPI. Total amount of loans disbursed to women entrepreneurs to date is TL. 1.9 billion

Environment

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Fossil Fuel Consumption (GWh) | 65 | 65 |
| Electricity Consumption (GWh) | 130 | 123 |
| Scope 1 Emissions (1,000 tCO _{2e}) | 15.6 | 15.6 |
| Scope 2 Emissions (1,000 tCO _{2e}) ⁸ | 68.5 | 74.0 |
| Scope 3 Emissions (1,000 tCO _{2e}) associated with Business Travel ⁹ | 3.7 | 3.0 |
| Reduction in annual GHG Emissions caused by Operational Renewable | 0.81 | 0.79 |
| Energy Projects financed by the Bank (million tCO _{2e}) | 2.9 | 2.6 |
| Ratio of Total Greenhouse Gas Emissions to the Bank's Total Assets (tCO _{2e} /TL billion) | 396 | 515 |
| Greenhouse Gas Emissions Caused by Business Travel (tCO _{2e} /number of employees) | 0.20 | 0.18 |
| Ratio of e-Learning Hours to the Total Training Hours (%) | 26% | 28% |
| Total Paper Consumption (1,000 tons) ¹⁰ | 1.73 | 1.75 |
| Water Consumption (x1,000 m ³) | 330.9 | 222.4 |

⁸ Garanti Bank calculated the grid emission factor for 2013 as 0.525 tCO_{2e}/MWh based on the production values published by Turkish Electricity Transmission Company, whereas a default value, i.e. 0.601 tCO_{2e}/MWh, provided by WWF was used for 2012. Accordingly, the decrease in the grid emission factor has resulted in a reduction in Scope 2 emissions.

⁹ In 2013, Garanti Bank started to calculate its Scope 3 emissions originating from purchased goods and services, employee commuting, transportation and distribution and paper consumption, in addition to indirect emissions associated with business travel which were previously the only source of Scope 3 emissions reported. Since the inclusion of those additional sources has resulted in an artificial increase in Scope 3 emissions in 2013, only Scope 3 emissions from business travel have been included in the intensity target calculation for 2013.

¹⁰ G4-22: Restated for the previous year because of the increase in data quality.



Human Resources

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Ratio of Women Employees to Total Employees (%) | 57% | 57% |
| Number of Women Employees in Senior Management (number of women managers/total number of managers) | 26/83 | 19/87 |
| Average Seniority (years) | 7.99 | 8.88 |
| Average Age of Employees | 32.10 | 32.40 |
| Average Training Duration per Employee (hours) | 54 | 51 |

Social Responsibility

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| Number of New Teachers reached through the "No Limits in Teaching" Project | 11,746 | 25,331 |





Focusing on Stakeholders

G4-24, G4-25, G4-26, G4-27



Dimensions used to identify stakeholders are:

► **By dependency:** stakeholders that are most dependent on Garanti e.g. customers who are dependent on Garanti's products and services for their financial health and planning

► **By influence:** stakeholders who are, or in future may be, able to influence the ability of Garanti to meet its objectives

► **By willingness to engage:** is the individual stakeholder/ stakeholder group willing to engage with Garanti on a certain Sustainability-issue

► **By responsibility:** stakeholders to whom Garanti has, or in the future may have, financial, operational or legal responsibilities

► **By proximity:** stakeholders that Garanti interacts with most, those Garanti depend on in day-to-day operations, those Garanti has longstanding relationships with etc.

► **By representation:** stakeholders that are through regulatory structures or culture/tradition entrusted to represent other individuals e.g. representatives of consumer organizations, trade union representatives

Stakeholders which are identified using the above-mentioned criteria are also prioritized based on their ability to influence Garanti Bank and the level of Bank's impact on stakeholders.

Based on the outcome of this assessment, Garanti Bank has identified its main stakeholders, as its customers, employees, top management, shareholders, investors, suppliers and finance sector, and the Bank's subsidiaries. Garanti Bank proactively monitors, empowers and cooperates with these stakeholders in order to make sure the impact on both Garanti Bank and its stakeholders is positive.



Garanti Bank uses the stakeholder feedback it receives to help determine its strategically important issues and focus on the sustainability topics that have most relevance to the Bank and its stakeholders.

Stakeholder engagement brings strategic value and commands importance by:

Improving economic performance



Minimizing and effective management of risks



Determining stakeholders' requests and expectations

Staying abreast of new developments and supporting the development of innovative products and services



Managing the impacts on the environment, and restructuring social responsibility activities.

During the reporting period, Garanti Bank worked with its subsidiary, Garanti Asset Management to support them in developing their ESG¹¹ Risk Management framework and Responsible Investment Policy.

In order to contribute awareness raising and facilitate collaboration among the Banking sector, Garanti Bank organized an Environmental and Social Risk Assessment training jointly with UNEP-FI and the Sustainable Finance Conference jointly with the UN Global Compact, and the Business Council for Sustainable Development in Turkey in the first quarter of 2013. Additionally, Garanti Bank was involved in the establishment of Sustainable Finance Working Group of Business Council in Turkey, and is currently the co-chair of this WG and is a board member to the association.

Similarly, Garanti Bank interviewed numerous strategic corporate customers in order to understand their expectations from the banking sector, and as to how banks should improve and the current sustainability challenges they face. Based on the feedback received from customers, the Bank updated its sustainability strategy to include actions to educate customers on sustainability and become a trusted advisor in supporting its customers in minimizing their own environmental footprint.

¹¹Environmental, Social, Governance.



Another key component of Garanti Bank's engagement with customers is maintaining open and collaborative communication on issues relating to environmental and social risk management during project due diligence. Through this engagement process, the Bank aims to contribute to its customers' environmental and social risk management capacity building as well as raising awareness on the impact of sustainability issues in the business world. To that end, the Bank communicates with customers through various means including bilateral meetings to present the Bank's approach, sectoral conferences where real and financial sector representatives are brought together to discuss sustainability issues and ongoing consultations with project owners during project development, implementation and operation phases. Ongoing consultations in particular are critical to establishing an open and positive dialogue with our customers and enable Garanti Bank's expert team to transfer knowhow on regulatory and technical issues to those customers who are in the process of undertaking various investments.

For those stakeholder groups where high impact is not reciprocal, Garanti Bank informs, consults, negotiates and undertakes proactive monitoring of these groups. For instance, Garanti Bank arranged meetings with leading ESG rating agencies to understand the level of interest for each sustainability

topic. As an outcome of these meetings, the priorities of Turkish stakeholders and the expectations of European ESG rating agencies were found to be substantially different from each other. As a result of the feedback from the European ESG rating agencies, Garanti Bank developed its Human Rights Declaration (see Appendix 6). Similarly, Garanti Bank supported Garanti Moscow in developing its Human Rights declaration (Both declarations were approved in 2014). Another example of stakeholder engagement activities with these groups were the meetings held with the European Climate Fund and Carbon Tracker Initiative, where both Garanti Bank and NGOs¹² shared knowledge about future trends affecting the energy sector.

While certain stakeholder groups do not have a high impact, given their likely significance outside the Bank as well as future possibilities to engage in productive collaborations when appropriate, the Bank nevertheless considers it an important responsibility to monitor these stakeholder groups. As an example, Garanti Bank has identified that universities fall under this category. During the reporting period, Garanti Bank delivered a half-day training to Sabancı University MBA students about its strategy to embed sustainability into core business, future trends and a comparison of real and financial sector in terms of material sustainability

concerns. Several experts from Human Resources, Corporate Brand Management and Marketing Communications Department and the Sustainability Team explained the work undertaken to increase Garanti Bank's sustainability performance to students. Subsequently, Garanti Bank conducted a short survey to understand the students' level of interest for each topic related to sustainability.

As part of this ongoing stakeholder engagement programme that formed a direct input to the preparation of this GRI G4 report, the Bank applied the GRI principle of 'stakeholder inclusiveness' for defining report content, reviewed its stakeholder engagement program and undertook specific additional engagement where it required further information to ensure that it fully understood the priorities of its most important stakeholders based on their interest in, and influence over the Bank's activities.

Garanti Bank engages with its stakeholders with regard to its sustainability performance through a range of different channels, such as the banking service process, strategic collaborations, one-to-one meetings, conferences, seminars, workshops, focus group studies, surveys and similar platforms as described in Table 2.

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¹²Non-governmental organizations.

G4-24 - Key Stakeholder Groups and Engagement Platforms

Table 2: External Stakeholders

| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|-------------------|--|--|--|
| Customers | <ul style="list-style-type: none"> ▶ Banking service process (Branches) ▶ Customer experience and market research ▶ Customer Care Line ▶ “Contact Customer Representative” Icon in internet banking platform ▶ www.garanti.com.tr ▶ Social media ▶ www.facebook.com/Garanti ▶ https://twitter.com/garanti ▶ https://plus.google.com/+garanti ▶ Social customer care (“Garanti’ye Sor”) ▶ Seminars, conferences and sector-based information meetings ▶ Communication activities ▶ Activities within the scope of social responsibility projects ▶ One to one meetings ▶ Teleconferences ▶ Feedback received via sustainability@garanti.com.tr | <p>Continuous interaction by email & mail social media accounts (Facebook, Twitter, Youtube, Instagram), telephone and through branches</p> <p>Ad hoc meetings as needed</p> | <p>Garanti Bank engages with its customers as part of the banking service process. Customers are able to submit their feedback concerning its environmental and social performance, as well as its products and services to the Bank through a number of channels, including the Customer Care Line, which is a specialized line for receiving feedback from customers who have raised complaints. Through this line, Garanti Bank assesses its customers’ problems and improves itself accordingly to serve them better.</p> <p>Garanti Bank considers its customers the focus of all its activities. Please refer to the section on ‘Focusing through customers through sustainable finance’ for details of developments concerning the Bank’s relationships with its customers, as well as its products and services.</p> |



| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|--|---|---|---|
| Public authorities/ Regulatory institutions | <ul style="list-style-type: none"> ▶ Systematic reporting ▶ Meetings, forums, conferences ▶ Periodical Audits ▶ Press releases ▶ One-to-one meetings ▶ Public Disclosure Platform | Varies from daily to once every three years depending on the type of engagement | <p>Garanti Bank demonstrates the utmost care in complying fully with the law and regulations in all of its activities. The Bank is in regular contact with the BRSA – the regulatory authority of the Turkish banking industry – as well as with SDIF¹³. Undersecretariat of the Treasury, Central Bank of the Republic of Turkey, the Capital Markets Board of Turkey, respective ministries, other institutions and agencies as required by laws and regulations.</p> <p>In order to increase its support for sustainable development, the Bank takes advantage of any opportunities for cooperation that arise with such platforms as TBCSD, UNEP FI and the UN Global Compact, of which the Bank is a member or through direct engagement. An example of this engagement process is the meeting held with the Ministry of Energy during the reporting period, where Garanti Bank presented energy sector risks, projections and insight on financial markets, as well as its suggestions for renewables. Garanti Bank’s suggestions included increasing feed-in tariff for renewables and accelerating the process for increasing the incentives for the usage of local equipment in renewable energy investments.</p> <p>Garanti Bank’s activities in order to ensure compliance to laws and regulations are explained in the section ‘Focusing on Corporate Sustainable Governance’.</p> |

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¹³The Savings Deposit Insurance Fund

Focusing on Stakeholders

| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|----------------------------------|---|---|--|
| Suppliers | <ul style="list-style-type: none"> ▶ Daily business cycle ▶ Meetings ▶ E-mail communication ▶ Ongoing relation during EMS¹⁴ (ISO14001) | <p>Continuous as general course of business (e.g. by email)</p> <p>Meetings as required</p> | <p>Garanti Bank is committed to addressing the environmental impact caused by its suppliers, in addition to the direct environmental impacts resulting from its internal operations. In 2012, the Bank started to include a new article to supplier contracts requiring new suppliers, especially in cleaning and catering, to comply fully with Garanti Bank's ISO 14001 Environmental Management System.</p> |
| Non - governmental organizations | <ul style="list-style-type: none"> ▶ Sponsorships ▶ Strategic collaborations ▶ Events ▶ Regular Meetings | <p>Minimum once every three months</p> | <p>Sharing with the communities in which it operates is one of the core values of Garanti Bank's corporate culture. Offering its expertise and knowhow to the service of the community and future generations, the Bank provides support to NGOs in Turkey regarding social, economic and environmental issues as well as carrying out joint projects with them.</p> <p>Please refer to "Focusing on Communities" section for further activities</p> |
| Media | <ul style="list-style-type: none"> ▶ Press conferences ▶ Press releases ▶ Interviews | <p>Varies depending on the type of initiative, minimum once every three months</p> | <p>Garanti Bank is in a transparent relationship based on mutual respect with the media. Garanti Bank establishes dialogue with national and international media and undertakes efforts with the objective of raising awareness about the Bank and its operations, and answering questions forwarded to the Bank in the swiftest and most straightforward manner. In 2013, Garanti Bank conducted a perception analysis for media, including direct interviews with journalists.</p> |

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¹⁴ Environmental Management System



| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|-------------------|--|---|--|
| Community | <ul style="list-style-type: none"> ▶ Garanti Anatolian Meetings ▶ Support for Women Entrepreneurs (Meetings with Women Entrepreneurs, Women's Entrepreneur Contest) ▶ KOBİLGİ (SME Informative) Meetings ▶ ÖRAV (Teachers Academy Foundation) ▶ Toplum Gönüllüleri Vakfı (Community Volunteers Foundation) ▶ Genç Hayat Foundation ▶ 12 Dev Adam Basketbol Okulları (12 Giant Men – Basketball Schools) Project ▶ SALT ▶ Social responsibility websites (GarantiTakvim) | Varies depending on the type of initiative, minimum once every three months | <p>Garanti Bank transparently announces all events – organized within the scope of its strategic collaborations with NGOs – with all of its stakeholders at Garanti Takvim's website (www.garantitakvim.com).</p> <p>The www.ogretmeninsiniriyok.com website also provides information concerning "No Limits in Teaching" project, of which the Bank is the main sponsor within the scope of the Teachers Academy Foundation.</p> <p>For detail on these activities please refer to the sections 'Focusing on Communities' and 'Focusing on Customers through Sustainable Finance'</p> |

Table 3: Internal Stakeholders

| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|-------------------|---|--|---|
| Employees | <ul style="list-style-type: none"> ▶ Talent Management Study ▶ Assessment and Development Center ▶ Garanti Leadership Academy ▶ 360 Degree Feedback Process ▶ Internal Customer Satisfaction Survey ▶ Employee Engagement Survey ▶ Suggestion and Idea Platforms "Önersen" and "Atölye" ▶ Career Opportunities Bulletin ▶ 4-Season Meetings ▶ Sustainability Representatives Network ▶ Future Meetings ▶ Garanti Managers Summit ▶ WWF Survey ▶ Sustainability@garanti.com.tr ▶ Interviews | <p>Varies depending on the type of engagement, minimum once every three months for trainings. In addition we liaise with our employees on a continuous basis via e-mail from sustainability e-mail account</p> | <p>Garanti Bank's most important driving force is its human resources. Garanti Bank is a leading and model company in the finance sector in terms of training and support it provides to its human resources. A network of Sustainability Representatives has been established to maximize the positive contribution of the Bank's employees to Garanti's sustainability performance. Önersen and Workshop Platforms aim to encourage all employees to produce and submit recommendations about the Bank's environmental and social performance. Training sessions are organized to ensure employees' active participation. With the aim of better structuring its awareness raising programs and measuring its progress, Garanti Bank conducted an employee engagement survey in collaboration with WWF in 2013.</p> <p>Please refer to the section 'Focusing on Human Resources' to learn more about the progress of Garanti Bank in the area of human resources.</p> |



| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|-------------------|--|---|---|
| Top Management | <ul style="list-style-type: none"> ■▶ Sustainability Committee Meetings ■▶ E-mail Communication ■▶ Periodically published informative publications (Annual and Interim Reports; Weekly and Quarterly Stockwatch Publications, semi-annually published Garanti Corporate Profile Booklets, weekly and quarterly newsletters) ■▶ Sustainability Meetings with the Executive Vice President Responsible for the Project and Acquisition Finance Department ■▶ Sustainability Representatives Network ■▶ Future Meetings ■▶ Garanti Managers Summit | Varies depending on the type of engagement, minimum once a week | <p>The Sustainability Committee, which is chaired by a Board Member, convened several times during the reporting period, assessing a range of sustainability issues and opportunities.</p> <p>Moreover, through the Sustainability Meetings held at least once a week, the Executive Vice President of Project and Acquisition Finance, who is also a member of the Sustainability Committee, is kept informed, thus ensuring that senior management provides regular guidance and support. For details of the Organizational Structuring at Garanti Bank, please refer to the section 'Focusing on Corporate Sustainable Governance'</p> |

Focusing on Stakeholders

| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|--------------------------------------|--|--|--|
| Shareholders, analysts and investors | <ul style="list-style-type: none"> ▶ Ordinary General Shareholders' Meetings ▶ Meetings with analysts and investors ▶ Phone calls/teleconferences, webcasts and e-mail communication with analysts and investors ▶ Public Disclosure Platform ▶ Periodically published informative publications (Quarterly newsletter Stockwatch, Semi-annually published Corporate Profile, CDP, Sustainability Report, Annual Reports, Earnings Presentation, Operating Budget Plan Presentation and Interim Reports – interactive or printed) ▶ Social media ▶ Perception Analysis Survey ▶ Investor Feedback Mechanism ▶ Shareholder Identity Analysis ▶ Roadshows | Varies depending on the type of engagement, minimum once a month | <p>The Bank, which is in constant communication with its shareholders and investors through various channels, carried out all required information disclosures during the reporting period in line with applicable regulations and paid utmost care to keeping domestic and foreign investors informed in the most straightforward and transparent manner.</p> <p>Based on a proactive approach to the development of its understanding of sustainability, Garanti Bank surveys its investors' assessments and reshapes its routine communication practices to ensure maximum contribution from its stakeholders regarding sustainability.</p> |



| Stakeholder Group | Engagement Platforms | Frequency of Stakeholder Engagement | Evaluation of Engagement in the Reporting Period |
|--------------------------------------|---|-------------------------------------|--|
| International Financial Institutions | <ul style="list-style-type: none"> ■▶ Meetings ■▶ Periodically published informative publications (CDP, Sustainability Reports, Annual Reports) ■▶ Phone calls/teleconferences, e-mail communication | Minimum on quarterly basis | The Bank collaborates with international financial institutions on topics such as renewable energy, energy efficiency, supporting women entrepreneurs and financial services offered to SMEs in order to meet Turkey's financial needs for sustainable growth. |
| Finance Sector | <ul style="list-style-type: none"> ■▶ Member of the Banks Association of Turkey ■▶ Member of the United Nations Environmental Programme Finance Initiative (UNEP FI) ■▶ Member of the Business Council for Sustainable Development in Turkey (TBCSD) ■▶ Member of the United Nations Global Compact (UNGC) ■▶ National and international conferences | Minimum once every two months | <p>The Bank engages in working groups with other banks in numerous organizations through its membership of initiatives such as UNEP FI and TBCSD.</p> <p>Garanti Bank actively participates in the "Role of the Financial Sector in Sustainable Growth Workgroup" of the Banks Association of Turkey.</p> <p>Please refer to page 41 for details of Garanti Bank's national and international memberships.</p> |

National and International Memberships

Garanti Bank has joined several reporting initiatives and is working with numerous organizations in the field of sustainability.

Working in close cooperation with all of its stakeholders, from its employees to business partners, to fully integrate sustainability to all operations and decision-making processes, Garanti notes national and international developments and engages in knowledge sharing with the financial sector through various platforms. In 2013, Garanti extended support to the Environmental and Social Risk Assessment (ESRA) Training Programme, the content of which was developed by the United Nations Environment Programme – Finance Initiative (UNEP FI) as well as to Turkey's first Sustainable

Finance Forum organized in May in cooperation with the Business Council for Sustainable Development in Turkey, UNEP-FI and the UN Global Compact Turkey Local Network. In line with Garanti's commitment to transparent sustainability reporting, it also joined the pilot program run by the International Integrated Reporting Council (IIRC) in 2013.

In 2014, Garanti Bank signed Women's Empowerment Principles, which were developed in 2010 by a collaboration between the UN Global Compact and UN Women. These Principles, which Garanti is the first bank in Turkey to adopt, are grouped in 7 key headings and provide guidance on how to empower women in the workplace, marketplace and community. <http://www.wepinciples.org/>. In addition,

Garanti Asset Management, which was founded in 1997 as a subsidiary of T. Garanti Bankası A.Ş., became a signatory to the UN Principles for Responsible Investment in August, 2011.

Garanti intends to continue to support activities and training programs that bring together the finance sector with others, enabling them to collaborate in the field of sustainability in the coming years.

The initiatives that Garanti Bank subscribes to and the dates of adoption are listed below. The initiatives listed below have been developed with the participation of a wide range of stakeholders though Garanti was not involved in their development.

Table 4: Sustainability Initiatives and Organizations adopted by Garanti Bank

| Initiative/Organization | Date of Adoption | Participation Status |
|---|------------------|----------------------|
| Women's Empowerment Principles | 2014 | Voluntary |
| Global Reporting Initiative | 2013 | Voluntary |
| WWF Green Office | 2013 | Voluntary |
| Turkish Green Building Association (ÇEDBİK) | 2013 | Voluntary |
| International Integrated Reporting Council (IIRC) – Pilot Pilot programme | 2013 | Voluntary |
| UN Global Compact | 2012 | Voluntary |
| Business Council for Sustainable Development in Turkey | 2012 | Voluntary |
| HP Planet Partners | 2012 | Voluntary |
| Equal Opportunities Model (FEM) | 2012 | Voluntary |
| United Nations Environmental Programme Finance Initiative (UNEP FI) | 2011 | Voluntary |
| CDP | 2010 | Voluntary |
| The Banks Association of Turkey | 1958 | Obligatory |



Approach to Materiality

G4-18

Garanti pays particular attention to its stakeholders (including employees, investors, customers, government entities and non-profit organizations) when identifying risks and determining their magnitude.

During the reporting period, Garanti Bank undertook a detailed materiality assessment, which formed the starting point for the materiality analysis required under GRI G4.

In carrying out the materiality assessment for the Sustainability Report, GRI Principles for Defining Report Content and Quality were applied so as to identify the information to be disclosed, by considering the Bank's activities, impacts, and the substantive expectations and interests of our stakeholders.

The Principle of Materiality was addressed by ensuring that the issues regarded as most important to the Bank's key stakeholder groups were prioritised in this report. The following section provides examples of the impact on this Report's content, and prioritisation of issues, of applying the Principle of Materiality.

With respect to Principle of Sustainability Context, general trends in sustainability in Turkey and internationally were taken into consideration, which was instrumental in ensuring that the report was materially complete. These trends

were investigated during the reporting period through desk research, interviews with peers and ESG rating agencies. The results of these studies were also used as an input while developing Garanti Bank's Sustainability Policy and Strategy.

The report content was reviewed against feedback received from key stakeholder groups during the Reporting Period to ascertain that no material information was omitted. It was also reviewed by senior management for completeness and accuracy, by which means, the Principle of Completeness was applied.

The application method of the Principle of Stakeholder Inclusiveness to the report content is explained in the section on Focus on Stakeholders on page 32.

Figure 1 summarises the results of the materiality analysis conducted in accordance with the GRI Principles for Defining Report Content and Quality. As per the G4 guidelines, topics relevant to Garanti Bank and to its stakeholders were updated making use of a variety of sources such as the Bank's commitments, media searches and the outcome of its engagement process. These were then linked to the corresponding GRI G4 aspects and the impact area (inside or outside the organisation) of each was assessed and determined. Topics are prioritized based on their significance of impact – their potential influence

on Garanti Bank's ability to deliver on its vision and strategy and influence on its stakeholder's assessments and decisions. Their significance of impact is determined based on the following criteria:

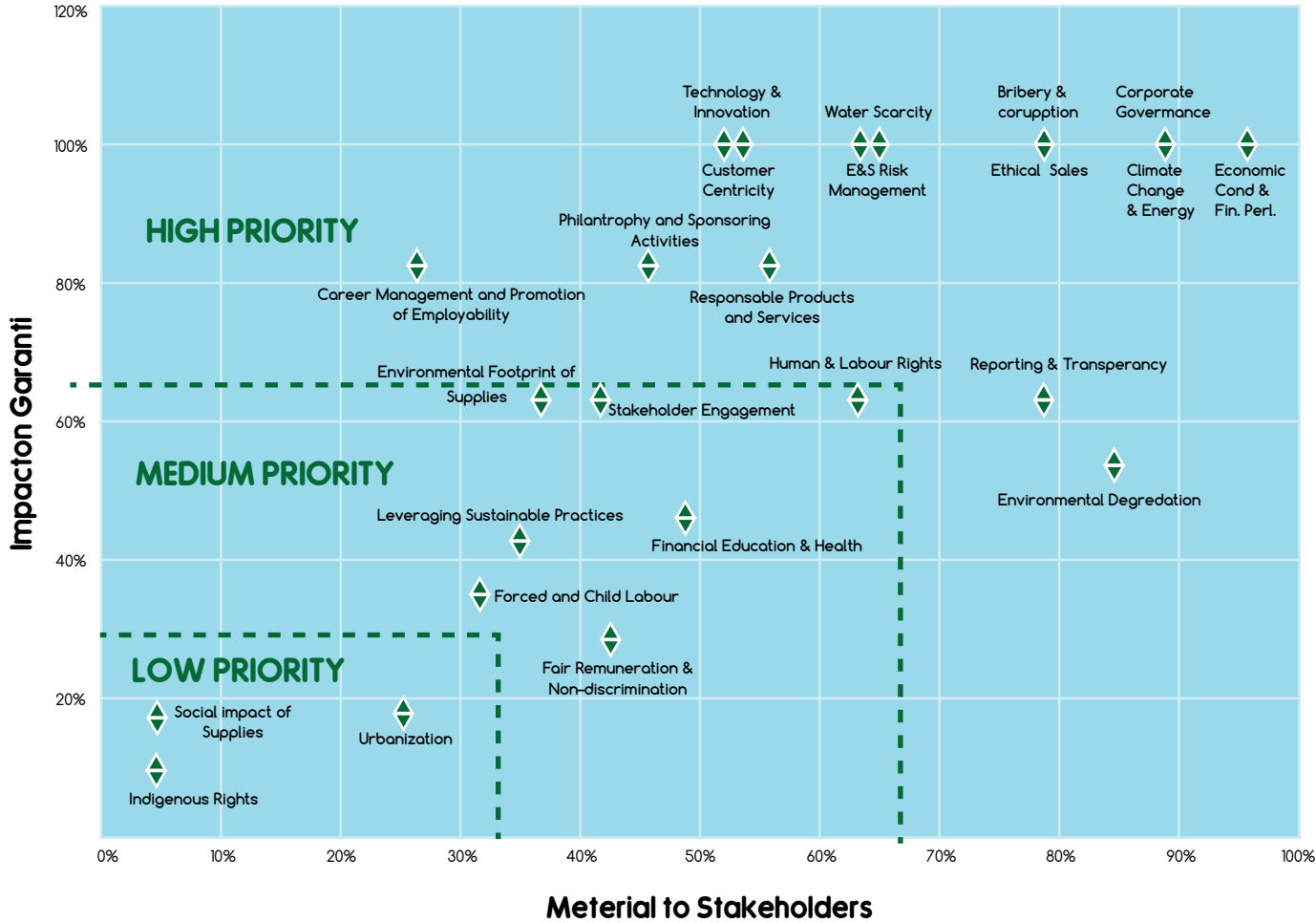
- Potential financial gain or loss,
- Severity of occurrence and scale of the risks and opportunities,
- Reputational impacts,
- Level of stakeholder interest,
- Relevance to Banking sector.

The results of this prioritisation, which are approved by the Executive Vice President for Project and Acquisition Finance and Sustainability, and a member of the Sustainability Committee, have determined the focus and level of detail provided on each topic in this report. For example, for the first time this year, a more in depth insight into Human Rights and Occupational Health and Safety has been provided. Conversely, direct environmental impacts on some areas such as water consumption that were deemed less material within the boundary of the organization were reported as a high-level overview.

Please see Appendix 9 on page 128 for a full list of the aspects deemed material, their boundary and explanations. In addition, the management approach to each material aspect was documented in the GRI G4 Index.

Focusing on Stakeholders

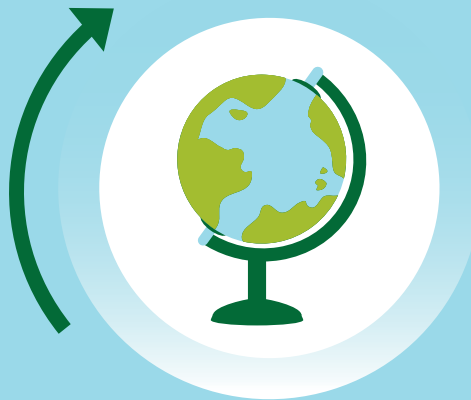
Figure 1: Garanti Bank's Materiality Matrix for Sustainability Issue



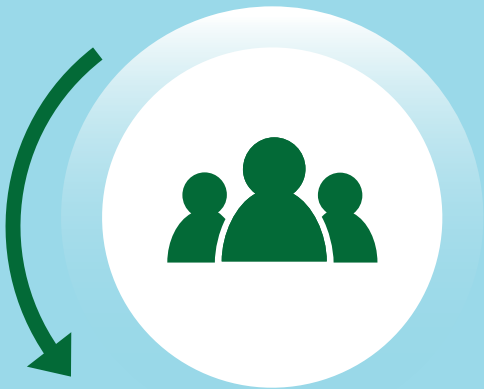


Focusing on Corporate Sustainability Governance

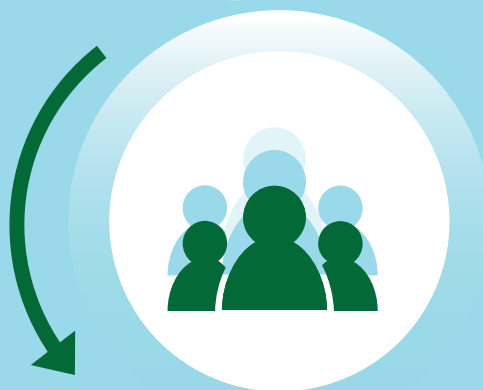
316 Sustainability Representatives received Environmental Management System auditor certificate



'For Garanti Bank, the essentials of good corporate governance practice are **transparency, accountability, straightforwardness, fairness and ethical values.**'



19 Committees and a Disciplinary Board



Sustainability Committee restructured with **7** working groups

Board of Directors and Senior Management

The Chairman and the CEO have different roles at Garanti Bank. The Chairman chairs the Board of Directors whilst the CEO's duty is to lead and manage the Bank's operations. This clear distinction establishes a balance between authorities and powers within the

scope of the Bank's corporate structure, drawing the lines of decision-making capacity of each position. On the other hand, the Board and the senior management cooperate to determine the Bank's strategic targets, in a manner which promotes synergy.

Garanti Bank's Board of Directors seats 10 members with the following composition as at 31 December 2013: 4 Executive Directors, 3 non-executive directors (excluding independent directors) and 3 independent directors. There were 9 male and 1 female board member.

Table 5: Garanti Board members

| Board Member | Role | Gender | Age Group |
|-----------------------------------|--------------------------|--------|-----------|
| Ferit Faik Şahenk | Chairman | Male | 30-50 |
| Süleyman Sözen | Vice Chairman | Male | 50+ |
| Ahmet Kamil Esirtgen, Ph.D. | Board Member | Male | 50+ |
| Ergun Özen | President and CEO | Male | 50+ |
| M. Cüneyt Sezgin, Ph.D. | Independent Board Member | Male | 50+ |
| Carlos Torres Vila | Board Member | Male | 30-50 |
| Manuel Castro Aladro | Board Member | Male | 30-50 |
| Cano Fernández | Board Member | Male | 50+ |
| Manuel Galatas Sanchez-Harguindey | Independent Board Member | Male | 50+ |
| Belkıs Sema Yurdum | Independent Board Member | Female | 50+ |

The principles adopted by Garanti Bank regarding whether there are rules and restrictions on Board members assuming duties outside of the Bank have been developed to be fully compliant with the Banking Law, Turkish Commercial Code and other relevant legislation.

For more information about Garanti Bank's Board of Directors and senior management, please refer to pages 102-108 of the 2013 Annual Report on the web: http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page?gbid2=202307



Committees

Garanti Bank has 19 committees and a Discipline Board Presidency, which are the basic elements of the Bank's corporate management structure and are listed in Table 6:

Table 6: Committees

| Name of Committee | # of Committee | # of by invitation | # of Female | % Women | Competencies |
|-------------------------------------|----------------|--------------------|-------------|---------|---------------------------------|
| Assets & Liabilities | 29 | 4 | 8 | 24% | Economic |
| Anti-Fraud Monitoring | 13 | 0 | 1 | 8% | Economic |
| Basel Steering Committee | 6 | 0 | 0 | 0% | Economic |
| Sustainability Committee | 7 | 0 | 1 | 14% | Economic, social, environmental |
| Audit Committee | 2 | 0 | 0 | 0% | Economic |
| Training Strategy Committee | 21 | | 6 | 29% | Economic, social, environmental |
| Credit Committee | 5 | 9 | 4 | 29% | Economic, social, environmental |
| Credit Risk Committee | 7 | 2 | 2 | 22% | Economic |
| Credit Processes Committee | 31 | 0 | 9 | 29% | Economic |
| Coordination & Monitoring Committee | 18 | 0 | 2 | 11% | Economic |
| Liquidity Risk Management Committee | 6 | | 1 | 17% | Economic |
| Customer Experience | 27 | | 8 | 30% | Economic |
| Operational Risk Committee | 5 | | 1 | 20% | Economic |
| Personnel Committee | 22 | | 5 | 23% | Economic |
| Market Risk Committee | 7 | | 2 | 29% | Economic |
| Branch Design Committee | 10 | | 2 | 20% | Economic |
| AML Compliance Committee | 4 | | 2 | 50% | Economic |
| Corporate Governance Committee | 3 | 1 | 1 | 25% | Economic |
| Remuneration Committee | 2 | | 0 | 0% | Economic |

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| Stakeholder representation | Notes |
|-------------------------------------|--|
| BoD, Subsidiaries | One female member rotates with 4 by-invitation members. |
| BoD, Subsidiaries | |
| BoD | |
| BoD | |
| BoD, Shareholders | |
| BoD, Shareholders | Various invitees may also attend throughout the year; some members; some members attend only twice per year. |
| BoD, Shareholders | All female members are 'by invitation' and not principal members. |
| BoD | Various department representatives may be invited based on the agenda. |
| Subsidiaries | |
| BoD, Shareholders | |
| BoD | |
| BoD, Subsidiaries, Business Partner | |
| - | Various department representatives may be invited based on the agenda. |
| BoD | |
| BoD | |
| BoD | |
| - | |
| BoD, Shareholders | Female members are 'by invitation'. |
| BoD, Shareholders | |





Joint targets of the Bank's committees include:

- Ensuring efficiency and productivity within the framework of acceptable risk parameters,
- Implementing the Bank's corporate strategy by aiming to comply fully with all legal requirements,
- Observing full compliance with ethical and corporate values,
- Maintaining a balanced and integrated performance economically, socially and environmentally.

For more information about Garanti Bank's committees, please refer to pages 111 to 115 of the 2013 Annual Report at: http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page?gbid2=202307

Risk management, internal audit and control functions

At Garanti Bank, risk management, internal audit and control functions are performed by teams that report to the Board of Directors and carry out their responsibilities in compliance with applicable legislation and independent of executive functions.

As part of its risk management strategies, which are vitally important for sustainable performance, Garanti Bank systematically monitors and measures its risk exposure through methods compliant with international standards and in line with its framework of written risk policies.

As per general industry practice and

relevant articles of the Bylaws On Procedures And Principles of General Assembly of Shareholders of Türkiye Garanti Bankası Anonim Şirketi, the performance of the Board of Directors is evaluated by the shareholders during the annual general assembly meetings where release of the board members are submitted to the approval of the shareholders.

Please visit pages 120-122 of the 2013 Annual Report to find more information on the Management of Market Risk, Interest Rate Risk Resulting from the Banking Book, Liquidity Risk, Credit Risk, Operational Risk, Reputational Risk and Other Risks:

http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page

Compliance Department

Working with the purpose of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help to continually improve the compliance culture and to establish a world-class compliance culture across the Bank. Details of the Bank's Compliance Department activities are listed in Appendix 5.

Anti-Fraud Monitoring Department

The Anti-Fraud Monitoring Department monitors centrally credit card, merchant, internet and application fraud under an organizational

structure formed in accordance with the "enterprise fraud prevention" approach. As part of the ongoing effort to monitor and control operational risks to which Garanti Bank is exposed, the Anti-Fraud Monitoring Department develops strategies to proactively monitor, detect, control and prevent acts of external fraud. The Department elaborates views and suggestions on the Bank's new product and service developments after assessing ongoing evolution of external fraud risks. The Department also conducts training and awareness programs in order to raise awareness among Garanti Bank personnel regarding the importance of tackling fraud and to establish this culture throughout the Bank.

Within the scope of effective detection and prevention activities against external fraud cases, losses due to credit and debit card fraud, merchant fraud, internet fraud and application fraud events remain at low levels although the overall trends have been changing and increasing with the development of technology.

Internal Audit Department

The auditing of Garanti Bank's head office units, branches and subsidiaries subject to consolidation is performed by the Internal Audit Department. The Department performs audit engagements within the relevant units with special emphasis on the following:

- Compliance of activities with applicable legislation and internal regulations,

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- ▶ Accuracy and reliability of all financial and non-financial data,
- ▶ Effectiveness of asset protection practices,
- ▶ Efficiency and effectiveness of operations.

The Internal Audit Department is also responsible for conducting investigations regarding fraudulent activities and forgery committed by employees or third parties against Garanti.

In order to effectively perform all these functions, the Internal Audit Department has divided its activities into the categories of on-site audits, remote audits, investigations & examinations and IT audits, and has arranged its organizational structure accordingly.

Internal Control Unit

The Internal Control Unit (ICU) ensures that a sound internal control environment is in place at the Bank. Accordingly, this unit performs necessary coordination work to ensure that activities are performed regularly, efficiently, effectively and in accordance with the management strategies and policies of the Bank and the applicable rules and regulations. In this context, the ICU helps maintain an infrastructure with functional separation of tasks, sharing of authority and responsibilities, establishment of a sound reconciliation system, integration of self-control mechanisms and systemic controls into processes and identification and monitoring of exposures.

The ICU also performs disaster recovery and business continuity management duties at Garanti Bank. The Disaster Recovery and Business Continuity Plan, which was prepared to minimize any operational losses resulting from business interruption, was revised in 2012 so as to include emergency procedures in the event of environmental threats.

Disciplinary Committee

The role and activities of the Bank's Disciplinary Committee are explained in Appendix 7.

Policies and Principles

Garanti Bank has established strong systems and processes in light of legal requirements, which serve to guarantee the Bank's long-term sustainability and strength when it comes to generating added value. Garanti Bank has set out a number of policies and principles on issues from customer satisfaction to legal compliance that include:

- ▶ Anti-fraud Policy
- ▶ Compliance Policy
- ▶ Customer Satisfaction Policies
- ▶ Environmental Policy
- ▶ Environmental and Social Loan Policies
- ▶ Ethical Principles
- ▶ Ethical Sales Principles
- ▶ Garanti Bank Risk Management Strategy, Policy and Procedures
- ▶ Internal Audit Charter

- ▶ Internal Control Policies
- ▶ Social Media Policy
- ▶ Sustainability Policy
- ▶ Total Quality Policy

Some of the above-mentioned policies are available on Garanti Bank's website. These are available both in Turkish and in English. All policies listed above are accessible by employees through the Bank's intranet due to confidentiality reasons and are only available in Turkish.

The following section gives details on some of the main policies in force at the Bank. Further information is also available on pages 118 to 122 of the 2013 Annual Report.

Anti-fraud Policy

The Bank's "Anti-fraud Policy" is designed to help prevent corruption within the organisation.

Tackling all types of corruption, including bribery and extortion, is a matter of the utmost priority for Garanti Bank. The Bank has necessary mechanisms in place to carefully and closely monitor this issue in all actions by its employees, customers, and suppliers.

The primary purpose of the Anti-fraud Policy, in which such mechanisms are set out, is to ensure prevalence of conditions for an honest and reliable working environment by raising awareness of all kinds of misconduct within the Bank.



By defining all types of misconduct, this policy aims to create a common point of view and raise awareness with the aim of preventing potential incidences of misconduct, to identify them in the shortest period of time, and to determine the measures which need to be taken against misconduct. The policy also sets out the responsibilities of the senior management, Disciplinary Committee, Audit Committee, Anti-fraud Committee, Internal Audit Department, Anti-fraud Monitoring Department, Human Resources, Learning and Development Department, Bank management and all other employees under a systematic and comprehensive approach in order to establish, develop and improve control systems with the purpose of preventing any potential incidences of fraud against the Bank.

The policy is applied uniformly and consistently without consideration of the duty, position or seniority of any persons found to be responsible for incidents of misconduct be they employees or other stakeholders. All policies and procedures are published on the Bank's intranet and announced to employees. The types of issues covered by the Policy are explained in Appendix 3.

Ethical Principles

The Bank's Ethical Principles define Garanti Bank's general principles such

as integrity, equality, transparency, protection of social benefits, respect for the environment, and emphasize the responsibilities of employees in situations where conflicts of interest may arise as well as the importance of the concept of confidentiality first and foremost relating to customer information. All employees are provided training on the Bank's ethical principles. Furthermore, all new employees are required to sign the Ethical Principles at the start of their employment. The full text of the Ethical Principles is available on the Bank's web-site: http://assets.garanti.com.tr/assets/pdf/en/ir_other/Garanti_Bank_Ethical_Principles.pdf

The Ethical Sales Principles emphasize that "reputation" is the Bank's most important value and set out the expected code of conduct, in detail, for employees who engage in sales activities.

Another fundamental principle adopted by Garanti Bank and its employees is that of 'no discrimination'; the Bank makes no discrimination in its business relations on the basis of language, race, gender, politics, philosophical belief, religion, sect or similar reasons.

As per the Ethical Principles, employees are not allowed to directly or indirectly give donations (cash or otherwise) to any political party or political organization or

representatives or candidates thereof on the name of the Bank, even if the donation is given to gain benefit to the Bank. The employees are not allowed to ask donations or similar benefits from the clients and other employees of the Bank for any political party, association or organization.

As explained on pages 68-71, in line with its Environmental and Social Loan Policies, Garanti Bank does not finance any activities which are restricted or banned under national legislation and/or international agreements to which Turkey is a party. It also does not finance projects or activities of people or corporations which have been proven to employ child workers or violate human rights. Garanti Bank rejects loan requests for such projects or activities without undertaking any further social and environmental impact evaluation and without any limit on the size of the loan.

Whistleblowing Programme

Employees are obliged to be familiar with both the statutory rules and the rules of conduct with which they have to comply throughout their employment. As part of their duties and responsibilities under the Anti-fraud Policy of the Bank, they are required to report any irregular act or transaction committed by any other employee of the Bank with malicious intent, in contradiction with applicable

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laws and the regulations of the Bank, which may cause harm to the Bank. Such reporting should be done to the respective employee's line manager and the Internal Audit Department ('Teftiş Kurulu Başkanlığı') immediately after becoming aware of any such act or transaction. Similarly, personnel are obliged to report any instance of fraud, theft in online banking, ATM banking or credit cards to the Anti-Fraud Monitoring Department ('Güvenli Operasyon Müdürlüğü'). Personnel are also obliged to immediately report to the Internal Audit Department any issue regarding misuse of power within the Bank.

Reporting can be done by e-mail or verbal declaration. The Internal Audit Department evaluates all issues reported and takes necessary action such as inspections and investigations once the facts are established. This Whistleblowing programme, which is elaborated in the Bank's Anti-fraud Policy, covers the practices, processes and acts, which the employees are expected to report on as listed in Appendix 3

Transaction Monitoring

In addition to electronic transaction monitoring to detect suspicious activities related to money laundering or criminal activity, external fraud activities are monitored centrally at the Anti-Fraud Monitoring Department

with an enterprise fraud management perspective. The Department monitors issuing, acquiring, online/telephone banking, demand deposit account transactions and consumer loan/ credit card applications across all channels on 7/24 basis with rule and score based software (FICO – Falcon Fraud Manager Tools). Real-time and online actions are taken immediately to stop fraudulent activities and anti-fraud strategies are updated rapidly and efficiently against constantly changing fraud trends thanks to the Department's ever-growing experience and expertise and its quick adaptation to new technologies.

Prevention of Conflicts of Interest

The aim of the Bank's Ethical Principles and Ethical Sales Principles are to help regulate employee behavior and the professional relations of employees in parallel with the Bank's commitment to corporate governance principles and ethical values. They have been prepared on the basis of the provisions of the Banking Law and other related regulations, occupational ethics, Garanti Bank's Personnel Communiqué¹⁵ and procedures. Both documents are published on the intranet and can be accessed by all Bank personnel and lay out principles that all Bank personnel are responsible for following such as use of insider information and accepting

gifts. In the event that any compliance failures are identified, necessary disciplinary sanctions are taken with respect to responsible party in line with the Bank's Personnel Communiqué and Ethical Principles.

Under Turkish law, companies that are part of a holding group can engage in intragroup sales of goods and services and are subject to the inspection of the Thin Capitalization, Transfer Pricing and Offshore Income Groups Directorate of the Turkish Tax Inspection Board (TTIB). Such transactions are also regulated and/or monitored by BRSA and CMB. As a consequence, all transfers between Garanti Bank and its related parties are regulated and/or monitored as per relevant regulations of the Ministry of Finance, BRSA and CMB and reported to the related authorities. For further detail, please see page 145 of our 2013 Annual report.

Additional information on the mandates of board members in different affiliates of Garanti Bank or other companies or associations are not subject to restrictions and can be found through the Public Disclosure Platform web page; <http://www.kap.gov.tr/en/companies/traded-companies/all-companies/detail.aspx?sid=1081>

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¹⁵ As of June 2014, the Personnel Communiqué has been revised and some topics have been added which are mentioning on types of Conflict of Interest; like the usage of information obtained in the Bank, employee's usage of personal accounts, acceptance of gifts and rewards, usage of accounts those who related to employees, business conducts with those who related to employees, capital market transactions of the employees.



Implementation of Basel II Criteria

Official reporting in line with Basel II began in July 2012. Provided that banks operate in line with defined standards, Basel II contributes to the development of market discipline. The Basel II criteria also contribute to a stronger and more powerful banking industry, while integration with the global financial system helps the banking industry curb the size of the informal economy. In 2013, The Risk Management Department continued to undertake the necessary coordination to ensure compliance with Basel requirements.

Regulation on Measurement and Evaluation of Capital Adequacy of Banks. On the other hand, with the publication of BRSA regulations governing calculation of credit risk using methods based on internal rating and measurement of operational risk using the advanced measurement approach to attain alignment with Basel II/CRD, efforts to this end are expected to gain speed in the banking industry.

In accordance with the Basel II second pillar convergence process, guidelines and regulations for ICAAP and Stress tests were published in 2014 in order to develop risk management practices, making them more active in decision-making processes and to provide extensive cover against risk exposure. Works regarding ICAAP and Stress Tests are coordinated by the Risk Management Department.

Garanti Bank will continue to efficiently manage the risks it is exposed to in line with its strategy and activities through limits and audit activities, while complying with legal regulations and overseeing potential stress conditions. The efficiency and adequacy of the audit and risk management systems will be supervised by the Audit Committee and the Board of Directors, and necessary work concerning the management of risks, which the Bank will be exposed to, will be coordinated by the relevant risk committees also in 2014.



Fines incurred during the reporting period

Based on the Turkish Competition Board decision dated 2 November 2011, numbered 11-55/1438-M, it was decided to initiate investigation about the Bank pursuant to Law No. 4054 on the Protection of Competition in order to determine whether the Bank had made an agreement, or was involved in a concerted act, to restrict competition regarding the interest rates to be applied to banking products. As a result of the investigation, by its decision dated 8 March 2013, the

Turkish Competition Board imposed an administrative fine of TL 213,384,545.76 against the economic group composed of the Bank, Garanti Ödeme Sistemleri A.Ş. and Garanti Konut Finansmanı Danışmanlık A.Ş. on the ground that Article 4 of the aforementioned Law was violated. Under Article 17 of the Misdemeanor Law no. 5326, three quarters of the said amount, TL 160,038,409.32, was paid on 14 August 2013. The Bank filed a notice of appeal with the Administrative Court of Ankara against the said decision on 12 September 2013 and proceedings are still pending.

During 2013, payments made for administrative fines imposed by regulatory and audit authorities against

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the Bank amounted to TL 161,853,162.17, including the administrative fine mentioned above. On the other hand, under the BRSA inspections on the Bank's savings deposits, it was reported that the Bank had premium debt due from the period 2007-2013 to investment fund accounts which were opened without customers' instructions. As a result, the Bank has been ordered to pay the premium and overdue interest debt of TL 37.4 million covering the period December 2007-December 2011. The payment for the relevant administrative fine was made in January 2014 and a lawsuit has been filed against this act. Following the reporting period, Garanti Bank has reached an agreement with the Savings Deposit Insurance Fund (SDIF) and has withdrawn the lawsuit, which was filed against the SDIF for the notification of premiums and overdue interests that were already paid by the Bank with reserve. According to such agreement, overdue interest amounts will be deducted from the future premium payments to be made to SDIF. The amount which is to be deducted from the future premium payments is TL 15,603,108.28.

Furthermore, the following took place in relation to tax audits:

As a result of inspections held by the Istanbul Large Taxpayers Office of TTIB regarding the banking and insurance transactions tax (BITT), it was determined that payments made under the title of "service fee" by the Bank's contracted merchants to an institution other than the Bank between 2007 and 2010 need to be

collected by the Bank. Tax Audit Reports for the relevant years were prepared with the claim that the Bank had undercalculated BITT. As a result, tax/penalty notices for the years 2007 to 2010 were notified to the Bank and in accordance with the conciliation provisions of the Tax Procedure Law, the Bank reached an agreement to pay the tax fines of TL 13,215,080 on 9 April 2013 following the negotiations with the TTIB Large Taxpayers Office Commission of Conciliation.

The Istanbul Large Taxpayers Office of TTIB held inspections regarding the purchase and cancellation process of the founder share-certificates by the Bank in 2008 through the fund obtained following the capital increase, in terms of income and corporate tax withholding. As a result of these inspections, the authorities claimed that the payments made to the holders of the founder share-certificates should have been deemed as dividend payments and the Bank had undercalculated the income and corporate tax of these payments. Accordingly, a Tax Audit Report and a tax/penalty notification for TL 211,510,761.15 (actual tax: TL 84,604,304.46 and fine: TL 126,906,456.69) have been prepared by

the authorities. The Bank made a conciliation request with the relevant tax office regarding the said assessment.

Sustainability Committee

Garanti Bank believes that the concept of sustainability must be embedded throughout its decision-





making mechanisms and business processes to create value for its stakeholders and, as a consequence, has integrated a sustainability team structure with Committee Members representing all major lines of business throughout its organisation.

The Sustainability Committee, established in 2010 to coordinate all the Bank's activities in terms of sustainability, is the highest committee that formally reviews and approves the Bank's sustainability report and is chaired by a Board member. Its composition was amended on 10 February 2014 and the current membership of the Committee is as follows:

Table 7: Sustainability Committee Members

| Sustainability Committee Member | Title |
|---------------------------------|--|
| M. Cüneyt Sezgin | Independent Board Member and Committee Chair |
| Adnan Memiş | EVP, Support Services |
| Ebru Edin | EVP, Project and Acquisition Finance |
| Erhan Adalı | EVP, Loans |
| Murat Mergin | EVP, Strategic and Financial Planning |
| Nafiz Karadere | EVP, Corporate Brand Management and Marketing Communication, SME Banking |
| Osman Tüzün | Coordinator, Human Resources |

The Sustainability Committee meets regularly in order to monitor the progress on and to provide input to all sustainability efforts. The Committee is deliberately structured to integrate sustainability concerns and opportunities into all operations, products and services. In addition, this structure ensures that all efforts are consistent with internal policies and related regulations. The Sustainability Committee's role is to agree on strategic direction and action plans for the Bank. The Committee has met a total of 13 times since its inception in 2010 and met once in 2013. The Sustainability Committee meets to review and take decisions on recommendations raised by the Sustainability Team and functional representatives regarding sustainability-related topics.

In addition to this high-level committee, Garanti Bank has formed the following 7 working groups ("WG") based on the Bank's Sustainability Policy:

- WG focusing on Customers through Sustainable Finance (Retail Banking),
- WG focusing on Customers through Sustainable Finance (Commercial Banking),
- WG focusing on managing Environmental impact of operations,
- WG focusing on Communities,
- WG focusing on Stakeholders,
- WG focusing on Human Resources,
- WG focusing on Corporate Sustainability Governance.

Focusing on Corporate Sustainability Governance

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Concerns related with sustainability are raised with the Sustainability Committee and appropriate action is taken, including undertaking specific initiatives, and making policy recommendations. The critical concerns raised during the Committee meetings are listed in Table 8.

Table 8: Critical Concerns raised by key stakeholder groups and the Bank's response

| Critical Concern | Stakeholder Group that raised the Critical Concern | Garanti's response to Critical Concern |
|---|--|--|
| Lack of a publicly available Human Rights Policy | ESG rating agencies | Based on their feedback, Garanti Bank developed its Human Rights Declaration (see Appendix 6), which was approved by the Sustainability Committee and published in 2014. |
| Lack of a Responsible Investment Strategy | Top Management | Garanti Bank has started to support its subsidiaries in developing their own ESG policies and risk management systems. Accordingly, Garanti Bank held meetings with two more subsidiaries on this issue in the first half of 2014. |
| Need for robust Scope 1 and 2 GHG emissions | ESG rating agencies Top Management | The Bank got its 2013 Scope 1 and 2 GHG Emissions that were reported to CDP in 2014 assured by the independent audit firm KPMG. |
| Lack of efficiency in Sustainability Governance across the Bank | Top Management | The Bank's Sustainability Committee was restructured in early 2014, as explained in this section on the Sustainability Committee, to allow effective coordination of all sustainability concerns of the Bank. |

The Committee ensures the integration of all material aspects, economic criteria and environmental and social factors into the Bank's operations, products and services, and decision-making mechanisms.



Sustainability Team

In 2012, Garanti Bank established a full-time Sustainability Team which resides in the Project and Acquisition Finance Department. This Team was formed in order to enhance the efficiency of its organizational structure for sustainability. Consisting of five members in total including the Sustainability Manager of the Team and the Senior Vice President of Project and Acquisition Finance Department, the Team includes two environmental engineers amongst its members.

The Sustainability Team is responsible for the coordination of all sustainability-related activities at Garanti Bank on a day-to-day basis. The Team, which reports to the Sustainability Committee on a regular basis, works in cooperation with the Bank's other units during the implementation of the decisions taken by the Committee. Monitoring the Bank's sustainability targets and performance over each 2-week period, the Team ensures the consolidation of sustainability-related data coming from across the Bank and evaluates such data in line with

the Bank's targets. The Team is also responsible for the coordination of the process of collecting information from other departments.

By the end of 2013, Garanti Bank had 316 Sustainability Representatives, who are responsible for working in coordination with the Sustainability Team to collect data and support the implementation of the decisions taken by the Sustainability Committee within their own departments, from headquarters, regional directorates and branches.

As noted in the preceding section, the Sustainability Governance structure at the Bank was restructured following the end of the reporting period and is as currently shown in Figure 2.

Figure 2: Sustainability Governance at Garanti following the restructuring in 2014

Sustainability Committee

Chairman: Dr. Cüneyt Sezgin

Members

| | |
|----------------|--------------|
| Erhan Adalı | Adnan Memiş |
| Ebru Edin | Murat Mergin |
| Nafiz Karadere | Osman Tüzün |

Sustainability Team



Working Groups

- Sustainable Finance (Retail Banking)
- Sustainable Finance (Commercial Banking)
- Operational Impact Mgmt
- Communities
- Stakeholder Engagement
- Human Resources
- Corp. Sust. Governance

Focusing on Corporate Sustainability Governance

Awards



Garanti Bank was recognized for its progress in the field of sustainability by World Finance and was awarded the Best Bank for Sustainability in 2013.



Garanti has also been named the Best Bank for Sustainability - Europe in the competition held by IAIR¹⁶ in 2013.



In 2014, European Bank for Reconstruction and Development (EBRD) presented Garanti Bank with the "Sustainability Award for Environmental and Social Performance" for its comprehensive environmental social risk assessment system.



In 2014, Garanti Bank has recognised for the "Best Bank in Sustainability" by the Turkish Green Building Council at the 3rd International Green Building Summit, and also has awarded by Association Otherways Management & Consulting with "Global Green Award" for environmental achievements and sustainable practices.

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¹⁶ International Alternative Investment Review, the first-ever magazine that emphasized sustainability from the perspective of global economy.



Focusing on



Garanti Bank aims to embed sustainability through the entire customer service cycle and has already developed numerous sustainability products and services, ranging from SME banking to retail banking and project finance. In order to offer the best service experience to its customers and to ensure their continuous satisfaction, Garanti Bank is committed to sustainability to generate long-term added value.

Importance of Customer Experience and Satisfaction

Listening to customers, identifying their needs and addressing areas where they are not satisfied are the cornerstones of Garanti Bank's

customer experience process and an important element of its sustainable economic performance. These unstinting efforts contribute towards further enhancing the level of customer satisfaction.

The bank uses a five-pillar methodology to improve the experience it delivers. First, it listens to customers in order to get insight, collects customer feedback via various channels: Complaint reports, customer experience researches, exit surveys, mystery shopping, social media, customer hotline and via its employees.

As a second step, analysis are conducted to better understand the root causes and define pain / passion points. Thirdly, the improvement areas are defined according to the results of root cause analysis. According to improvement areas, different projects are designed where task forces, including all the related parties, work on for a better customer experience. Lastly, to measure the delivered projects is the final step of the closed loop methodology.

To ensure that all parties in Garanti are aware of CEM issues and participate in the resolutions, a platform named Customer Experience Platform is built. Customer Experience Platform is responsible for bringing all

Customers through Sustainable Finance



customer experience related issues into one place. It has participants from various customer related departments and is sponsored by EVPs.

The ISO 10002:2004 Complaint Management System certificate, awarded to the Customer Satisfaction Department by the British Standards Institution (BSI) in 2006 and renewed every year, makes Garanti Bank the first Turkish bank to have its Complaint Management System certified at international standards. The Bank has the following customer satisfaction initiatives in place.

- ▶ Wind Energy – 57% share in Turkey’s total installed capacity of wind power among Turkish Banks (as of 2013)
- ▶ By end of 2013, TL 1.2 billion credit provided to agriculture sector including TL 724 million to small farmers
- ▶ The Entrepreneur Handbook made available in an interactive format
- ▶ The Bank of Many Firsts in Payment Systems, Internet, Mobile and Social Banking Platforms
- ▶ By the end of 2013, 23 projects evaluated in depth in line with the Bank’s Environmental and Social Impact Assessment Process
- ▶ 7 cities visited as part of Garanti Anatolian Meetings in 2013
- ▶ New product for financing of solar power projects under 1 MW for SMEs



Table 9: Customer Satisfaction Initiatives

| Initiative | Explanation |
|---|---|
| Root Cause Analysis | The causes of dissatisfaction with products, services and processes are identified through root-cause analysis which are aimed at obtaining insights and finding the main factors that lead to complaints on the customers' side. |
| Customer Compensation | Customers are compensated in the event they suffer financial loss due to Bank's products, services or processes. |
| Customer- Centric Communication Project | The project aimed to redesign the agents' communication with customers and approaches for the most frequent complaint subjects. At the end of the project, according to a preliminary survey, customer satisfaction level and satisfaction with offered solution increased. |
| Status Tracking System | The system provides a tracking facility to our customers whose messages cannot be resolved in the first contact point. The customers are given a message number, which then can be used to track the status of the messages via IVR, SMS or the related web pages. |
| After-Service Customer Satisfaction Surveys | After-service surveys measure the satisfaction level of the customers delivering messages to CSD through various channels. In the surveys, the satisfaction level of customers from the service given, solution offered and the manners of customer representatives are measured. |

Focusing on Customers Sustainability Finance

Segment-specific programs that contribute to sustainability

The Bank adds value to the lives of its customers by offering segment-specific programs for customers of all ages.

Mini Bank for children, Bonus Genç for youngsters and Retirement Banking for retirees add value to Garanti customers.

Garanti Mini Bank is a program with banking products designed to allow customers to begin investing now for the future of their children. In addition to functioning as a savings product, Mini Bank caters directly to children through various presents.

Bonus Genç program was launched in 2013 and offers products and services that aim to cover the banking needs of young people, especially university students. One offering of the Program is a credit card without annual management fees. Another product offer, the Allowance Account ("Harçlık Hesap"), enables young people to interact with fundamental banking products such as internet banking, current account deposits and Paracard. Furthermore, it provides the means for parents to give their children allowances automatically and without incurring banking fees.

Retirement Banking Program aims to be the private bank of retirees.

Elderly customers who receive their government pension payments via Garanti Bank are able to withdraw their pensions from ATMs with a single push of the button and are provided various advantages such as special pricing in personal loans and exemptions from account management fees.

Full Support Platform

Garanti Bank's Full Support Program offers an array of flexible options to help customers deal with fluctuations in personal income, through practices such as postponing the number of, or reducing, the number of instalment payments. These options have been welcomed as positive step

towards protecting the future credit-worthiness of customers that run into financial difficulties.

Easier banking for disabled customers

Garanti takes a sustainable approach to its initiatives aimed at disabled individuals and seeks to increase the accessibility of its banking services in daily life. Having started the renovation of its branches and Paramatik ATM networks in 2012, Garanti provides training to its employees and aims to make the life of an increasing number of disabled customers easier.





Table 10: Assisting the mobility impaired at ATMs and branches

| Initiative | Progress in the Reporting Period |
|--|---|
| Disabled-friendly ATMs | <p>Garanti Bank has introduced disabled-friendly ATM machines alongside its existing machines and put them into service. These machines, have lower screens and keyboards that are easily visible for disabled people and can be approached easily by them. Also visually disabled customers have the opportunity to perform transactions on these ATMs with the help of audio guidance.</p> <p>The Bank currently has 36 disabled friendly branches, 98 ATMs for orthopedically impaired people and 26 ATMs for visually impaired people across the country. In the upcoming days, more disabled friendly branches and ATMs will be established.</p> |
| Disabled-friendly branches | <p>In disabled-friendly branches, the Bank ensures that:</p> <ul style="list-style-type: none"> ▶ branch entrances are accessible to the orthopedically-disabled customers; ▶ doors to branches are appropriate for use by the disabled customers; ▶ the visually impaired are guided by floor surface features; ▶ priority is given to disabled customers in the Qmatic queuing system, if information related to their situation is kept in the Bank's records; ▶ counters have lower tellers for serving orthopedically disabled customers <p>Training is provided to Bank employees to create higher awareness regarding disabilities. In addition, how to communicate with customers with disabilities has been an integral part of the Bank's disabled-friendly banking program. Garanti has created 'experience standards' to highlight important points in communicating with disabled customers, to ensure standardized and increased quality services to our disabled customers. All employees that communicate directly with customers have received the training, as did volunteers from the head-quarters departments.</p> <p>Garanti Bank has also commenced designing a web-based training program for sign language, which will be made available to its employees after the reporting period.</p> |
| Internet branch and credit card transactions for the visually-impaired customers | <p>Garanti Bank's internet branches being transformed to render it accessible to visually-impaired customers, enabling them to perform audio transactions by listening to the internet branch menu.</p> <p>Internet banking and mobile banking branches have been enhanced so they are readable by reading programs for visually impaired customers.</p> |

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Table 11: Assistance to disabled customers and future targets

| Initiative | Explanation | Outcome |
|---|---|---|
| Disabled-Friendly (DF) Branches | <ul style="list-style-type: none"> ■▶ Rendering teller counters and branch entrances wheelchair-accessible ■▶ Applying surface features on branch floors to guide visually-impaired customers | 36 branches had been transformed into DF branches by the end of 2013 and a further 7 since the reporting period-end. |
| Disabled-Friendly ATMs | <ul style="list-style-type: none"> ■▶ Ensuring that visually-impaired customers can carry out audio transactions at ATMs ■▶ Easy-to-use ATMs for orthopedically-disabled customers | <p>98 orthopedically disabled and 26 visually disabled friendly ATMs had been made available by the end of 2013</p> <p>The Bank's target for the next period is to continue opening DF branches, or transforming existing branches into DF formats, in micro-markets where our disabled customers are concentrated.</p> |
| Distance learning programs for Bank personnel | <ul style="list-style-type: none"> ■▶ Distance learning programs to ensure that branch personnel provide a better service to disabled customers | <p>The Bank's targets are to train its employees to create higher awareness on disabilities and on how to communicate with customers with disabilities</p> <p>By the end of 2013, 16,250 employees were registered for the distance learning program with 4,209 having completed (completion rate 26%¹⁷).</p> <p>The Bank's progress in terms of training in the reporting period is described further in the section Focusing on Human Resources.</p> |
| Give priority to disabled customers in branch transactions | <ul style="list-style-type: none"> ■▶ Keeping information related to disabled customers in the Bank's records and giving them priority in the Qmatic queuing system | All customers recorded as disabled in the branch and call center database are given priority in the Qmatic system. |
| Help visually-impaired customers carry out their transactions through the internet branch | <ul style="list-style-type: none"> ■▶ Effecting the necessary improvements in the internet branch to ensure that visually-impaired customers are able to perform audio transactions | Internet banking and mobile banking branches have been updated to make them readable by reading programs for visually impaired customers. |
| Inform visually-impaired customers of their credit card transactions | <ul style="list-style-type: none"> ■▶ Informing visually-impaired customers of credit card transactions through audio SMS notifications | No progress in the reporting period but a pilot is targeted before the end of calendar year 2014. |

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¹⁷ Since the training was launched in December, 2013, the completion rate is low.



SMEs and Garanti Bank

SMEs account for 78% of total employment in Turkey, as well as 65.5% of total sales and 50% of total investments in Turkey. Garanti Bank offers a wide array of tailor-made products and services to SMEs, which are the beating heart of the Turkish economy. As well as its own resources provided as loans, Garanti Bank also extends long-term and cost efficient resources from international financial institutions to SMEs. These resources provide a positive contribution to domestic trade, export and tax volumes, while also playing a key role in the creation of new employment opportunities in Turkey.

Table 12 Garanti's Bank's priorities and progress regarding SMEs.

| Target | Progress in 2013 |
|--|--|
| To offer new products and services that simplify and help guarantee the commercial lives of SMEs | <p>Start Up Package: With the support of EIF, Garanti provided TL 123 million funding to 3,921 entrepreneurs who had difficulties providing collateral during the reporting period.</p> <p>Garanti prepared and offered Rural Credit Mechanism to IPARD¹⁸ grants of the European Commission's Directorate-General for Agriculture and Rural Development.</p> <p>A special payment system for farmers, the Ekin Card/Ekin Account¹⁹ was designed and introduced to customers.</p> <p>Garanti Bank led the way by supporting a licenced warehouse system in Turkey and providing credit by receiving physical crop vouchers as guarantee.</p> |
| To support the digital transformation of SMEs in order to ensure they can effectively use information technology | <p>Women Entrepreneurs SME Tab on Facebook: A new "women entrepreneur" tab was introduced to Garanti Bank's Facebook page, which has contributed to Garanti's support for women entrepreneurs in the digital platform. Entrepreneurs who own businesses or are planning to establish new ones can access a variety of information resources on this website. Visitors can swiftly reach special opportunities, access detailed information on Women Entrepreneurs Support Package and announcements about realized projects.</p> <p>Interactive Entrepreneur Handbook: The Entrepreneur Handbook, which provides various information and facts for guidance during the establishment and first few years of a new business, was made available in an interactive format.</p> |

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¹⁸ Instrument for Pre-Accession Assistance Rural Development Programme

¹⁹ Harvest Card

Focusing on Customers Sustainability Finance

| Target | Progress in 2013 |
|--|--|
| To ensure SMEs have easier access to information by designing information and consultancy services | <p>Subvention Finder: With this specialized application, SMEs can easily access national and international support schemes as well as information on various grants and incentives.</p> <p>Women Entrepreneur Executive School (WEES): Garanti initiated the WEES in September 2012 in collaboration with Bosphorus University Lifelong Learning Center. WEES provides training to women entrepreneurs free of charge on subjects including innovation, sustainable governance, customer relations and institutionalization. The trainings last approximately 1 month. During the reporting period, over 497 women in 6 cities received certificates.</p> |
| To undertake efforts to assist the development of SMEs in cities that currently lack sufficient financial support from banks | <p>With Garanti Anatolian Meetings, Women Entrepreneurs Meetings, KOBİLGİ SME Informative Meetings and similar gatherings, the Bank strives to help SMEs, the backbone of the economy, move forward.</p> <p>Garanti Anatolian Meetings were started 13 years ago and in 2013 the Bank visited 7 cities and got together with 1,990 SMEs.</p> <p>The KOBİLGİ meetings, started in 2011, consist of a series of seminar on subjects such as developments in regulations, marketing and sales and have been attended by approximately 1,500 people.</p> |
| To offer sectoral or local financial solutions with project partners | <p>Start Up Package: With the support of EIF, Garanti provided TL 123 million funding to 3,921 entrepreneurs who had difficulties providing collateral during the reporting period.</p> <p>KOSGEB Partner Loan Program for small and medium-sized loans in Turkey</p> <p>The Bank offers financial support and solutions to enterprises that have received financial loans or other support under special programs²⁰ provided by the KOSGEB²¹.</p> <p>KOSGEB Financial Support Package for establishing a New Enterprise: Garanti Bank provides financial support to new businesses accredited by KOSGEB through providing special loans. Garanti Bank has been part of these projects from their inception and supplied more than TL 13.7 million in resources to 3 different KOSGEB programs in 2013.</p> |

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²⁰ The Special Programs provided by the Government are: “KOBİ Proje Destek Programı”, “Tematik Proje Destek Programı”, “İşbirliği-Güçbirliği Destek Programı”, “AR-GE İnovasyon ve Endüstriyel Uygulama Destek Programı” and “Girişimcilik Destek Programları”)

²¹ Republic of Turkey Small and Medium Enterprises Development Organization



Sustainability collaboration with international financial institutions

Garanti Bank offers long-term funds to SMEs by working in cooperation with international financial institutions on projects connected with energy-efficiency and renewable energy, as the Bank views these projects as having a significant opportunity to reduce Turkey's GHG emissions. For example, Garanti has provided favored lending to small and medium-sized energy efficiency and renewable energy through the Turkey Sustainable Energy Financing Facility (Tur-SEFF) and Mid-Sized Sustainable Energy Financing Facility (Mid-SEFF), both of which are supported by the European Bank for Reconstruction and Development (EBRD).

Women in Business - Garanti Bank is supporting women in business in Turkey by providing a USD 60 million credit line in cooperation with EBRD. The funds have been entirely dedicated to female owners or managers of SMEs. For detailed information regarding the facility, please visit <http://www.ebrd.com/pages/news/press/2012/121109a.shtml>

EIB - Garanti Bank has secured a EUR 75 million loan from the European Investment Bank (EIB). The six-year facility will give the bank new funds to lend to small and medium-sized businesses.

KfW - Garanti Bank signed a loan agreement worth EUR 20 million with 4 years maturity as part of the second phase of Small Enterprise Loan Programme (SELP II) initiated by the

European Union, and implemented in cooperation with the Turkish Treasury, the Council of Europe Bank (CEB), KfW – Entwicklungsbank. The loan will be used to finance SMEs in 49 regions in Turkey.

Mid-SEFF covers mid-size investments in renewable energy, waste-to-energy

and industrial energy-efficiency. As of 31 December 2013, Garanti had approved 10 loan projects for a total of approximately USD 200 million.

SUFI (Sustainable Financial Instrument) - another loan program mediated by Garanti Bank for SME's is SUFI. SUFI was designed to enhance industrial activity in the Ankara OSTIM and Konya clustering regions, bolster the competitive strength of enterprises carrying out R&D activities and support production.

STEP (Small Tourism Enterprise Program) - Garanti Bank continues to extend loans to SMEs through the STEP program, which is designed to enhance sustainability and the competitive strength of hotels and bed and breakfast accommodations in the tourism sector.

TurAFF (Turkey Agribusiness SME Financing Facility) - Garanti Bank supports agricultural enterprises that operate in development priority regions through TurAFF loans to SMEs in cooperation with EBRD. The process of supplying the EUR 40 million loan package is still under way. For detailed information regarding the TurAFF loan program, please visit www.ebrd.com/pages/project/psd/2011/42211.shtml.

Proparco - Garanti Bank secured financing from Proparco of EUR 50 million with a tenure of 12 years in December 2011. Proparco is a subsidiary of the French Development Agency (AFD) that provides funds for private investments in developing countries with a focus on supporting clean energy projects.

Expert Videos

Garanti Bank has launched short videos providing information on various topics to SMEs. The videos are accessible by the public on the Bank's website under the SME tab and include information on various tax and regulatory issues such as Q&A on tax advantages of rental revenues and how does life change for SMEs under the new Turkish Commercial Code.

Garanti Bank supports women entrepreneurs

Garanti Bank sees supporting women entrepreneurs as a major responsibility for Turkey's social and economic development. Apart from extending funds to women entrepreneurs, the Bank also supports activities encouraging entrepreneurship and educational projects. Table 13 summarises some of the Bank's recent successes. Since 2006, loans extended by Garanti Bank to women entrepreneurs had reached TL 1.9 billion as at the end of 2013. In addition, on November 2012, Garanti Bank secured financing from EBRD for USD 60 million, specifically dedicated to female business owners or managers of SMEs.

Focusing on Customers Sustainability Finance

Table 13: Progress in Women's Entrepreneurship Programs

| Target | Explanation | Target Year | Progress | New Target |
|---|---|-------------|--|--|
| Women Entrepreneurship Program | Program to be rolled out to 6 new provinces in 2013 | 2013 | 5 new provinces achieved | 5 more provinces to be added in 2014 |
| Management Training for Women Entrepreneurs | By end of 2013, Bank's target was to have established collaboration with Boğaziçi University Lifelong Learning Center for 450 women entrepreneurs to have been certified. | 2013 | 497 women entrepreneurs were certified in 2013 | Training Program to be rolled out to 4 new cities in Turkey. |



Women Entrepreneurs Meetings

Garanti Bank also organises Women Entrepreneurs Meetings in collaboration with the Women Entrepreneurs Association of Turkey (KAGİDER) to further support women entrepreneurship.

In 2013, the Turkey's Women Entrepreneur Competition that we initiated in cooperation with the Economist magazine and KAGİDER was held for the seventh time and meetings were held in five cities across Turkey with the participation of almost 1,000 women.

Supporting rural development with "Agricultural Banking" products

Garanti Bank is working to establish sustainable cooperation with the agricultural industry by regulating the cash flows of farmer associations, which play a key role in the industry. Within the scope of its activities to supply loans to the agricultural industry, the Bank is working with arable and livestock agricultural enterprises which manufacture market-oriented products with a commitment to quality and technology.

Garanti Bank offers Ekin Card and Account to agricultural SMEs which allows farmers to make flexible payments based on their harvest

schedule. 1,681 Cards have been issued between the launch of the product in May, 2013 and the end of 2013. As part of the European Commission's IPARD program, Garanti Bank provided a total of TL 4.6 million in financing support to 3 enterprises in 2012 and TL 5.8 million to 2 enterprises in 2013.

As of 31.12.2013 the amount of credit provided to the agriculture sector was approximately TL 1.2 billion (TL 913 million in 2012), out of which TL 724 million (TL 367 million) was extended to small farmers.

Efforts to expand the informed customer group

Garanti Bank organizes seminars, conferences and sector-based information meetings in order to raise its customers' level of knowledge and to bolster their loyalty to the Bank. The Bank has also organized foreign trade training sessions, information seminars regarding the new Turkish Trade Code and conversation meetings with economists. The Bank has further encouraged its customers to attend domestic and international conferences organized by international institutions like Euromoney. The Bank, in cooperation with fund providers, has also offered various opportunities to its customers – who plan to invest within the scope of the efficiency projects – to receive technical consultancy services.

Turkey's GHG Emissions Legislation

The Regulatory Framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 25 April 2012. The regulation will require companies from energy-intensive sectors to monitor, report and verify their CO₂ emissions. However since the reporting requirement will start in 2015, it is not currently possible for Garanti Bank to gather reliable CO₂ emissions data for all activities which they finance, since most of the companies in Turkey do not yet calculate and monitor all of their GHG emissions on a regular basis.

Nevertheless, Garanti Bank is developing an inventory that covers energy-intensive sectors such as iron and steel and fossil fuel-based power plants in order to have an indication of its indirect greenhouse gas emissions from its loan portfolio.

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Environmental and Social Risk Assessment System

Banks, in particular, face risks associated with financing activities that could be associated with adverse impacts on the environment and society such as flashpoint issues capable of generating significant negative publicity, such as an oil spill. Failure to meet address these risks in a timely and appropriate manner may result in reputational damage and consequently a loss of investor support and customer loyalty, among other challenges.

Garanti Bank sees its proactive management of these risks, such as arising from climate change, not only as critical to its success but also as one of its most essential duties to its stakeholders. Through its effective approach to sustainability embedded throughout its organisation, Garanti Bank monitors its resource consumption, takes steps to reduce it, raises the awareness of employees and collaborates with suppliers. Moreover, to extend its work to a larger scale, Garanti has also developed an environmental and social risk assessment system to help drive similar improvement across its loan portfolios.

Garanti Bank ensures that the projects it finances satisfy the social and environmental standards required by legislation and the Bank's policies, that

an impact assessment is undertaken by the project owner(s), if necessary, that prescribed measures are taken by the project owner(s) and that project owners have effective internal audit systems. When necessary, the Bank suggests additional measures to mitigate negative impacts.

Environmental and Social Loan Policies (ESLPs)

Garanti Bank initially set up ESLPs in order to minimize the indirect impacts of loans granted by the Bank and put them into practice in 2011. These policies constitute the environmental and social principles governing the extension of loans at Garanti Bank through which the Bank runs the "Environmental and Social Impact Assessment Process" (ESIAP). ESIAP, designed with the support of an independent consulting firm, also includes the "Environmental and Social Impact Assessment Model" (ESIAM).

Loan requests received by Garanti Bank are first subjected to the ESLP; projects which do not comply with the policies are rejected. The ESLP, applied on all loans without a threshold, is based on the principles, such as:

- ▶ maximizing the environmental and social benefits in financing projects considering their environmental and social impacts.
- ▶ protection and management of natural biodiversity - taking into

consideration the measures which will protect biodiversity and the natural habitat in project financing.

- ▶ increasing energy efficiency and the transition to a low carbon economy.

During the reporting period, all loan requests received by the Bank were subjected to the ESLP.

For the full policy, please see this web address:

http://www.garanti.com.tr/en/our_company/sustainability/sustainability_approach/environment/environment_and_social_loan_policies.page?





Environmental and Social Impact Assessment Model (ESIAM)

Garanti Bank subjects loan requests for new projects with an investment value of more than USD 20 million, to the Bank's ESIAM. With this internal model, projects are categorized and graded according to their characteristics, size, sensitivity, location and their possible environmental and social impacts. The Bank's decisions are based on the risk rating calculated in accordance with the model, which enables Garanti bank to:

- Determine and evaluate all environmental and social impacts of projects in a systematic way in accordance with ESIAM methods;
- Ensure projects are sustainable from an environmental and social perspective;
- Ensure that financed projects and all associated processes and policies pursued by the Bank comply fully with national legislation and regulations;
- Ensure project owners reduce identified impacts to an acceptable level;
- Effectively monitor the Environmental and Social Management Plan (ESMP) prepared by customers (project owners) and approved by the Bank in order to help monitor and improve their compliance with

the Bank's environmental and social policies;

During the reporting period, all loan requests were subject to the ESIAM. By the end of 2013²², 23 projects have been subjected to analysis as per ESIAM, of which one was rejected due to high social impact resulting from close proximity to residential areas without running the ESIAM. Additionally, two projects were rejected without detailed analysis due to their high environmental impact resulting from projects being located in sensitive ecosystems.

The breakdown of the projects analysed during the reporting period is as follows:

- # of projects subjected to preliminary review without rating²³: 8
- # of projects categorized A: 7
- # of projects categorized B: 7
- # of projects categorized C: 0
- # of projects rated R1: 6
- # of projects rated R2: 0
- # of projects rated R3: 8

Following the application of the ESIAM, Garanti Bank may request from the project owners that a detailed Environmental and Social Management Plan ("ESMP") is prepared, applied and with regular reporting required for projects with higher risk ratings.

The results of the assessment of environmental and social impacts are shared with the Credit Committee and the limit for total investment amount, policies and the assessment process may be revised or updated, if deemed necessary by the Sustainability Committee.

If a project fails to meet the environmental and social criteria under ESIAM, the Bank may reject the project or ask the customer to take additional measures, monitor identified impacts and report these impacts in detail on a regular basis.

Some examples of projects where additional measures were required include:

- Afforestation plans were requested from and agreed to by investors to offset carbon emissions or deforestation effects including:
 - The planting of 1 million trees per year for the start of commercial operation to the end of the repayment period of the loan; and
 - Planting of 5 new trees for every felled tree with accompanying plant care.
- In addition to regulatory requirements regarding expropriation payments, a resettlement action plan was implemented upon request of the Bank for people both physically and economically displaced by the project, including job placements and affordable housing options.

²² Only projects reviewed during 2013 taken into account; all reviews and ratings during testing phase are excluded.

²³ Projects which are not rated by ESIAM may be in the exclusion list (e.g investment amount less than USD 20 million, refinancing, privatization, etc.) or put on hold due to commercial reasons. Additionally, projects may have been rated by ESIAM following the reporting period.

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■▶ Despite not being required by applicable regulations, cumulative impact assessments were requested from several energy projects including wind, hydro and thermal power plants.

■▶ Detailed stakeholder engagement plans were requested from and agreed to by the investor in an infrastructure project including public participation meetings, disclosure of project reports and grievance mechanism.

■▶ FGD design alterations were implemented in a thermal power project to render it compliant with new European emission standards in SO₂. Emission standards under Turkish regulations are 200 mg/Nm³ whereas new European emission standards are 150 mg/Nm³ for that power plant type and capacity.

Garanti Bank does not finance activities that are banned or restricted by national legislation and/or international agreements to which Turkey is a party.

The Bank also does not finance the activities, projects or companies listed below, without carrying out any environmental and social impact assessment and applying any limits.

Activities not financed by Garanti Bank

■▶ Companies involved in the production of weapons of mass destruction and landmines

■▶ Individuals or companies found to employ child labor or who violate human rights

■▶ Individuals or companies that deal with the production and trade of asbestos fibers or radioactive substances (excluding healthcare equipment, quality control devices and situations in which use of radioactive substances is extremely limited or insignificant, or in situations where there is sufficient protection)

■▶ Fishing activities which are deemed to constitute overfishing

■▶ Forestry activities which cannot be sustainably managed

■▶ Individuals or companies involved in the production, warehousing, transport and trade of hazardous chemicals (petroleum and petrochemical products) in large quantities according to their industrial scale

■▶ Activities carried out in wetlands defined as RAMSAR (Convention on Wetlands of International Importance) areas

■▶ Individuals or companies involved with products and/or activities that fall under the scope of CITES

■▶ Activities that threaten the cultural heritage qualifications of sites classified as UNESCO World Cultural Heritage.

With the implementation of ESIAP, set up in accordance with international practices, the Bank has achieved significant progress towards compliance with the Equator Principles, which are internationally recognized by the financial sector.

Appendix 8 includes detailed information on the Bank's ESIAM.

Loans not subject to the ESIAM

■▶ Acquisition and privatization loans,

■▶ Construction loans (excluding mass housing projects),

■▶ Projects for which the Bank provides consultancy services,

■▶ Loans that do not include the realization of any project,

■▶ Loans provided to a project that is already operational (provided these projects do not create an additional impact) and

■▶ Refinancing loans for ongoing projects (provided these projects do not create an additional impact).

The reason for excluding the above-mentioned loans from ESIAM is that Garanti's aim is to evaluate environmental and social impacts on previously undeveloped sites and therefore considers greenfield investments and projects with potentially material environmental and social impacts. As a consequence, short term loans are excluded.



Renewable energy

Garanti Bank considers the financing of renewable energy projects an important opportunity to reduce the greenhouse gas emissions of Turkey. The Bank offers its greatest support to wind farm projects because of their minimal environmental and social impact as well as their positive impact on Turkey's current account deficit. Garanti Bank's share in Turkey's installed wind power capacity amongst Turkish banks is approximately 57%. As of December, 2013, the total greenhouse gas reduction of the operational wind farms which are financed by Garanti Bank has reached 2.9 million CO₂equivalent per year, based on the current average grid factor for Turkey.

As of 31 December 2013, Garanti Bank had allocated:

■ USD 1.53 billion to wind farm projects which will have a total installed capacity of 1,223 MW when completed (Table 14),

■ USD 1.55 billion to hydroelectric power plant projects which will have a total installed capacity of 2,149 MW once all commissioned (Table 15), and

■ USD 90 million to geothermal power plant projects which will have a total installed capacity of 95 MW once all commissioned (Table 16).

Nearly half of the funds provided by the Bank to energy projects have been allocated to renewable energy projects.

As the biggest supporter of wind power investments in Turkey, Garanti Bank provided the financing of USD 191 million to Geycek WPP, the largest wind power plant in Turkey, with an installed capacity of 168 MW.



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Table 14: Total Installed Wind Power Portfolio by Year (Cumulative)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------|------|------|------|------|------|-------|-------|-------|
| MW | 70 | 220 | 385 | 540 | 626 | 874 | 1,216 | 1,223 |
| Loan Limit (USD , million) | 84 | 281 | 502 | 694 | 806 | 1,138 | 1,511 | 1,526 |

Table 15: Total Installed Hydroelectric Power Portfolio by Year (Cumulative)²⁴

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------|------|------|------|------|-------|-------|---------------------|
| MW | 54 | 118 | 211 | 882 | 1,962 | 2,080 | 2,149 ²⁵ |
| Loan Limit (USD , million) | 60 | 107 | 277 | 627 | 1,350 | 1,481 | 1,550 |

Table 16 Total Installed Geothermal Power Portfolio by Year (Cumulative)²⁶

| | 2010 | 2011 | 2012 | 2013 |
|----------------------------------|------|------|------|------|
| MW | 75 | 75 | 75 | 95 |
| Loan Limit (USD , million) | 70 | 70 | 70 | 90 |

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²⁴ G4-22: Restated for 2011.

²⁵ Includes corporate loans allocated to small-scale HEPPs.

²⁶ G4-22: Restated for 2010-2012.



Increasing effects of climate change have made the transition to a low carbon economy very important and urgent. This urgency is reflected in the efforts of the policy-makers, needs of our clients and priorities of the society. Recent regulatory changes which make it possible to build unlicensed renewable projects up to 1MW have rendered PV based electricity generation a viable option for investors as well as SMEs that are looking to reduce operational expenditures through self-generation. Accordingly, Garanti has intensified its efforts to provide its customers with sufficient financing support and appropriate loan products to allow them to make the necessary investments, refurbishments and the like. Garanti started working on a loan product for PV systems in late 2013 and has rolled it out in 2014.

Table 17: Progress in Environmental and Social Risk Assessment

| Target | Explanation | Target Year | Progress | New Target |
|--|--|-------------|---|---|
| Review of ESIAP | <p>The testing phase of the ESIAP will be completed as of January 31st, 2013 and it will be commissioned on the same date.</p> <p>The Bank will hold remote training for its employees from January 2013.</p> <p>Furthermore, the Bank aims to review the criteria of the system in 2013, aiming to ensure that the system is always up-to-date.</p> | 2013 | <p>Garanti Bank has started to officially implement the ESIAP as of January 31st, 2013.</p> <p>Garanti also developed a comprehensive distance learning program on the Environmental and Social Impact Assessment System that was officially launched during the reporting period.</p> <p>Garanti Bank has reviewed its ESIAP based on the improvements in national and international environmental and social standards.</p> | Garanti Bank is planning to present the updated version of ESIAP to Sustainability Committee and the BoD by mid-2015. |
| Drafting plans to lower the monetary limit for ESIAP | In 2013, the Bank will draft plans to lower the USD 20 million limit designated for projects subject to the ESIAM. | 2013 | In 2013, the Bank drafted plans to lower the USD 20 million limit designated for projects subject to the ESIAP in response to changes in the Equator Principles (EP III). | These plans will be submitted for the consideration of the Sustainability Committee in 2014. |

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| Target | Explanation | Target Year | Progress | New Target |
|---|-------------|-------------|----------|---|
| Expanding the Environmental and Social Risk Assessment System to Subsidiaries | N/A | N/A | N/A | Garanti Bank will expand the environmental and social risk assessment system to three of its Subsidiaries by the end of 2014. |
| Expanding the EMS to Customers | N/A | N/A | N/A | By the end of 2015, Garanti Bank will review its loan portfolio and will draft plans to expand the EMS to its customers. |



Management of Indirect Water Footprint

In order to manage our indirect water footprint, we ensure, request and monitor that appropriate measures are taken to minimize environmental impacts and to reduce the consumption of water and other resources, ensure recycling is undertaken and that negative impacts on water quality are minimized.

One of the first issues we observe in financings is whether the Project is located in a RAMSAR area. As per our Environmental and Social Loan Policies, Garanti Bank does not finance projects and activities that are in RAMSAR zones, without any monetary limitations or undertaking further E&S impact assessment.

Furthermore, based on our ESLP, we pay regard to the environmental and social impact of the projects we finance and the maximization of their positive impact. Accordingly, we consider projects' impact on water sources in our credit processes and request various measures toward minimization of water use and impact on water quality, efficiency in water resource consumption and re-use/ recycling, all of which are customized based on the sectors in question. Furthermore, we prioritize projects where energy and water conservation is taken into consideration.

Issues that are considered as part of our credit processes are as follows:

► **Choice of location & Project area:** Location of the Project with respect to protected areas under international or national regulations, important water sources, shores and ground water operations are assessed. Projects located in RAMSAR areas are not financed by Garanti Bank. Furthermore, if the Project location is found to be in close proximity to residential areas, sensitive wetlands, protected areas and the like, re-locating the Project may be requested.

► **Current properties of water:** Prior to commencement of construction works, studies to measure and assess the quality and properties of water in the project location are requested. Based on the finding of these studies, preventive and/ or minimization measures regarding project impact are implemented.

► **Impact on ground water:** Negative impact of projects on ground water during the construction and operation phases are assessed. In the case of any negative impact, use of alternative water sources would be considered.

► **Impact on surface water:** During the construction and operation phases of hydroelectric power plant projects, adverse changes to flow rate, drainage and flow are assessed. Preventive measures are requested for occurrences such as flow direction and flow rate changes, excavation in the water source, dredging and sediment accumulation due to possible adverse downstream effects.

► **Water quality:** Effluent water should be treated in treatment facilities. Furthermore, treatment systems should comply with discharge limits.



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Each sector has varying effects on water sources in terms of consumption and quality. Accordingly, Garanti Bank has developed specific provisions in its Sectoral Principles and monitors and manages project impacts based on these principles.

Hydroelectric Power Plants

■ Environmental flow water is regarded as one of the key critical issues in hydro projects. Garanti Bank places emphasis on ensuring that basin water rights are observed and that environmental flow sufficient to sustain the basin ecosystem and preserve river hydrology is released.

Sufficiency of environmental flow water amounts in the project design are considered in this light and additional studies may be requested. Furthermore, based on the results of these studies, project technical design may be requested to be amended.

■ Adverse changes to flow rate, drainage and flow are assessed. Preventive measures are requested for occurrences such as flow direction and flow rate changes, excavation in the water source, dredging and sediment accumulation due to possible adverse downstream effects. During the operation phase, environmental water flow rates are periodically monitored.

Thermal Power Plant Projects

■ Discharge of cooling and process water is one of the key critical issues for projects of this type. Accordingly, Garanti Bank requests cumulative impact studies regarding discharge, particularly with respect to projects in coastal areas.

■ Furthermore, minimizing the impact on the ecosystem of water consumption during construction and operation phases is a material issue. Garanti Bank requests alternative methods to obtain water.

Geothermal Power Projects

■ In order to preserve groundwater equilibrium, reinjection is requested in geothermal projects.

Mining Projects

■ Water management strategies are prioritized. Reduction measures regarding project water requirements as well as recycling and re-use components are assessed. Prevention of acid rock drainage should be assured through a water management plan.

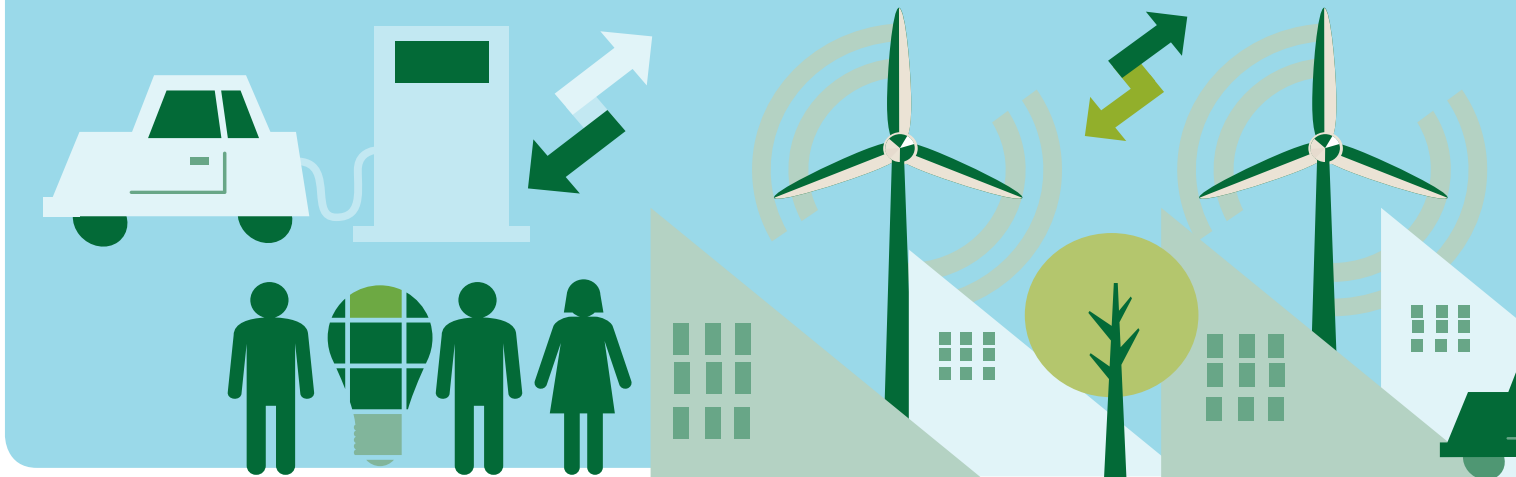
Other Projects

■ In industrial projects, management plans are necessary for industrial effluent water discharge. Best Available Technologies (BAT) should be preferred with respect to treatment facilities. Projects which observe efficient usage, recycling and re-use are prioritized.





Focusing on managing Environmental Impact of Operations



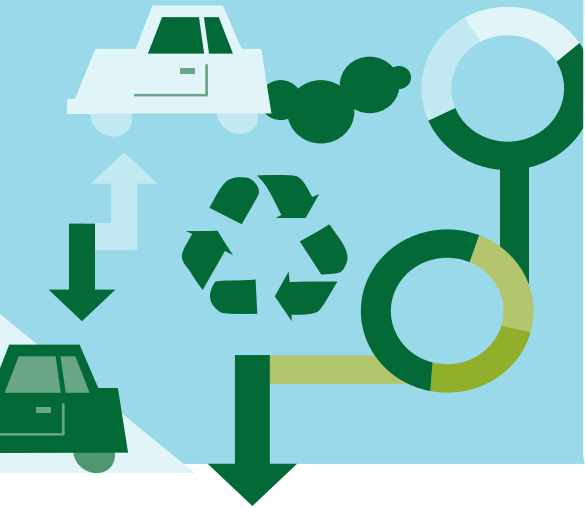
Environmental Policy

Garanti Bank's Environmental Policy is based on the following principles:

- ▶ Monitor and comply strictly with all environmental legislation
- ▶ Monitor and analyze carefully national and international sustainability programs; go beyond the mere fulfillment of obligations under the programs joined and maximise the value added regarding sustainability
- ▶ Respect the environment, embrace and spread environmental responsiveness
- ▶ Enable and promote the efficient usage of all resources
- ▶ Keep to a minimum direct environmental impacts caused by in-house operations
- ▶ Evaluate loans extended under "Environmental and Social Loan Policies" and keep to a minimum their associated indirect environmental impacts
- ▶ Develop eco-friendly products and services
- ▶ Bequeath a sustainable world to future generations by constantly improving environmental performance
- ▶ Contribute to the awareness and development of all stakeholders by encouraging multi-channel communication

Garanti Bank's Environmental Management System

In 2012, Garanti Bank established an ISO 14001 Environmental Management System (EMS) with the support of two independent consultant firms in order to manage its direct and indirect environmental impacts in an effective and systematic way. The procedures were aligned with the Bank's ISO 9001 Quality Management System's Procedures. To ensure compliance with the EMS requirements in all stages of its banking activities, Garanti Bank also began providing training to its employees. These training sessions also aim to keep the Bank's employees informed of the latest regulatory developments, initiatives and customer



- 4 million kWh annual electricity savings achieved compared to physical servers through server virtualization
- New air-conditioning units, saving estimated 963,531 kWh of energy in 2013
- 3.8% reduction in MWh/FTE
- Pendik Technology Campus up to 39% more energy efficient compared to conventional buildings
- Ratio of non-travelling e-learning hours to total training hours throughout the Bank was 26%
- 260 service points certified to ISO 14001 with a 900% increase compared to 2012
- 316 Sustainability Representatives received Environmental Management System auditor certificate in 2013
- 50% of Garanti Bank's employees are working at ISO14001 certified buildings
- 67% increase in amount of waste recycled²⁷
- For CDP reporting, the Bank received limited assurance for its 2013 Scope 1 and Scope 2 GHG emissions

feedback regarding the environment. As with all the Bank's sustainability initiatives, the EMS is managed by the Sustainability Team in collaboration with the Construction Department under the leadership provided by the Sustainability Committee.

Garanti Bank's Handbook demonstrates how it fulfills the standards set out in ISO 14001 and its related strategies, policies and procedures that include:

- Bidding (Tender) Procedure
- Corporate Brand and Marketing Communication Procedure
- Corrective and Preventive Activities Procedure
- Customer Satisfaction Procedure
- Document and Data Control Procedure
- Emergency Environmental Impact Procedure
- EMS Internal Audit Procedure
- EMS Review and Sustainability Procedure
- Environmental Dimensions Assessment and Control Procedure
- Environmental Impact Assessment and Loan Procedure
- Human Resources Procedure
- Investor Relations Procedure
- Logistics and Purchase Procedure for Social Purposes
- Procedure to Determine and Keep Track of Environment-Related Legal Requirements and Other Requirements
- Quality Records Procedure
- Service Procedure
- Social Platforms Management Procedure
- Training Procedure
- Waste Control Procedure

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²⁷ Compared to the amount of waste recycled in 2012 in ISO14001 certified points of service.



Following its ISO 14001 accreditation in 2012, the Bank started to determine targets for energy consumption and other environmental impacts in order to improve its environmental performance.

In 2013, Garanti Bank had 260 service points certified to ISO 14001 with a 900% increase compared to 2012, following the audits of an independent audit agency. With this result, Garanti is still the first bank that operates an Environmental Management System in such a large area and context in Turkey.

Garanti aims to extend its ISO 14001 system to all service points and is continuing to work to increase the number of ISO14001 certified points of service to above 600 in 2014 Turkey.

Table 18: Progress in Environmental Management System

| Target | Explanation | Target Year | Progress | New Target |
|--|---|-------------|--|--|
| Increasing the coverage of EMS | <p>The Bank will continue to effectively apply the EMS and expand its scope.</p> <p>The number of locations subject to the EMS will be raised to a minimum of 250 in 2013. In line with this target, the Bank will also increase the number of its internal auditors for EMS in 2013.</p> | 2013 | In 2013, Garanti Bank had 260 service points certified to ISO 14001 with a 900% increase compared to 2012. | Garanti targets to increase the number of ISO14001 certified points of service to above 600 in 2014. |
| Improvement of data collection for EMS | The Bank's data collection system will be improved in 2013 in order to better monitor the amount of waste produced. | 2013 | Garanti Bank has worked on a new software that will be used to collect environmental data, such as fossil fuel consumption, electricity consumption and recycled waste generated in ISO14001 certified facilities. | The new software for environmental data collection is planned to be launched by the end of 2016. |

Focusing on managing Environmental Impact of Operations

| Target | Explanation | Target Year | Progress | New Target |
|----------------------------|---|-------------|--|---|
| Electronic waste recycling | Electronic waste will continue to be recycled by authorized recycling facilities in order to curb their negative impact on the environment and human health, and to bring them back into the economy. | 2013 | <p>Garanti Bank continued to recycle its electronic waste and encouraged employees to bring their electronic waste generated at their homes via informative e-mails. Garanti has also located recycling waste bins at HQs and the Training Center in Dikilitas.</p> <p>In order to increase the awareness of employees in this field, Garanti Bank has organized an exhibition, which included artwork from electronic waste of the Bank, in collaboration with Mimar Sinan University in its HQ building in Zincirlikuyu.</p> | This metric is no longer tracked since electronic waste recycling has become widespread and does not constitute an area of development. |



Supply Chain Management

Garanti Bank's supply chain is extensive, with a large number of suppliers providing goods and services to support the Bank's operations.

Garanti Bank meets the daily needs of its branch network by means of procurement from local suppliers. However, the Bank buys, in bulk purchases, the products and services with price advantage from a single supplier. The Purchasing Department located at the Bank's Istanbul head-quarters ensures that nearly all (95%) of the cleaning services and cleaning chemicals are purchased locally. During 2013, Garanti Bank paid a total of TL 94.2 million to its suppliers located throughout Turkey (2012: TL 45.2 million) with the main expenditure groups shown in Table 19. During the reporting period, Garanti Bank conducted all its direct procurement from suppliers in Turkey.

Table 19: Main Supplier Groups²⁸

| Function of provider | Details of provider | Estimated annual value of payments (TL million) | Contract Renewal Date |
|--------------------------------------|--|---|--|
| Cleaning | 8 companies in İstanbul and other local companies all around Turkey. | 27.96 | 80% on 02.01.2015 20% spread out through 2015 |
| Car rental | 1 company | 23.71 | Evergreen |
| Transportation, portage and shipment | 3 companies | 19.71 | 01.07.2015 |
| Printed paper and stationary | 25-30 firms | 8.59 | No contract |
| Consumable materials for computers | 2 suppliers | 6.86 | 02.01.2015 |
| Vehicle maintenance and repair costs | 34 companies | 3.24 | No contract |

In 2012, Garanti Bank started to include a requirement for compliance to Garanti Bank's Environmental Management System ("EMS") in supplier contracts. New catering and cleaning services contracts have thus become compliant in 2012. In 2013, in order to expand the scope, Garanti Bank started to work comprehensively on its supply chain's environmental management. Suppliers operating in sectors with a relatively higher footprint and constituting a substantial component (44%) of the Bank's total procurement were requested to provide information on how they manage their environmental impact.

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²⁸ This table represents centralized procurement excluding energy purchase. Service points may undertake ad-hoc independent procurement of goods and services where necessary. Energy consumption data is separately reported in Table 21 Energy Consumption within the Organization on page 71.

Focusing on managing Environmental Impact of Operations

After reviewing its suppliers' respective management strategies, the Bank communicated its criteria for suppliers' environmental performance and compliance methods through a variety of platforms such as one-to-one meetings and teleconferences. As a result of this process, supplier contracts representing 6.4% of total procurement were revised to include specific provisions regarding compliance with Garanti Bank's EMS by the end of 2013.

While supplier contracts contain provisions pertaining to environmental issues, they currently do not have any

clauses pertaining to auditing for and reporting human rights violations. They do, however, make reference to laws and regulations (including the Labor Law) pertaining to the protection of workers. Such provisions give Garanti Bank the right to terminate any contract which is deemed to be in violation of worker protection regulations. During the reporting period, Garanti Bank was not aware of any supplier with which it was working that was under investigation for any issue related to human rights.

In addition, each year, Garanti Bank's internal auditors inspect a selection of

the Bank's suppliers on a sample basis in order to assess their compliance with its EMS. In the event a supplier is found to be non-compliant, they are given a grace period to improve their performance and the Bank provides assistance when necessary. In 2013, after internal audits were carried out by Garanti Bank, one supplier certified its EMS with ISO14001. Garanti Bank will continue to work to extend the coverage of its supply chain's EMS, through annual reviews prior to contract renewals.

Table 20: Progress in Environment-Friendly Supply Chain

| Target | Explanation | Target Year | Progress | New Target |
|-----------------------------------|--|-------------|--|--|
| Environment-Friendly Supply Chain | Increase the number of suppliers who apply the sustainability criteria that were included in the Bank's purchasing procedures in the short term. | 2013 | Supplier contracts representing 6.4% of total procurement were revised to include specific provisions regarding compliance with Garanti Bank's EMS by the end of 2013. | Supplier contracts representing 50% of total procurement is targeted to include specific provisions regarding compliance with Garanti Bank's EMS by the end of 2016. |



Climate Change Management at Garanti Bank

Climate change continues to be one of the biggest challenges facing the World today, as a global threat that may affect each and every aspect of our civilization. The risks for the banking industry in particular vary from rising operating costs to the uncertainty surrounding the legal framework governing the issue. However, banks that successfully manage these risks will not only be in a position to minimize these costs but will also benefit from various opportunities such as being able to address changing customer profile expectations and meeting the financing needs of "green" investments. For this reason, Garanti Bank believes that climate change is a strategic issue that merits full integration with all business processes and decision-making mechanisms.

Accepting that the first step to be taken in tackling climate change is to determine the greenhouse gas emission profile, Garanti has been measuring its carbon footprint and implementing an array of initiatives since 2009 in order to manage it. Assessing the risks and opportunities imposed by climate change on its activities, Garanti Bank reports all of its efforts to tackle climate change to the CDP. Garanti Bank was listed in the CDP Global 500 Report in 2013 for the second time.

'On November 26th, 2012, Garanti Bank was granted the "2012 Turkey - Carbon Performance Leadership" award by CDP. In the evaluation undertaken by CDP, Garanti Bank had climbed to a leading position, receiving the highest score in the performance category among 32 companies that responded in Turkey'

As summarised in Tables 22, in 2013, Garanti Bank's total Scope 1 and 2 GHG emissions decreased by 6.2% to 84,018 tCO₂e as a result of emission reduction activities and change in emission factors used for 2013, whereas total revenue grew by roughly 14.6% over the same period. Emissions included within the boundary were from Garanti Bank, Garanti Mortgage, Garanti Technology and Garanti Payment Systems. The Bank's carbon intensity decreased by 23.1% in 2013 and is defined as total Scope 1, 2 and 3 emissions divided by total assets for 2013. The bank's Scope 3 emissions

indicated in Table 22, i.e. 3,700 tonnes of CO₂e, relate to emissions from business flights only. Total measured Scope 3 emissions in 2013 were 11,939 tCO₂e with an increase of 296% compared to 2012 due to the inclusion of new sources such as purchased goods and services, employee commuting, transportation and distribution and paper consumption, in addition to the indirect emissions associated with business travels, which were reported as the only source for Scope 3 emissions in 2012.



Focusing on managing Environmental Impact of Operations

Table 21: Energy Consumption within the Organization

| Energy Source | Total Consumption (2011) | Total Consumption (2012) | Total Consumption (2013) |
|--|--------------------------|--------------------------|--------------------------|
| Electricity (MWh) | 116,998 | 123,056 | 130,388 |
| Natural Gas for Heating (m ³) | 3,166,379 | 2,225,513 | 2,435,783 |
| Diesel for Heating (liters) | 324,000 | 312,570 | 296,219 |
| Coal for Heating (tonnes) | 104 | 148 | 152 |
| Diesel Consumption in Vehicle Fleet (liters) | 1,857,452 | 2,586,554 | 2,949,354 |
| Gasoline Consumption in Vehicle Fleet (liters) | 1,736,441 | 1,097,501 | 724,787 |
| Total Energy Consumption (MWh) | 189,915 | 187,824 | 195,861 |



Climate Change Mitigation

While Garanti Bank's direct emissions are lower than the emissions of many companies that operate in other sectors, it has an important role to play in helping its clients across many sectors to reduce their environmental footprint. By the end of 2013, Garanti was able to achieve its second greenhouse gas emission goal to reduce total emissions by 1.5% per total assets under management by 2013 against its 2012 baseline. In 2013, Garanti Bank's Environmental Management System continued to be expanded reaching a total of 260 centers that covered nearly 50% of the Bank's employees. Being the first Bank with such a comprehensive Environmental Management System in Turkey, Garanti has reached a certain level of maturity about its knowledge and capabilities on GHG monitoring and data management this year. Additionally, Garanti has received limited assurance from a third party for its 2013 Scope 1 and Scope 2 GHG emissions that were reported to CDP in 2014. These improvements have given us better confidence in our 2013 Scope 1 and Scope 2 GHG emissions data, against which we decided to benchmark our 2014 emissions. Therefore, Garanti has set a new short-term target to reduce Scope 1

and Scope 2 GHG emissions by 3% per total assets under management by 2014 against 2013 emissions. Garanti will continue to effectively apply its Environmental Management System, expand its scope and set new targets in the coming years. This will include improving the data collection and reporting process for Scope 3 GHG emissions, and as such setting GHG reduction targets for Scope 3 in addition to Scope 1 and 2 emissions.

In 2013, most of Garanti Bank's core emissions were indirect emissions from purchased electricity (78%). The other main components of the Bank's carbon footprint included its consumption of fossil fuels from stationary and mobile sources such as natural gas from boilers burnt for heating and petrol consumed in company-owned or leased vehicles respectively and from some of the refrigerants (18%) used in air conditioners.

During 2013, the Bank continued to develop projects to reduce its emissions by carefully evaluating its greenhouse gas profile and the continued focus was on energy efficiency projects that will also help reducing its operating costs.



Focusing on managing Environmental Impact of Operations

Table 22: GHG Emissions (tCO₂e²⁹)

| Year | Scope 1 | Scope 2 | Scope 3 | Total | % Change | Intensity Figure ³⁰ | % Decrease in Intensity Figure |
|------|----------------------|----------------------|---------------------|--------|----------|--------------------------------|--------------------------------|
| 2013 | 15,559 ³¹ | 68,459 ³² | 3,700 ³³ | 87,718 | -5.25% | 396 | -23.1% |
| 2012 | 15,568 | 73,994 | 3,017 | 92,579 | 2.91% | 515 | -6.4% |
| 2011 | 16,981 | 70,351 | 2,632 | 89,964 | 6.60% | 550 | -10.8% |
| 2010 | 14,108 | 67,599 | 2,685 | 84,392 | 2.62% | 617 | - |
| 2009 | 12,619 | 67,958 | 1,658 | 82,235 | - | - | - |

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²⁹ Garanti calculated its GHG emissions according to the Principles of the “WBCSD/WRI – The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)”. For further detail on calculation, please refer to Garanti Bank’s 2013 CDP report at: http://www.garanti.com.tr/en/our_company/sustainability/developments/reports.page?gbid2=202122

³⁰ Total Scope 1, 2 and 3 GHG emissions per total assets (tCO₂e/TL).

³¹ Scope 1 GHG emissions in 2013 disclosed in our CDP report were assured by the independent firm, KPMG

³² Scope 2 GHG emissions in 2013 disclosed in our CDP report were assured by the independent firm, KPMG

³³ In 2013, Garanti Bank received consultancy for the calculation of its Scope 3 emissions originating from purchased goods and services, employee commuting, transportation and distribution and paper consumption, in addition to the indirect emissions associated with business travel which used to be reported as the only source for Scope 3 emissions over the last few years. The inclusion of those additional sources in 2013 Scope 3 emissions has resulted in an artificial increase in Scope 3 emissions, Garanti Bank has excluded newly calculated Scope 3 emissions other than business travels from its intensity target calculation for 2013.



Table 23: Energy Intensity Figures

| Type of Intensity Figure | 2012 | 2013 |
|---|-------|-------|
| Total Energy Consumption per employee (MWh/FTE) | 10.95 | 10.53 |
| Total Scope 1 & 2 GHG emissions per employee (tCO _{2e} /FTE) | 5.22 | 4.52 |
| Total Scope 1 GHG emissions per employee (tCO _{2e} /FTE) | 0.91 | 0.84 |
| Total Scope 2 GHG emissions per employee (tCO _{2e} /FTE) | 4.31 | 3.68 |

Table 24: Progress in GHG Reduction Target

| Target | Explanation | Target Year | Progress | New Target |
|----------------------------------|---|-------------|--|---|
| Setting new GHG Reduction Target | <p>By the end of 2012, the Bank aims to reach its target of reducing the ratio of total greenhouse gas emissions (equivalent to CO₂) in its total assets by 7%.</p> <p>A new Greenhouse Gas Reduction target will be set during the management review of Environmental Management System in the first quarter of 2013.</p> | 2013 | Garanti Bank has been able to achieve its first GHG emissions reduction target by the end of 2012. Additionally, the Bank's carbon intensity, which is defined as total Scope 1, 2 and 3 emissions divided by total assets, decreased by 23.1% in 2013 and new target has been set for 2014. | By the end of 2014, the Bank aims to reduce the ratio of Scope 1 and Scope 2 greenhouse gas emissions (equivalent to CO ₂) in its total assets by 3%. |

Focusing on managing Environmental Impact of Operations



In 2013, the ratio of non-travelling e-learning hours to the total training hours throughout the Bank was 26%.

Energy Efficiency Projects

Technological solutions that reduce travelling

During 2013, the Bank continued to focus on using technology to reduce its environmental impacts (e.g. travelling needs for training purposes and achieved avoidance of 391 flights in 2013).

Server virtualization in data centers

The highest carbon emissions per m² in Garanti Bank's physical service buildings are derived from the use of servers. Since 2007, the Bank has been virtualizing 300 servers in its data centers throughout Turkey, resulting in an efficient use of server capacity as well as reductions in the electricity consumption and cooling requirement of the servers, compared to physical servers. As a result, Garanti Bank has saved 4 million kWh of electricity per year, corresponding to 2,100 tCO_{2e} per year.

Renovation of energy and lighting systems

Garanti Bank has launched a number of practices to save energy in its lighting systems including:

- ▶ Increased efficiency through using hanging lights in lighting systems. Garanti Bank estimates that these have achieved energy savings of 45,467 kWh,
- ▶ LED lighting systems for band lighting at ATMs and in advertising boards at branches,
- ▶ Astronomical time clocks, adjusted according to sunrise and sunset times,

are used in the outer fronts of all ATMs and branches,

- ▶ LED lighting in new or renovated branches from 2013 where feasible,
- ▶ Focus on maximising the use of daylight (natural lighting) in new or renovated branches as this reduces energy expenses and provides a healthier working environment,
- ▶ installing heat insulation at its branch fronts where feasible to prevent energy losses,
- ▶ Commitment to improving the energy efficiency of its head office building and obtaining its energy performance certificate.

In 2013, Garanti Bank helped launch a new initiative called the Manifesto for Energy Efficiency in Buildings. By signing this Manifesto, Garanti committed itself to taking measures to ensure energy efficiency in its office buildings, setting targets to reduce greenhouse gas emissions, and reporting to the public the progress made toward these targets. The signature ceremony took place in January, 2013 at the 4th National Energy Efficiency Forum and Fair with the Minister of Energy and Natural Resources Toner Yildiz in attendance.

On the other hand, Garanti entered into an agreement in 2013 with a new company, for electricity purchases, which owns and operates one hydroelectric power plant. Approximately 60% of Garanti Bank's total electricity was purchased from this company in 2013. Notwithstanding the contractual agreements in place, Garanti is linked to the national grid

and does not have a direct connection with a given supplier. Consequently, all of the Bank's electricity consumption is transmitted via the national grid. Prior to the agreement entered into in 2013, Garanti had an energy supply agreement with a private company that ran a thermal coal-fired plant.

Use of R410 gas and switching to energy-efficient air-conditioning

In recently opened or renovated branches, Garanti Bank has started using air-conditioning units that use R410 gas, as it does not contribute to ozone depletion like R22 used previously. The Bank is replacing old air-conditioning units with new generation energy efficient air-conditioning units in a bid to increase energy efficiency in its recently opened or renewed branches.

Use of the new systems, which improve efficiency by up to 40% through A+ class air-conditioning units, reduces total energy consumption by 10% in a typical branch. In 2013, a total of 1,646 new air-conditioning units were installed at service points and ATMs, saving about 963,531 kWh of energy in the year, compared to business as usual.

Moreover, the recently opened or renewed branches began to use heat recovery devices (working with plug fans) that consume less electricity.



Table 25: Progress in Environmental Measures Undertaken During Construction and Renovation of Garanti Bank's Facilities

| Target | Explanation | Target Year | Progress | New Target |
|---|--|-------------|--|--|
| Usage of environment-friendly materials and equipment | The Bank will launch efforts to use renewable, recyclable and nontoxic materials during opening and renovation of branches, while using materials that offer the possibility of recycling and reuse at the end of their lifespan. With this approach, the Bank aims to minimize its environmental impacts in the selection and use of materials. | 2013 | During the reporting period, Garanti Bank reviewed the list of materials and equipments which were used during branch renovations and construction of new branches. As a result of the feasibility assessments, Garanti Bank has decided to switch to more environment-friendly products for some of the materials and equipment that were reviewed. | In 2014, Garanti Bank will draft plans to expand the scope of environment-friendly materials and equipments used during branch renovations and construction. |
| Management of construction waste | Applying the waste-management plan, during the construction of branches, all waste generated will be sent to disposal or recycling facilities. | 2013 | Garanti has implemented the waste management plan during the construction of new branches without any exception during the reporting period. | This metric is no longer tracked since construction waste management has become widespread and does not constitute an area of development. |

Focusing on managing Environmental Impact of Operations

| Target | Explanation | Target Year | Progress | New Target |
|--|---|-------------|---|--|
| Energy efficiency in lighting | <p>The Bank aims to complete feasibility studies on the replacement of lighting fixtures in branches to be opened and renovated with low energy consumption LED fittings.</p> <p>Likewise, projects will be undertaken to ensure the maximum use of daylight.</p> | 2013 | <p>Garanti has increased energy efficiency through using hanging lights and switching to LED systems in some of its facilities during the reporting period.</p> <p>Garanti has also taken into consideration of the maximum use of daylight in branch designs where possible during the construction of new branches.</p> | In 2014, Garanti will continue to ensure energy efficiency in lighting systems through the usage of LED systems and other methods in branches that are renovated or newly constructed. |
| Insulation on branch fronts | The Bank will step up its efforts to install insulation on branch fronts. | 2013 | Garanti has installed insulation on branch fronts in all branches that are opened during the reporting period. | This metric is no longer tracked since insulation has become widespread and does not constitute an area of development. |
| Measures to reduce water consumption | Garanti Bank will make improvements with respect to reducing water consumption. | 2013 | Garanti Bank used faucets with a lower flow rate in all branches that are opened during the reporting period. | This metric is no longer tracked since usage of faucets with a lower flow rate has become widespread and does not constitute an area of development. |
| Switching to environment-friendly refrigerants | N/A | N/A | N/A | <p>Garanti Bank has been switching to A+ type air conditioners using R410 in either renovated or newly opened facilities, in order to gradually change over to environment-friendly cooling systems for the past few years.</p> <p>Garanti Bank's new target is to replace the old air conditioners with A+ type air conditioners using R410 refrigerant in 100 existing branches, even though those branches are not within the scope of refurbishment program, by the end of 2015. This will accelerate the process of transition to environment-friendly cooling systems in all branches.</p> |



Waste Management

The Bank's Environmental Management System envisages the re-use of waste where possible and, wherever not, recycling or, where this is not appropriate, its disposal by an authorized disposal company. The table below summarises this approach.

| Method | Explanation |
|----------------------------------|--|
| 1. Re-use | The re-use of waste is the first priority. Computers that are broken or redundant are delivered to Garanti Technology which examines their potential scope for re-use. Repaired computers are then donated to schools in need if deemed to be usable. |
| 2. Recycling | Beginning with buildings subject to the EMS, the Bank began to deliver recyclable waste to authorized recycling and disposal facilities. Recyclable paper, plastic, metal and glass are delivered to whichever municipality the service point is located in or to a licensed recycling firm, where they are recycled. |
| 3. Management of Hazardous Waste | Hazardous waste that is produced by the Bank is collected in accordance with determined rules and delivered to authorized recycling and disposal facilities. |
| 4. Excavation Waste | Excavation waste and debris left over during branch openings or renewal is removed to disposal areas as designated by the municipality. |

Amount of Waste Recycled

As Garanti continues to increase the coverage of its ISO 14001 certified Environmental Management System (EMS), the total number of offices that recycle and monitor their waste is also increasing. Garanti Bank is targeting extending its EMS, which is audited by an independent accredited third party every year, to all service points by the end of 2015. Once all offices are covered by EMS, Garanti will be able to monitor its total waste generated and set targets to reduce it.

Table 26: Recycled Waste³⁴

| | 2012 | 2013 |
|-----------------------|-------|-------|
| Recycled Waste (tons) | 172.5 | 287.4 |

In 2014, Garanti Bank will increase the number of ISO14001 certified service points to 600, meaning that Garanti will be able to cover nearly 70% of its employees under EMS.

³⁴ The calculation was made by multiplying the average waste recycled per employee by the total number of employees working at ISO14001 certified buildings.

Focusing on managing Environmental Impact of Operations

Water Management

Measures aimed at saving water have been implemented at the Bank's existing service points, as well as its new branches. In this context, Garanti Bank aims to keep daily water consumption under control through the use of new faucets with a lower flow rate. The Bank also collects the rainwater from the roof of the head office building, using it in landscape irrigation. Furthermore, mains water is treated and used as drinking water at the head office building, which is not a widespread practice in Turkey where most drinking water is purchased. As a result, the Bank's initiative at its head office building eliminates use of plastic bottles and the greenhouse gas emission caused by their transport. Table 27 shows the Bank's water consumption since 2011.

Garanti Bank's target is to improve the data collection and reporting process for water consumption. After establishing a robust base-line, Garanti Bank plans to set reduction targets for water use.

Table 27: Water Consumption

| | 2011 | 2012 | 2013 |
|---|-------|-------|-------|
| Water Consumption (million m ³) | 0.192 | 0.222 | 0.331 |

More Sustainability Initiatives from Garanti Bank

Foundation for the Protection of Nature (WWF-Turkey)

Garanti Bank, as the main sponsor for 20 years of WWF Turkey³⁵, is making a major contribution to the sustainable use and conservation of our nation's natural resources, through "Garanti for Nature". Due to its long-term support for WWF Turkey's nature conservation

projects, Garanti was recognized in 2008 for the second time with the Golden Panda award and remains the only Turkish company to have won this award. In 2012, Garanti Bank joined the WWF green office program with the aim of ensuring increased energy efficiency in its headquarters and being pro-active in the fight against climate change.

LEED Criteria compliant Pendik Technology Campus

With construction work having begun in August 2011, the Pendik Technology Campus is a sustainable project with its architectural and engineering

solutions. During project design and construction work, LEED criteria such as the building's compatibility with the land, the reduction of energy and water consumption, selection of environmentally-friendly materials and waste management in construction work are taken into account. According to the US Green Building Council, LEED buildings typically save 18-39% of total energy use than comparable buildings and thus Garanti's new campus will make a significant contribution to energy reduction.

³⁵ WWF Turkey is part of WWF, the world's largest environmental organization.



Focusing on Human Resources



Garanti's most valuable asset is its human resources and the Bank views its human resources as the guarantee of its sustainability and efficient growth. The Bank continued to invest heavily in its people in 2013 with an increase in training hours of 11% to 54 hours per employee.

Garanti was the first Turkish company to be awarded the "Gold" certificate, an accolade given to only 2.6% of companies holding the 'Investors in People' (IIP) certificate around the world.

Human resources and the business environment

Garanti's corporate target is to maintain a modern business environment where human rights are respected. Aiming to be a sustainable employer, Garanti's HR strategy is based on the fundamental consideration of offering its employees the best financial opportunities under the prevailing market conditions while encouraging them to continuously develop their

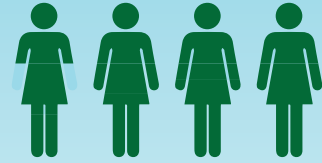
personal and professional talents and competencies. This continuous cycle of training and personal and professional development is one of the essential promises of Garanti to its employees.

Equality of opportunity and diversity

Garanti views equality of opportunity and diversity as a fundamental value and a driving force of its corporate culture. In line with this purpose, Garanti encourages its employees to think differently



57% of employees are women



14,500 employee suggestions and ideas collected

Women in management positions **31%**



Average training 54 hours per employee in 2013 (**increase of 11% from 2012**)

8,900 hours of Sustainability E-learning program trainings delivered



The First Institution in Turkey awarded with **"IIP Gold Certificate"**



and improve their personal and professional competencies while supporting diversity in the workplace. One of the clearest indicators of successful diversity at Garanti is the comparatively higher number of female employees (57% overall at 31.12.2013 and 31% in senior/ middle level management).

As a result of the importance it gives to social gender equality and the strengthening of women, Garanti Bank was one of the first to implement the Equal Opportunities Model³⁶ (FEM) and was recognized in 2012 with the awarding of its certificate.

Garanti Bank is focused on attracting, supporting and retaining local talent, and actively improving the

diversity of its team. The senior management including the CEO, EVPs and Coordinators are Turkish. Consequently, the Bank is better able to understand and serve an increasingly wide range of customers across Turkey. In Garanti's overseas operations, local talent is also hired at various levels of the organisations.

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³⁶ Equal Opportunities Model (FEM) is a certification program initiated by Women Entrepreneurs Association of Turkey (KAGİDER) with the support of the World Bank, aiming to provide equal opportunities in business life by identifying inequalities in areas such as recruitment procedures, internal training programs, and career planning and development processes, and subsequently presenting companies with egalitarian practices as a solution. More information can be found here: <http://www.kagider.org/?Dil=1&SID=727>



Table 28.1 Composition of governance bodies: Average Seniority per gender (years) for 2013

| Men | Women | Average |
|------|-------|---------|
| 6.82 | 6.82 | 6.82 |

Table 28.2 Employee Breakdown per age for 2013

| 18-25 | 26-30 | 31-35 | 36-40 | 41+ | Total |
|-------|-------|-------|-------|-------|--------|
| 3,171 | 6,087 | 4,876 | 2,692 | 1,911 | 18,737 |

Table 28.3 Employee Breakdown per age and gender for 2013

| Men | | | | | Women | | | | | Total |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|--------|
| 18-25 | 26-30 | 31-35 | 36-40 | 41+ | 18-25 | 26-30 | 31-35 | 36-40 | 41+ | |
| 1,140 | 2,512 | 2,116 | 1,230 | 1,091 | 2,031 | 3,575 | 2,760 | 1,462 | 820 | 18,737 |

Table 28.4 Employment Type by Gender in 2013

| Men | | Women | | Grand Total |
|-----------|-----------|-----------|-----------|-------------|
| Full time | Part time | Full time | Part time | |
| 8,053 | 36 | 10,518 | 130 | 18,737 |

Table 28.5 Employment Contract by Gender in 2013

| Men | | Women | | Grand Total |
|-----------|-----------|-----------|-----------|-------------|
| Permanent | Temporary | Permanent | Temporary | |
| 7,853 | 236 | 10,167 | 481 | 18,737 |

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Table 29: G4-10 Total Workforce broken down by region in 2013

| Akdeniz | Ankara 1 | Ankara 2 | Batı Anadolu | Batı Karadeniz | Çukurova | Doğu Anadolu | Doğu Karadeniz | | |
|-------------------|-------------------|-------------------|--------------------|----------------------|-------------------|-------------------|--------------------|-------|--------|
| 555 | 561 | 487 | 438 | 348 | 471 | 367 | 393 | | |
| Ege | Güney Doğu | İç Anadolu 2 | Istanbul Anadolu 2 | Istanbul Anadolu 3 | Istanbul Avrupa 1 | Istanbul Avrupa 2 | Istanbul Avrupa 3 | | |
| 415 | 459 | 397 | 557 | 607 | 430 | 484 | 474 | | |
| Istanbul Avrupa 4 | Istanbul Avrupa 5 | Istanbul Avrupa 6 | Izmir | KKTC Garanti Bankası | Marmara | Orta Anadolu | Branchless banking | Other | Total |
| 517 | 545 | 500 | 474 | 70 | 503 | 426 | 10 | 7,167 | 18,737 |

Table 30. Total number of employees hired by region

| 01July12 to 31July13 | Akdeniz | Ankara 1 | Ankara 2 | Batı Anadolu | Batı Karadeniz | Çukurova | Doğu Anadolu | Doğu Karadeniz | Ege |
|----------------------|-------------------|-------------------|--------------------|----------------------|--------------------|-------------------|--------------------|-------------------|-------------|
| 2013 | 81 | 111 | 132 | 51 | 77 | 59 | 101 | 73 | 76 |
| | 71 | 83 | 97 | 41 | 51 | 45 | 83 | 54 | 53 |
| Güney Ege | Güney Doğu | İç Anadolu | Istanbul Anadolu 1 | Istanbul Anadolu 2 | Istanbul Anadolu 3 | Istanbul Avrupa 1 | Istanbul Avrupa 2 | Istanbul Avrupa 3 | |
| 74 | 113 | 104 | 48 | 54 | 97 | 64 | 60 | 80 | |
| 62 | 84 | 73 | 37 | 48 | 81 | 52 | 43 | 61 | |
| Istanbul Avrupa 4 | Istanbul Avrupa 5 | Istanbul Avrupa 6 | Izmir | KKTC Garanti Bankası | Marmara | Orta Anadolu | Şubesiz Bankacılık | Other | Grand Total |
| 73 | 86 | 62 | 58 | 18 | 79 | 88 | 2 | 2,491 | 4,412 |
| 63 | 70 | 53 | 55 | 9 | 56 | 72 | 2 | 1,622 | 3,121 |



Table 31 Total Number of Employees hired during the reporting period broken down by age

| 18-25 | 26-30 | 31-35 | 36-40 | 41+ | Grand Total |
|-------|-------|-------|-------|-----|-------------|
| 2,791 | 1,345 | 190 | 57 | 29 | 4,412 |

Table 32 Total Number of Employees hired during the reporting period broken down by gender

| Men | Women | Grand Total |
|-------|-------|-------------|
| 2,524 | 1,888 | 4,412 |

Tables 33 Total Number of leavers by region

| Akdeniz | Ankara | Batı Anadolu | Batı Karadeniz | Çukurova | Doğu Anadolu | Doğu Akdeniz |
|---------|--------|--------------|----------------|----------|--------------|--------------|
| 127 | 106 | 69 | 57 | 53 | 75 | 68 |

| Ege | Güney Ege | Güney Doğu Anadolu | İç Anadolu | Istanbul Anadolu 1 | Istanbul Anadolu 2 |
|-----|-----------|--------------------|------------|--------------------|--------------------|
| 56 | 86 | 110 | 82 | 65 | 69 |

Table 34 Total number of leavers during the reporting period by age

| 18-25 | 26-30 | 31-35 | 36-40 | 41+ | Grand Total |
|-------|-------|-------|-------|-----|-------------|
| 1,063 | 1,297 | 704 | 227 | 205 | 3,496 |

Table 35 Total number of leavers during the reporting period by gender

| Men | Women | Grand Total |
|-------|-------|-------------|
| 1,507 | 1,989 | 3,496 |

Focusing on Human Resources

Table 36: Parental Leave

| Metric | Result |
|--|--|
| The number of employees who returned to work after parental leave ended, by gender: | <p>6.5% (66) of female employees who took parental leave during the reporting period did not return to work.</p> <p>Return to work data is not tracked for male employees.</p> |
| The number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender: | <p>A full year has not yet passed since the period covered by this report ended (to 31 December 2013). Therefore we are able to provide only the following rates:</p> <p>The total number of female employees who took parental leave during the reporting period was 1,006. As of 31st of December, 2013, 93.5% (940) of these employees were still employed by the Bank. The total number of female employees who were still employed, i.e. 940, includes both employees who returned to work and the ones who are still on parental leave during the reporting period.</p> <p>Return to work data is not tracked for male employees</p> |
| The return to work and retention rates of employees who returned to work after leave ended, by gender: | <p>Since a full year has not yet passed from the end of the period covered by this report (to 31 December 2013), we are not yet able to provide the return to work and retention rate for employees that left to go on parental leave in 2013.</p> |



Health, Safety & Well-being

OHS Management System

According to local regulations³⁷, employers must either form a specialized unit or obtain the services of a third party for OHS Management to cover areas such as compliance with legal requirements. In addition, the establishment of an OHS Committee is a legal requirement in Turkey to help ensure effective management of these issues and is required to cover the following representatives:

- ▶ the employer representative (i.e. management),
- ▶ HR,
- ▶ at least one employee representative,
- ▶ OHS specialist and physician.

Garanti Bank formed OHS units at locations with more than 50 employees. At present, 17 locations are subject to these units, including the Zincirlikuyu Head Office, Güneşli Operation Center, Learning&Development Center and some of the regional offices.

A specialized OHS software is adapted to Garanti Bank operations.

Training modules on OHS issues are prepared and organized by the cooperation of the Learning and Development and OHS service. For example, "Occupational Safety and Health Training" is a training module delivered to all new starters and all employees once every three years. Other OHS-related training delivered to employees include modules on office ergonomics, emergency management, detox, stress management, breathing techniques and meditation.

Risk assessment process is formed and started to be performed for all locations by specialized teams. Assessment of 17 locations are about to be finalized primarily.

Garanti Bank's OHS System is attached as an annex to its Construction Department's general service contracts.



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³⁷ 'The Law on Occupational Health and Safety No. 6331 ("Law No.6331"), which governs the health and safety standards to be adopted by employers in Turkey and was published on 30 June 2012.

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Figure 3 Organizational Structure for OHS



Work-related accidents

In the reporting period, there were 15 work-related incidents of injury; and no work-related deaths or diseases. Duration of absenteeism was 41,956 days for women employees and 20,542 days for men. The total lost days data is collected on the basis of medical reports of sickness leave and injuries and is shown in the table below.

| | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------|-----------|-----------|-----------|-----------|
| Total Working Days | 3,773,646 | 3,802,207 | 3,922,082 | 4,211,526 |
| Change % | -0.91% | 0.76% | 3.15% | 6.9% |
| Total Lost Days | 21,771 | 27,832 | 33,407 | 36,088 |
| Change % | -1.64% | 27.84% | 20.03% | 7.4% |
| % of Lost Days in Total Working Days | 0.57% | 0.73% | 0.84% | 0.86% |



Child care

Employees who are nursing are granted flexible time for nursing until the infant is 1 year old and can take 2 hours off every day in this first year. Alternatively, they can elect to use this leave each day (or combine the hours into one additional day of leave each week, or aggregate all days and extend their maternity leave by approximately one month).

Security Measures

In order to provide a safe and secure working environment for its employees, Garanti Bank has established robust safety and emergency procedures.

As per the Bank's Ethical Principles, employees are required to know the emergency plan and emergency procedures of the Bank and the duties to be carried out by them in state of emergency. Emergency plans and procedures are available on the Bank's intranet.

The procedures required to be followed by the security personnel of the Bank are governed under the relevant Security Procedure and published in the Bank's intranet. As per applicable regulations, all private security personnel employed by the Bank are required to complete 120 hours of training and satisfy minimum testing requirements. The training is overseen and monitored by the

Ministry of Internal Affairs. In addition to the regulatory training, Garanti Bank further requires its security personnel to complete on-the-job training for 15 days as well as 2 day in-class training. Security personnel also receive ad hoc training on various subjects during their employment.

Health/nutrition

Fitness centers are available in the Zincirlikuyu Head Office and the Güneşli Blocks. Garanti also has in-house dietician service available for both Zincirlikuyu Head Office and the Güneşli Blocks. In addition, Garanti arranges discounts with local sport centers for its employees.

Good Work Life Relationship ("IYI") program

In addition to special trainings and measures to foster employees' health and well-being, Garanti Bank has launched the Good Work Life Relationship ("IYI") program. IYI was set up in 2012 as a result of an intensive Employer Value Proposition program to enhance employee satisfaction and ensure a richer working experience. The program is responsible for:

Events

► **Motivational meetings:** Four Season Meetings and outdoor activities - share the themes of internal communications with the employees and enhance motivation

► **Garanti Women's Club & kalemetek.com:** A networking and sharing platform for female employees IYI seminars, IYI Talks, IYI Treats, IYI Fun and IYI Mini Courses

► **Corporate Hobby Clubs**

Services

► **Avita Employee Assistance Program** (rebranded as LEAP in 2014), Green Bus, Sade Mail email density management program, facilities in the headquarter buildings. Avita provides a hotline available to all employees and their family members. Experts in various fields including medical, legal, psychological and financial provide support to callers 24/7. As part of the assistance program, callers may be referred to psychologists and counsellors for 6 sit-down sessions free of charge.

Target for improving employees' wellbeing

Garanti plans to launch a notification software for sending healthy life tips to employees' computers by the end of 2014.

Career Opportunities Program

Employees have priority of consideration for open positions within Garanti. Open positions and required qualifications are announced to employees through

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in-house job postings and the Career Opportunities Bulletin, which is shared with employees over the intranet. Candidates who believe they are suitable for these positions may apply without obtaining approval from their managers or any other individual. Candidates who fit selection criteria notify their managers and are invited to the selection process.

Promotion opportunities

Promotion at Garanti Bank may be either vertical or horizontal. Authority brings with it responsibility and higher pay. Knowledge and experience are necessary requirements while moving to a higher position. However, the most important factor is always the level of performance. Careers at Garanti are not limited to positions in banking. Transfer within Garanti subsidiaries is also possible. During the reporting period, 99% of those employees who had completed 3 months of service at Garanti were deemed eligible for performance and career development evaluation.

The development of managers' managerial competencies is a key element of Garanti's HR policy.

Compensation and rewards

Compensation and rewards are the other building blocks of Garanti's HR policies. In line with its target of being the employer of choice, the Bank applies a competitive, market-sensitive

salary system, which aims to improve employees quality of life. At Garanti Bank, the compensation system is essentially based on performance and totally gender-neutral. In addition to individual performance, the Bank keeps a close view of general macroeconomic circumstances, the current inflation rate in Turkey and trends in the sector in order to apply a proper and fair policy on salaries of its employees.

In implementing its compensation policy, the Bank takes into account the values set forth by this policy as approved by the Board of Directors. Every employee, including senior managers, meticulously upholds these values in all salary-related practices. Garanti Bank goes to great lengths to ensure that its compensation system is always:

- ▶ fair,
- ▶ transparent,
- ▶ measurable and based on balanced performance targets,
- ▶ encourages sustainable success,
- ▶ complies with the Bank's risk management principles.

At Garanti, the salary package comprises various components including the monthly salary, bonus payments and premium payments each year, meal vouchers, foreign language payments and other benefits

with variations depending upon level of seniority or scope of work and location of service.

The Performance Management process is applicable to all employees who have been employed within Garanti Bank for at least three months. During the reporting period, 99% of those employees who had completed 3 months of service at Garanti Bank were deemed eligible for performance and career development evaluation. More information about Garanti Bank's Compensation Policy is available on-line: http://www.garanti.com.tr/en/our_company/investor_relations/corporate_governance/compensation_policy.page?





Fair and transparent premium models

Garanti Bank employees are awarded with premiums based on a system that measures success based on balanced and objective criteria such as the realization of financial targets, risk management and customer satisfaction. Results are shared with the employees themselves and their managers periodically and transparently. Garanti employees are members of the Private Social Security and Benefits Foundation, which was founded according to temporary article no. 20 of the Social Securities Law no. 506 and they have means to be treated in contracted private hospitals through private health insurance.

Learning and Development

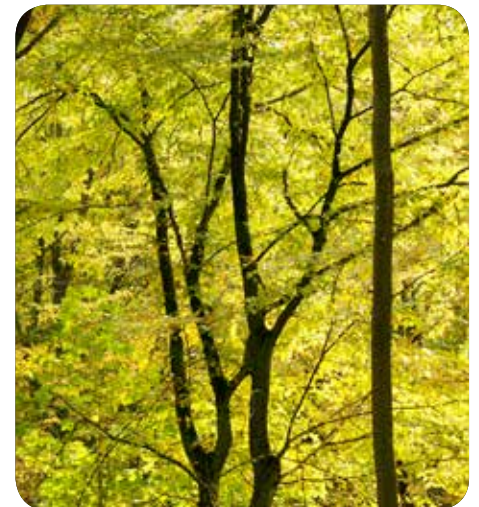
Garanti carries out its learning and development activities with the vision of human resources as a valuable investment, of cultivating the best human resources in the financial sector and of ensuring the permanence of its employees' development. The high performance and career development of Garanti Bank employees, as well as the Bank's sustainable performance, are supported through learning and development solutions that are tailored to personal needs and competencies.

Garanti's learning and development strategy is based on the following tenets:

- 1. Pays attention to differences and offers equal opportunities.** Garanti Bank pays attention to differences in learning styles; diversified training channels/methods are used by integrating current approaches and practices into training activities. Coaching and rotation practices, action plans and knowledge sharing are the means which support and perpetuate Garanti Bank employees' training process and lead them to transfer their learning into their work environment.
- 2. Supports business results.** The Bank views its Learning and Development Unit as its strategic business partner and designs development activities within the framework of its business needs. Learning and Development Strategy Committees, consisting of representatives from different units of Garanti Bank, full-time internal instructors specialized in training and professional instructors who share their own experiences in business life, contribute significantly to the creation of learning and development solutions that comply with the Bank's dynamics.
- 3. Believes in employees' potential.** Established in 2005 and aiming to improve the managerial skills of Garanti Bank managers and to create a joint management culture,

the Garanti Leadership Academy applies a selection and development system based on competencies. In Garanti Leadership Academy, participants' development process is supported by the common efforts of the HR Department, Learning and Development Departments and managers. Some 92% of current managers at Garanti Bank are the graduates of the Garanti Leadership Academy.

- 4. Keeps up-to-date with the latest technology.** Effective use of technology plays a key role in the success of Garanti Bank's learning and development activities. Garanti Bank also supports the development of its employees through in-class training sessions and different training technologies that are summarised in the following Table..



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Table 37: Learning Technology used by the Bank

| Technology | Description |
|-------------------|--|
| GET Kurs | Web-based training sessions that include video, animation, text and visual content |
| GET Sinif | Web conference system set up within the Bank which facilitates audio and video remote |
| Simulation Branch | Allows participants to view critical issues concerning customer experiences in real life and to experience possible risks in advance in a safe environment |
| GET TV | Live broadcast portal allowing customers to quickly access information |
| GET Video | Video sharing website aimed at enhancing the learning process via experience sharing |
| GET Mobile | Instant notifications through mobile instruments, such as mobile phones, Blackberry and tablet computers |

Table 38: Average training per employee during the reporting period

| (Hours) | 01/07/2012-31/12/2012 | 01/01/2013-31/12/2013 |
|--|-----------------------|-----------------------|
| Average Training Per Employee | 27 | 54 |
| Average Training Per HQ Employee | 23 | 46 |
| Average Training Per Branch Personnel | 28 | 57 |
| Average Training Per Employee (Women) | 27 | 53 |
| Average Training Per Employee (Men) | 26 | 54 |
| Average Training Per Employee (Management Positions) | 29 | 49 |
| Average Training Per Employee (Below Management Level) | 27 | 54 |



Raising Awareness on Sustainability

Garanti Bank is aware that the effectiveness of its environmental management system EMS cannot be taken for granted without the support of its employees. The Bank is also aware of the importance of embedding sustainability into its culture and organizes numerous training programs on sustainability to ensure this. The Sustainability E-Learning program was designed for all bank personnel as a result of the Bank's commitment to raising the awareness of its employees, who form its most precious stakeholder mass. The Bank also added its view of the concept of sustainability to its orientation training, spelling out its expectations of employees on this issue.

During the reporting period, Garanti has created an internal communications strategy and training program for sustainability, including the environmental initiatives, with the aim of increasing the awareness among our employees regarding the environmental issues and build their capacity on specific topics such as climate change, carbon trading and environmental and social risk management.

The awareness raising program included informative e-mails, videos, exhibitions (e.g. artwork from

electronic waste of the Bank) and an online sustainability platform in intranet.

Additionally, Garanti has identified and selected 316 sustainability representatives from all bank departments and some of the regional directorates and branches to support all sustainability efforts as needed. Those representatives received Environmental Management System trainings and became an auditor after they were elected. They play a key role in disseminating their knowledge to their colleagues in their responsibility areas. Garanti targets to expand this network to all branches within few years, in parallel with the increase in the coverage of EMS.

Garanti has created a new category for environmental performance under Onersen, a suggestion platform to encourage all employees to submit recommendations about the Bank's operations. With this new category for environment, all employees can submit their suggestions related to environmental performance directly to the Sustainability Team, through Onersen. The Team consolidates the suggestions, determines the ones that are feasible and presents them to the Sustainability Committee. Once the Committee's approval is taken, the Team starts to work with relevant departments to implement the suggestions.



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Table 39: Progress in Awareness Raising Activities

| Target | Explanation | Target Year | Progress | New Target |
|-----------------------------------|---|-------------|---|---|
| Share of Educational Technologies | 28% of all training sessions will incorporate educational technologies by the end of 2013 | 2013 | 26% of all training sessions incorporated educational technologies. | The new target for educational technologies has been determined as 26% as of December, 2014. |
| Increasing employee awareness | Garanti Bank will continue to update and improve its employees' awareness and knowledge about the Bank's sustainability approach through various methods like remote training programs. | 2013 | <p>During the reporting period, Garanti has created an internal communications strategy and training program for sustainability.</p> <p>The awareness raising program included informative e-mails, videos, exhibitions (e.g. artwork from electronic waste of the Bank) and an online sustainability platform in intranet.</p> <p>Garanti also launched a comprehensive on-line technical training program on its Environmental and Social Impact Assessment System in 2013, and had trained 88% of its personnel in its use by the end of 2013.</p> | <p>In 2014, Garanti Bank will develop a distance-learning program about its new product for financing of solar power projects under 1 MW for SMEs for its banking personnel.</p> <p>The Sustainability E-Learning Programme will be revised in 2014.</p> <p>Garanti will also develop a new awareness raising programme targeted towards its employees.</p> |



Gelecek (Future) Meetings

Garanti Bank holds Gelecek (Future) Meetings that allow strategies for the new period to be discussed with a joint approach after the Bank's senior management undertakes an evaluation of the previous year's results with employees. These meetings reflect a corporate culture based on teamwork, joint thinking, sustainability and social benefit in which employees are able to comfortably express their thoughts and suggestions on different platforms. Since 2012, meetings have been held in a "carbon neutral" setting; measures were taken to minimize carbon emissions from meetings and the remaining carbon emissions were offset by supporting sustainable energy projects.

4 Season Meetings

Garanti Bank has been organizing regional 4 Season Meetings since 2009 with the aim of increasing employees' motivation, improving employee relations, and achieving communication more effectively within the Bank. 4 Season Meetings create an opportunity for branch employees in a certain region to get together and socialize in an informal environment.

Garanti Managers Summit

Held annually, the Garanti Managers Summit brings together managers of Garanti Bank and its subsidiaries and

is a special sharing and a common learning platform. The theme of the summit is determined particularly in accordance with the priorities of the Bank and the latest global developments and trends, financial projections, cultural changes and consumer behavior.

Employee Satisfaction

Measurement and systematic follow-up of employee satisfaction levels are important in terms of the success and sustainability of Garanti Bank's HR strategy, policies and practices. Through surveys held every year, the Bank listens to its employees' opinions and gathers information concerning their requests and expectations. Annually held surveys at Garanti Bank are explained below.

The Employee Engagement Survey is carried out to gather employees' opinions concerning the working environment at Garanti Bank so as to create a better and more efficient working environment, taking into account feedback from its employees. The scope of the survey includes basic employee-related subjects, such as the performance system, salaries, work/private life balance, job satisfaction, the working environment, development facilities and managers.

The Internal Customer Satisfaction Survey allows Garanti Bank employees to evaluate the service

they have received and to offer their suggestions. The survey includes questions on such criteria as accessibility, teamwork, customer approach, communication, service quality and openness to criticism.

The 360 Degree Feedback Survey aims to contribute to managers' development by determining their competencies, as well as their strengths and areas open to development. The findings gathered from the surveys are shared with senior management and managers and used in the proper design of development plans in accordance with employees' needs.

T. Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı (Garanti Bank Pension Fund Foundation)

When employees join Garanti Bank, they automatically become members of the Garanti Bank Pension Fund Foundation, which was founded in accordance with temporary article no. 20 of the Social Securities Law no. 506. A health certificate is issued for employees, their spouses and children.

Garanti Bank has started to provide all employees with call center support, i.e. a hotline available to all employees and their family members. Experts in various fields including medical, legal, psychological and financial provide support to callers 24/7. As part of the assistance program, callers may

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be referred to psychologists and counsellors for 6 sit-down sessions free of charge.

Suggestion and Idea Platforms

Garanti Bank attaches considerable importance to its employees' contributions to innovation processes. For this purpose, Garanti Bank uses the 'Önersen' and 'Atölye' idea platforms in order to collect the employees' various suggestions regarding the improvement of the products, services or processes.

Önersen

Önersen is an idea gathering platform which encourages all employees to submit their ideas or recommendations about the Bank's products, processes or operations in terms of environmental performance. All employees can submit their suggestions related to environmental performance directly to the Sustainability Team, through Önersen.

For instance, the Sustainability Team consolidates the suggestions, which are submitted through Önersen under topics related to environmental measures, determines the ones that are feasible and presents them to the Sustainability Committee. Once the Committee's approval is taken, the Team starts to work with relevant departments to implement the suggestions.

Atölye

"Atölye", the project-based idea platform that has been active since 2010, has collected innovative ideas from the employees with six different projects.

Voluntary Clovers

Having carried out many valuable projects since its establishment, "Gönüllü Yoncalar" Corporate Social Responsibility Club has defined its mission as to continuously and significantly increase the value that it produces for the community and the environment through its effectiveness, sensitivity and harmony.

During 2013, Volunteer Clovers staged a Wishing Tree campaign that reached 400 children, whose wishes were supported. Under the ongoing Our Book Box project, books were donated to more than ten schools in different cities across Turkey.

Highlights from the Community Investment projects which the Bank's

employees have participated in and/or supported voluntarily can be accessed at the following web address:

http://www.garanti.com.tr/tr/garanti_hakkinda/toplumsal_paylasim_projeleri/spora_destek_projeleri.page?





Focusing on Communities



Garanti Bank views its systematic and long-term efforts, which it conducts within the scope of Community Investment, as an essential element of its sustainability approach.

These Community Investment programs, which generate a significant amount of value added for society, range from programs for sports to education, the arts, nature and also to informing the business world.

Garanti Bank's Corporate Social Responsibility Policy

► Driven by the importance we attach to the added value we offer to our country, society and individuals, to constantly monitor our country's and society's needs and establish our Community Investment efforts.

► To create institutions that are open to social interaction and that will set an example in their operating areas; to address our stakeholders' needs and expectations by building a permanent structure with these organizations and by aiming to produce long-term benefits for larger masses.

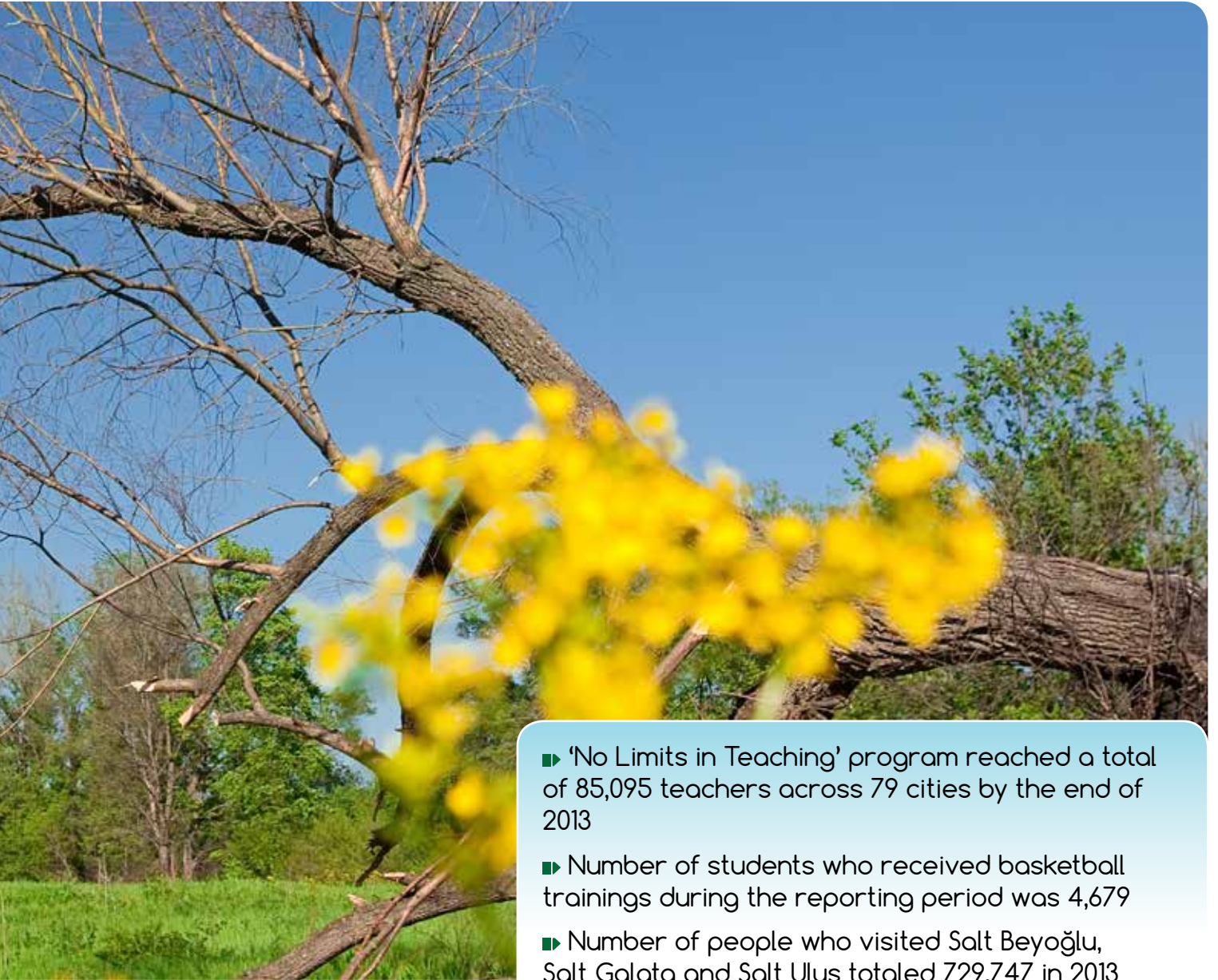
► To become an organization, of which all our stakeholders - including our employees - are proud to be a part, with our community-oriented activities, that we have been conducting with Community Investment awareness. To conduct all of our Community Investment efforts with a particular focus on social impacts and sustainability both inside and outside our organization.

Garanti Bank and Education

The focus of Garanti Bank's Community Investment projects is education and the following section details some of our initiatives.

Teachers Academy Foundation

Since 1999, the Bank has strategically focused on projects that produce value for teachers, who directly determine the quality of education. Following the completion of the Bank's preparatory work, the Teachers Academy Foundation ('ÖRAV') was founded in 2008. The foundation began its operations first with the 'No Limits in Teaching' project, designed and implemented by Garanti Bank, in order to contribute to the development



- 'No Limits in Teaching' program reached a total of 85,095 teachers across 79 cities by the end of 2013
- Number of students who received basketball trainings during the reporting period was 4,679
- Number of people who visited Salt Beyoğlu, Salt Galata and Salt Ulus totaled 729,747 in 2013 (Entrance free of charge)

of an education model which raises individuals who think, question and research in our country. Based in Istanbul, the foundation's main target is to provide for the needs of teachers who will contribute to raising young generations of individuals who are aware of their individual and social responsibilities; who research, question and think in analytically; who have self-confidence; who attach importance to the continuity of their personal development; who have adopted universal values; and who can lay claim to our country's cultural heritage.

No Limits in Teaching

Within the scope of the 'No Limits in Teaching' project', the Bank has signed a 5-year contract with the Ministry of National Education in order to arrange training activities for the personal and occupational development of teachers. Garanti Bank has allocated a total of TL 15 million in funds for the project which got under way in the 2008-2009 academic years and whose objective is to reach 100,000 teachers.

In May 2009, the Foundation began to provide face-to-face trainings as part of the project, and had reached a total of 85,095 teachers

across 79 cities by the end of 2013. All teachers, administrative personnel and inspectors of primary schools may participate in these training programs on a voluntary basis and free-of-charge. The training programs are provided in teachers' schools under the following topics: Classroom Management, Communication Skills and Evaluation. Teachers who participate in the training programs are awarded MEB (Ministry of Education)-approved certificates.



Other Initiatives on Education

In addition to these initiatives, Garanti Bank assumed the construction of the teachers' quarters in Erciş to extend support to teachers who suffered damages from the earthquake of October 2011 in Erciş, Van. Opened in October 2013, Garanti Erciş Teachers' Quarters have been allocated to teachers who were affected by the disaster.

Since 2012, Garanti Bank has been providing support to the UNICEF initiative

for the development and execution of school development plans to bring primary schools into alignment with the Primary Schools Standards. Through the support it has been extending since 2012 to Tohum Turkey Autism Early Diagnosis and Education Foundation, Garanti Bank is being instrumental in the provision of theoretical and practical inclusion teaching to those who teach autistic children in İstanbul.

For more information on the Öğretmenin Sınırı Yok (No Limits in Teaching) project, please visit: <http://www.ogretmenininsiniriyok.com>

For more information on Öğretmen Akademisi Vakfı (Teachers Academy Foundation) please visit: <http://www.orav.org.tr>

"İstanbul Museum of Modern Art" Education Program

Since 2005, Garanti Bank has been sponsoring the education program at İstanbul Modern, Turkey's first and only contemporary art museum. The program aims to play a key role in raising creative and inquisitive individuals who are literate, and also actively involved in the arts, while supplementing classroom education. Over 40,000 children and youths have so far received training through the ongoing Garanti-sponsored İstanbul Modern training programs.

In 2013, Garanti Bank supported a special exhibition showcased in İstanbul Modern Art Museum whose aim was to encourage artists to engage in innovative research.

Inspired by the legend of a man whose wish came true upon making 1,000 paper cranes, "A Thousand Cranes for a Wish" project was carried out within the frame of the volunteerism project under the Garanti Future Meeting organized in October 2013. Under the project, Garanti Bank provided financial support to the Turkish Sports Federation for the Physically Disabled in return for 1,000 cranes crafted by Garanti employees.

Genç Hayat Foundation

Since 2009, Garanti Bank has been sponsoring the Genç Hayat Foundation's Anatolian Teacher High Schools Social Events and the related "Renk Çemberi" (Color Circle) project. In brief, the Project aims to ensure that students educated in Anatolian Teacher High Schools are taught to be self-aware and improve their communication skills and develop individual-social responsibilities.

Toplum Gönüllüleri Vakfı (TOG) (Community Volunteers Foundation)

Garanti Bank is the main corporate sponsor of TOG (Community Volunteers Foundation), which is a project of transformation that aims to turn the energy of the youth into social benefit. Founded in December 2002, TOG aims to achieve social peace, solidarity and change through the leadership of the youth and the guidance of adults. By enabling young people to participate voluntarily in social responsibility efforts, the foundation contributes to their personal development, encouraging them to play an active role in social issues on the basis of volunteering.

Young people who work for TOG implement sustainable social responsibility projects, by becoming organized in clubs, communities or university groups. Some of the projects carried out by the foundation with the Bank's support are listed below:

| Project | Objective |
|---|--|
| Gönüllü Eđitime Destek (Supporting Voluntary Education) | To support the personal development of students in disadvantaged regions |
| Dönemsel Yaz Projeleri (Seasonal Summer Projects) | To support national and international support for education and social events organized in summer months |
| 5 Anahtar Eđitimler (5 Key Training programs) | To raise young people's awareness of basic concepts like civil society, projects and volunteering |

Culture and the Arts at Garanti Bank SALT

SALT, which was formed by restructuring Platform Garanti Contemporary Art Center, the Osmanlı Bank Museum and Garanti Gallery under one roof, has been established with the aim of a unique cultural institution that will interact with its customers. SALT, established in two locations in Istanbul and one location in Ankara, is a cultural, free-of-charge institution that conducts cross-disciplinary programs in areas ranging from contemporary art to social and economic history, architecture to design and urban life. SALT Research, within the premises of SALT Galata, offers important sources to students, academics and researchers with a library containing about 100,000 printed publications gathered under 40,000 topics and an archive that allows for access to more than one million documents which have been transferred to the digital environment.

From 2011 until year-end 2013, Salt Beyođlu, Salt Galata and Salt Ulus in Ankara hosted 31 exhibitions, 42 events in conjunction with the exhibitions, and 208 guided exhibition tours and workshops for students, as well as publishing five comprehensive publications. The number of people who visited Salt Beyođlu, Salt Galata and Salt Ulus totaled 729,747 during the same period.

Lycian Way

The Lycian Way is a walking route of approximately 500 km leading from Fethiye to Antalya. Garanti undertook establishing sign posts along the pathway for guided trekking walks along the Way. In addition, Garanti Bank contributes to tourism in the region with the Lycian Way guide book prepared in 2006.

Van Through the Eyes of Children

Aiming to create a safe space for children who live under tough conditions following the October 2011 earthquake in Van as well as to be able to tell the story of the earthquake through the eyes of children, Garanti supported an initiative to provide children with photography workshops. 250 children participated in these workshops for 10 weeks, which were offered by instructors from Istanbul, Van and Diyarbakir. The initiative was coordinated by Anadolu Kultur and photographers from Fotođraf Akademisi, Fotođraf Vakfı, Nar Photos and Galata Fotođrafhanesi collaborated. The pictures taken by the children were presented to artlovers through exhibits and portfolio books.



12 Giant Men Basketball Schools Project

12 Giant Men Basketball Schools Project was launched by the Turkish Basketball Federation under Garanti Bank's sponsorship with the aim to spread a love of basketball throughout Turkey and to help raise the basketball players, referees and managers of the future. Within the scope of the project, students participate in not only basketball trainings but also other social and cultural activities. A total of 40,000 students have been given basketball trainings since the beginning of the 12 Giant Men Basketball Schools project in 2002. The project is currently run with about 2,000 students in 70 cities. The number of students who have received basketball trainings during the reporting period was 4,679.

In addition to facilitating access of its disabled customers to banking services and seeking to support the participation of disabled individuals in social life, Garanti Bank began sponsoring women's, men's and juniors National Wheelchair Basketball Teams and the Wheelchair Basketball Leagues in April 2013. Though these projects Garanti aims to contribute to the training and success of players, while increasing awareness in society and the private sector about disabled sports.



Community Investment Targets

Garanti Bank views the systematic and long-term efforts which it conducts within the scope of Community Investment as an essential element of its sustainability approach. Garanti Bank allocated TL 10.2 million in funds to corporate responsibility activities in 2012 and TL 12.4 million in 2013.

These efforts, in which the significant portion of the value added to society is created, are implemented in a number of different areas, ranging from education to the culture and arts, from informing the business world to supporting women entrepreneurship, from sports to nature. Garanti Bank aims to sustainably increase the value that it adds to the community and its stakeholders.

Table 40: Progress in Community Investment Target

| Target | Explanation | Target Year | Progress | New Target |
|---|--|-------------|---|---|
| Monitoring of Community Investment Activities | Implementing a new system that will report, assess and evaluate corporate responsibility investments and the social impacts of these investments | 2013 | A new system that measures each project investment on a stand-alone basis has been implemented to monitor a select group of projects. | By the end of 2014, Garanti Bank is targeting to extend the impact assessment system to all projects with a holistic approach, thereby allowing comparative analysis of impact return and more efficient improvement works. |

A large, mature tree with a thick trunk and a full, rounded canopy of green leaves stands in the center of a well-maintained green lawn. The background shows more trees and a clear blue sky. The word "Appendix" is overlaid in white text at the bottom of the image, with a small globe icon integrated into the letter 'o'.

Appendix

Appendix 1: Main Pillars of our Strategy

This appendix lists the Bank's main pillars of its corporate strategy for achieving excellence in all its operations.

Focus on customers

- ▶ High quality service via innovative products
- ▶ Unrivalled competence, experience and implementation capability
- ▶ Exceptional business processes throughout the Bank
- ▶ Customer Satisfaction Constitution Focus on the continuity of technological innovation
- ▶ The best and the fastest technological equipment that is constantly upgraded and integrated with business segments
- ▶ The most up-to-date IT infrastructure

Focus on competent human resources

- ▶ Continuous improvement in competency and efficiency of human resources
- ▶ Management policy based on performance and internal promotion through internal recruitment

Focus on operational efficiency

- ▶ Focus on improving productivity
- ▶ Focus on cost/income synergies

Focus on disciplined growth

- ▶ Sustainable and profitable balance sheet growth focused on real banking
- ▶ Strong asset quality
- ▶ Effective use of capital

Focus on strong delivery channels

- ▶ Extensive and efficient branch network

Focus on sustainable banking

- ▶ Commitment to corporate governance, ethics and corporate values
- ▶ Minimizing environmental and social impacts of the Bank's activities, products and services
- ▶ Playing an active role in establishing high standards for social development and environmental protection with an approach toward creating value for the society and the environment

Focus on risk management & audit

- ▶ Measurement of risk using globally accepted standards
- ▶ Portfolio-wide risk management that associates risk with return and leads to optimal allocation of economic capital
- ▶ Proactive audit systems



Appendix 2 Garanti's Integrated Subsidiaries

G4-17 - For information on activities of the Bank's Subsidiaries, please see pages 69 to 80 of the 2013 Annual Report (http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page?)

| | Subsidiaries ³⁸ | Address (City/Country) | Parent Bank's Share-If Different, Voting Rights (%) | Shares of Other Consolidated Subsidiaries (%) | Method of Consolidation |
|----|---------------------------------------|---------------------------|---|---|----------------------------|
| 1 | Garanti Finansal Kiralama A.Ş. | Istanbul/Turkey | 99.96 | | Full Consolidation |
| 2 | Garanti Faktoring Hizmetleri A.Ş. | Istanbul/Turkey | 81.84 | | Full Consolidation |
| 3 | Garanti Yatırım Menkul Kıymetler A.Ş. | Istanbul/Turkey | 100.00 | | Full Consolidation |
| 4 | Garanti Portföy Yönetimi A.Ş. | Istanbul/Turkey | 100.00 | | Full Consolidation |
| 5 | Garanti Emeklilik ve Hayat A.Ş. | Istanbul/Turkey | 84.91 | | Full Consolidation |
| 6 | Garanti Bank International NV | Amsterdam/ Netherlands | 100.00 | | Full Consolidation |
| 7 | Garanti Bank Moscow | Moscow/Russia | 100.00 | | Full Consolidation |
| 8 | Garanti Holding BV | Amsterdam/ Netherlands | 100.00 | | Full Consolidation |
| 9 | G Netherlands BV | Amsterdam/ Netherlands | | 100.00 | Full Consolidation |
| 10 | Garanti Bank SA | Bucharest/Romania | | 100.00 | Full Consolidation |
| 11 | Motoractive IFN SA | Bucharest/Romania | | 100.00 | Full Consolidation |
| 12 | Ralfi IFN SA | Bucharest/Romania | | 100.00 | Full Consolidation |
| 13 | Domenia Credit IFN SA | Bucharest/Romania | | 100.00 | Full Consolidation |

Special Purpose Entities

1. Garanti Diversified Payment Rights Finance Company
2. RPV Company

.....
³⁸ Since Garanti Ödeme Sistemleri A.Ş. (Garanti Payment Systems), Garanti Konut Finansmanı Danışmanlık Hiz. A.Ş. (Garanti Mortgage) and Garanti Bilişim Teknolojisi ve Tic. TAŞ (Garanti Technology) are non-financial investments, they're excluded from the consolidation process.

Appendix 3: Anti-fraud Policy

Examples of unethical and fraudulent activities, including all types of corruption, bribery, deception, embezzlement cases and all other unlawful activities, which are prohibited as part of the Bank's Anti-fraud policy are listed below:

- ▶ Acts of deception towards the Bank's staff, customers or other stakeholders
- ▶ Embezzlement of property belonging to the Bank or to its customers.
- ▶ Using the Bank's confidential information to derive unfair personal advantage.
- ▶ Disclosure of confidential information regarding the Bank.
- ▶ Abuse of the performance and bonus system.
- ▶ Abuse of power and title to derive benefits for the individual and their relatives.
- ▶ Involvement in any types of bribery including facilitation payments.

All the Bank's personnel are responsible for contributing to effective risk management against anti-fraud. The details of these responsibilities and duties are listed in the Bank's Anti-fraud Policy.

Starting from the Bank's top management, all managers lead and encourage all personnel to develop and apply an internal control

mechanism for anti-fraud and help adopt a culture of anti-fraud throughout the Company.

In addition, it is the directors of the department or branch that are in charge of designing and adopting an effective internal control mechanism and having implemented the information security mechanism.

The Bank does not tolerate fraudulent activities under any circumstance. All personnel are expected to faithfully fulfill their duties as to be in conformity with the Ethical Principles Guide and personnel rules.

All acts that are suspected, attempted or proven are subject to administrative and penal sanctions in accordance with the rules, laws and regulations in force.

Garanti Bank has 4 main strategies in order to prevent fraudulent activities as follows:

- ▶ Ethical Principles and integrity culture
- ▶ Risk management and internal controls system
- ▶ Awareness Raising and Trainings
- ▶ Review Process and Fraud Risk Matrix

Any reports regarding issues of abuse are periodically reported to the Audit Committee by the Internal Audit Department.

Any sanctions against personnel found to be involved in abuse activities are decided by the Disciplinary Committee in accordance with the Bank's personnel rules.

The relevant department or branch is obliged to ensure remediation of any internal control mechanism deficiency identified to ensure conformity with the recommendations made in the investigation report arranged by the Audit Committee.

According to the Ethical Principles, any breach of the code may be subject to Disciplinary Committee enforcement including penalties such as "dismissal from job". Employees also get special training programs regarding prevention of corruption, bribery, forgery and fraud. In addition to the classroom trainings provided by the Learning and Development Department for branch personnel, Garanti Bank conducts web-based training sessions that include video, animation, text and visual content. A web-based training is delivered to every new employee on a mandatory basis, whilst all employees are required to receive refresher training on an annual basis. This training module includes an exam, which must be completed with a passing grade in order to successfully conclude the training. The Simulation Branch allows employees to view critical issues concerning customer experiences in real life and to experience possible risks in a safe environment.



Appendix 4 – Whistleblowing Programme

The Bank's Whistleblowing Programme covers practices and acts against the Bank's Code of Ethics including the following types of acts:

- ▶ Acts contrary to the management principles, policies and procedures or work practices of the Bank,
- ▶ Acts that would tarnish the Bank's credibility, transparency and image,
- ▶ Workplace practices contrary to public morality, work ethic and sexual harassment actions,
- ▶ Practices contrary to applicable laws and regulations,
- ▶ Misuse and/or wasting the Bank's resources,
- ▶ Fraudulent and dishonest acts,
- ▶ Deletion, forgery and tampering of documents, accounts and other records,
- ▶ Misuse of assets belonging to the Bank or its clients for illegal gain,
- ▶ False or misleading financial reporting or recording of banking transactions,
- ▶ Acts of bribery and corruption,
- ▶ Deriving unfair advantage from third parties by using an individual's position in the Bank, or by accepting gifts over the limit specified in the Manual of Ethical Principles,
- ▶ Theft or misuse of assets belonging to the Bank,
- ▶ Sharing customers' confidential information with 3rd parties and unauthorized persons in the bank,
- ▶ Purchases in violation of the Bank's procurement policies, any activity with suppliers that results in personal enrichment and /or financial loss to the Bank,
- ▶ Insider trading on the capital market,
- ▶ Gambling addiction regardless of whether the gambling occurs at the workplace,
- ▶ Selling any banking product or service to a customer without having explained the terms and conditions,
- ▶ Issuing a loan to ineligible customers, for example due to their poor creditworthiness, by manipulating the information used in the loan assessment process.

For any of the issues listed above, staff are required to report issues on a timely basis. All employees can contact the Audit Department via a dedicated hot line or email directly to report suspected breaches. In the event that they failed to do so or deliberately misreported the situation, the individual could also be subject to disciplinary action by the

Disciplinary Committee (see Appendix 7). Employees' complaints are not used against the complainant and are addressed and resolved with due importance.



Appendix 5: Activities of the Bank's Compliance Department

Organized to address two main fields of activities so as to achieve goals under the names of Compliance Controls Team and Compliance Officer Team, the Compliance Department is assigned with the following tasks:

Compliance Controls Team

The Compliance Controls Team carries out the following tasks:

- ▶ Coordination and supervision of existing control mechanisms regarding the compliance of Garanti Bank's activities with laws, internal policies and rules, and Banking practices,
- ▶ Monitoring that processes are revised in accordance with changes in legislation and notification of such changes to employees,
- ▶ Forming its opinion on new products and transactions before they are implemented,
- ▶ Monitoring compliance risks arising from foreign legislation via assigned employees who are responsible for controlling compliance with local regulations at consolidated subsidiaries and branches abroad and carrying out necessary studies aimed at continuous improvement of the compliance culture and awareness within Garanti Bank.

AML Compliance Officer Team

An Anti-Money Laundering Compliance Officer is employed with an independent function set up under the Board of Directors and reports directly to the designated member of the Board. The AML Compliance Officer carries out activities within the scope of the strategy for prevention of laundering of criminal activity proceeds and financing of terrorism, in order to ensure that the Bank complies with national and international regulations.

The responsibilities of the AML Compliance Officer at Garanti Bank are as follows³⁹:

- ▶ Carrying out all necessary efforts to achieve Garanti Bank's compliance with the related laws and regulations and providing necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- ▶ Ensuring that the compliance program is carried out and developing policies and procedures within this scope; executing risk management, monitoring and control activities and following up the results of internal audit and training activities,

■▶ Ensuring that the training program, approved by the designated member of Board of Directors on Prevention of Laundering Proceeds of Crime and Financing of Terrorism is carried out effectively,

■▶ Looking into and evaluating information on potentially suspicious transactions that he/she receives or becomes aware of sua sponte; reporting any transaction that he/she deems to be suspicious to the Financial Crimes Investigation Board,

■▶ Managing relations with relevant governmental or private agencies.

In performing the duties and responsibilities summarized above, the Compliance Officer Team set up under the Compliance Department cooperates with the Internal Audit Department, Internal Control Unit, Learning and Development Department and Legal Department, and meets at certain intervals with the relevant executives to review ongoing activities.

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³⁹ Responsibilities are in accordance with Turkish Law No. 5549 on the Compliance Program with Obligations Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism



Appendix 6: The Bank's Declaration of Human Rights

In keeping with its responsible and sustainable banking approach, Garanti Bank aims to create a working environment that is modern and fully respectful of human rights and to extend this approach to all of its stakeholders.

In addition to the legislation that governs working life in Turkey, Garanti Bank is focused on ensuring compliance with and satisfying the requirements imposed by relevant international covenants to which Turkey is a signatory; chief among them,

- ▶ The principles set forth in the United Nations Universal Declaration of Human Rights, and,

- ▶ The basic tenets of the International Labor Organization, a specialized United Nations agency working to promote human rights, social justice, and labor rights.

In 2012, Garanti Bank voluntarily signed the United Nations Global Compact principles, an international initiative for businesses that are committed to aligning their operations and strategies with ten principles addressing sustainability in all its aspects including human rights, and pledged itself to abide by these principles. As a signatory to the United Nations Environment Program Finance Initiative's (UNEP FI) Statement of

Commitment by Financial Institutions on Sustainable Development, Garanti Bank has also committed to integrating environmental and social factors in all its business processes, beyond compliance with existing regulations.

In accordance with Garanti Bank's Ethical Principles, Garanti Bank employees are obliged to conduct their relationships with each other in a way that will not disrupt the work climate and will not be perceived as harassment, discrimination or mistreatment in or out of the work place.

Garanti Bank Managers are obliged to take the necessary measures to prevent mistreatment, discrimination or harassment of any type in the work place and to report suspected cases to the Human Resources Department. In addition, employees are asked to report their grievances in this area to their line managers or directly to the Human Resources Department.

Such complaints are not used against the complainant and are addressed and resolved with due importance. Administrative sanctions required by the Bank's internal procedures are implemented against perpetrators of all types of mistreatment, discrimination or harassment or actions to cover up such behavior.

In compliance with equal opportunity

principles, Garanti Bank does not discriminate against its employees. The fundamental criterion for choosing, promoting, or reassigning a person for a post is their suitability. Garanti Bank has received the Equal Opportunity Model certificate, which is a voluntary initiative.

Garanti Bank respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will.

Garanti Bank takes utmost care to provide a physically and mentally healthy working environment for its employees. It takes the necessary precautions prescribed in applicable regulations on Occupational Health and Safety (OH&S) and provides training to its employees. In addition to the measures taken and trainings provided to the employees, Garanti Bank has implemented the Good Work/Life Relation program in 2012 for the purpose of enhancing employee satisfaction.

In accordance with Garanti Bank's Environmental and Social Loan Policies, operations which are determined to be banned or restricted by national legislation and/or international agreements to which Turkey is a party as well as the operations or

projects of individuals and companies found to employ child labor or who violate human rights will not be financed, without carrying out any environmental and social impact evaluation and applying limits.

Garanti Bank subjects new projects with an investment value of more than USD 20 million to its Environmental and Social Impact Assessment System and requests stakeholder involvement meetings to be held effectively if it deems necessary. Should Garanti Bank identify any social risks, including those associated with human rights, in the course of its assessment, it requests that necessary measures are taken and monitors the implementation throughout the duration of the loan.

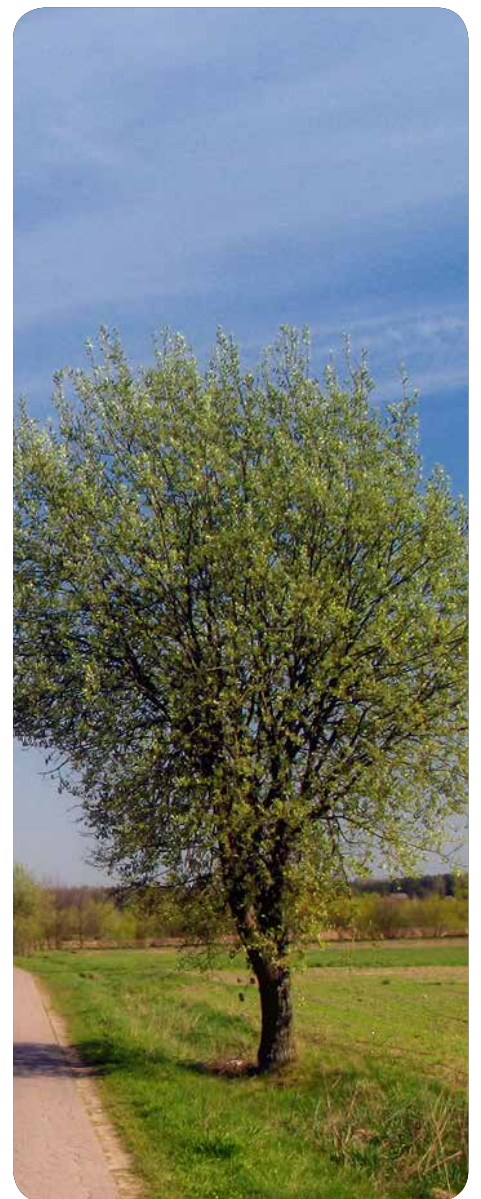
Garanti Bank's product and service contracts with third parties are managed in accordance with relevant regulations and the Bank's policies and procedures. Garanti Bank seeks compliance with Turkish legislation, particularly the Turkish Labor Code where necessary, and reserves the right to cancel contracts in the event of a non-compliance with regulations providing for worker protection.

Garanti Bank adopts as a basic principle that its employees shall not be engaged in discrimination on the grounds of language, ethnicity, gender, political affiliation, philosophical disposition, religion, sect, or any other similar basis in their working relationships and expects them to respect human rights.

Garanti Bank is against forced labor and expects the same approach from its customers as set forth in various declarations policies.

Garanti Bank provides remote trainings for its employees on its Ethical Principles, Environmental and Social Loan Policies, and other policies and procedures of a similar nature concerning human rights. The responsibility for the implementation of these policies rests with all employees of the Bank, and the control and supervision of their implementation are conducted by the related departments. Garanti Bank supports the activities of national and international initiatives on sustainability to which it is a member in order to spread these principles.

The Sustainability Committee is responsible for approving and putting into effect this declaration, its amendment and improvement.





Appendix 7: Role of the Disciplinary Committee

The roles and responsibilities of the Disciplinary Committee are as follows:

- In the event where acts or practices that are not in compliance with laws, accepted banking practices, the Bank's Ethical Principles, Personnel Communique or other notices, procedures and communiques, are identified, investigating such acts and practices on its own authority (or requesting such investigation from the Internal Audit Department) and carrying out appropriate administrative sanctions as set out in the Personnel Communique.
- Ensuring that employees are committed to the Bank's Ethical Principles in their acts and actions; carrying out oversight duties with respect to such commitment; acting as the advocate of the Bank's Ethical Principles across the Bank and with respect to the employees.
- Taking precautions with respect to all acts and practices that may lead to the Bank's reputation and image being harmed in view of laws, public opinion and customers; announcing such precautionary measures throughout the Bank.

- Ensuring that appropriate measures are taken by relevant departments to eliminate systematic problems or flaws in work flow processes or general practices, which are observed in the cases that are on its agenda; directing relevant subsidiaries; monitoring the measures taken.



Sanctions Process

The Bank's Sanctions Process, including the roles and responsibilities, is explained in detail within the Personnel Communique and communicated to employees through intranet.

Any individual violating the Bank's rules or bringing the Bank into disrepute would be subject to disciplinary action regardless of whether their acts resulted in financial loss to the Bank.

The Disciplinary Committee is authorized to give the following penalties, based on the severity of the act committed: Written Notice, Warning, Censure, Aggravated Censure, Aggravated Censure with Loss of Title, Dismissal.

Dismissal is applied in the following cases:

- any violation of the Bank's Ethical Principles and Ethical Sales Principles,
- abuse of power,
- bringing the Bank into disrepute,
- causing significant financial loss to the Bank,
- committing a criminal activity.

Appendix 8: Environmental and Social Impact Assessment Model (ESIAM)

The ESIAM comprises of the following three stages:

1 - Category Selection

The project is assigned to the most appropriate of the three categories in the table below based on the impact assessment and then held subject to the ESIAM.

| Category | Explanation |
|------------|--|
| Category A | <ul style="list-style-type: none">▶ Projects defined as subject to ANNEX-I of the Environmental Impact Assessment (EIA) Regulation,▶ Projects carried out in or around sensitive areas defined in ANNEX-V of the EIA Regulation,▶ Projects where there is strong public or NGO opposition. |
| Category B | <ul style="list-style-type: none">▶ Projects defined in ANNEX-II of the EIA Regulation (projects subject to the selection-elimination criteria and that require project introduction files),▶ Projects attracting either strong interest or opposition from the public or NGOs,▶ Projects which are exempt from the EIA. |
| Category C | <ul style="list-style-type: none">▶ Projects not included in ANNEX-I or ANNEX-II of the EIA Regulation,▶ Projects where there is no adverse interest in, or opposition from, the public or NGOs. |



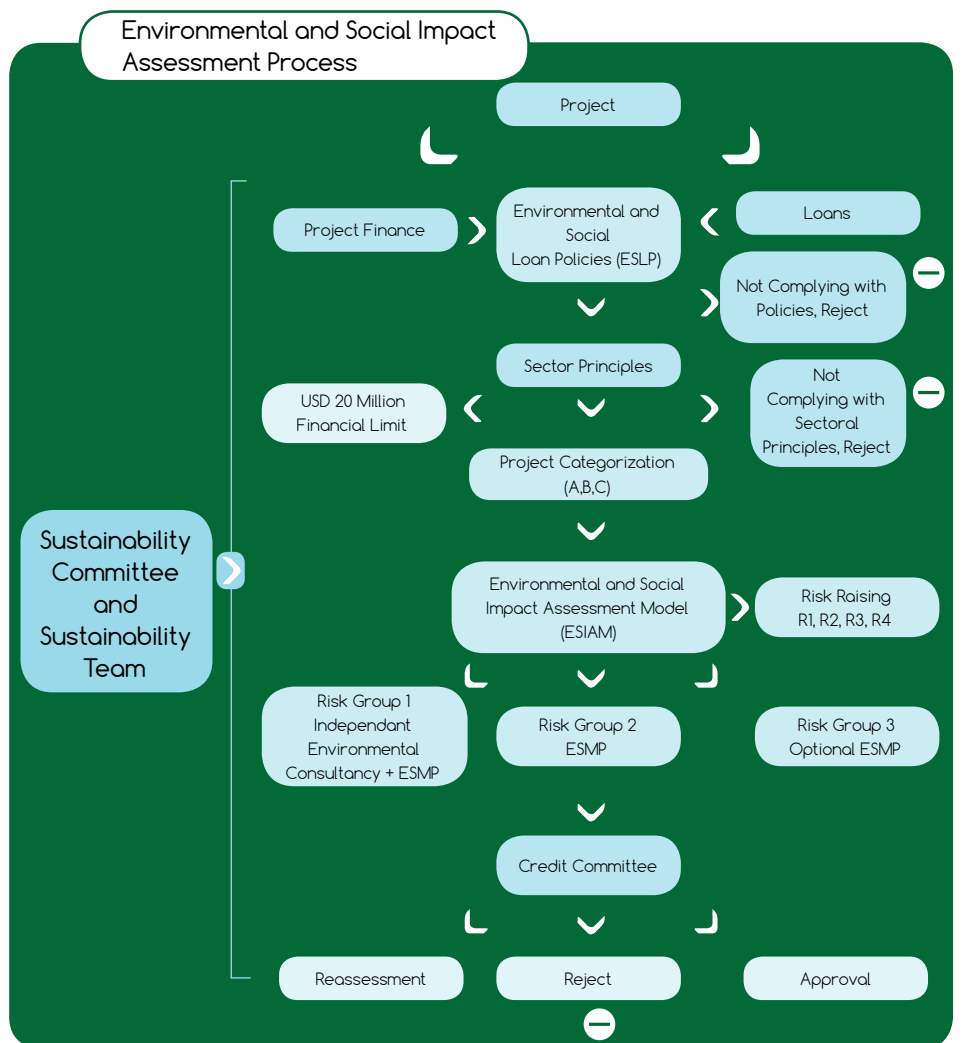
Appendix 8: Environmental and Social Impact Assessment Model (ESIAM)

The ESIAM comprises of the following three stages:

2- Determination of a Project's Risk Rating

Questionnaires have been designed for each sector listed below in order to determine the project's risk rating:

- ▶ Cement, Glass, Ceramics Sector
- ▶ Foodstuff, Beverage, Feed and Agricultural Products Sector
- ▶ Geothermal Power Plants
- ▶ Hydroelectric Power Plant Projects
- ▶ Metallurgy/Machine/ Petrochemicals/Chemicals Industry
- ▶ Mining Industry
- ▶ Nuclear Power Plants
- ▶ Paper-Cellulose Sector
- ▶ Petroleum and Natural Gas Industry
- ▶ Solar Power Plants
- ▶ Textiles and Leather Sector
- ▶ Thermal Power Plant Projects
- ▶ Tourism/Healthcare/Mass Housing/ Mall Sector
- ▶ Transport/Infrastructure Sector
- ▶ Waste Utilization and Disposal Sector
- ▶ Wind Farms



These questionnaires assess a project's environmental and social impacts such as:

- ▶ Is the project carried out in areas protected by national or international legislation?
- ▶ Are cumulative impacts of other plants already in operation taken into account during the impact assessment?
- ▶ Are there any economic, social or physical losses associated with the land purchases (expropriation) or resettlement in the project?
- ▶ Are environmental and social factors taken into account in the master plan or during the evaluation of alternatives in the feasibility study?

The ultimate risk rating of the project is determined from an evaluation of the question responses using an algorithm prepared with the support of a consulting firm.

| Risk Rating | Explanation |
|-------------|---------------|
| R1 | High risk |
| R2 | Medium risk |
| R3 | Low risk |
| R4 | Very low risk |

| Risk Matrix | | | | |
|-------------|----|----|----|----|
| | R1 | R2 | R3 | R4 |
| Category A | 1 | 1 | 2 | 3 |
| Category B | 1 | 2 | 3 | 3 |
| Category C | 2 | 3 | 3 | 3 |

3- Determination of Risk Group

Projects are classified according to their risk rating and category, by using a risk matrix created by the Bank and finally their risk classes are identified based on this evaluation. Garanti Bank demands specific actions to be taken depending on this risk evaluation.

| Risk Group | Action |
|------------|--|
| 1 | The Bank asks an independent consultant firm to prepare a comprehensive report regarding the project's environmental and social impacts and also to prepare, apply and regularly report an ESMP. |
| 2 | The Bank requests that the project owner(s) prepare, apply and regularly report an ESMP ⁴⁰ . The Bank expects a detailed ESMP reflecting the project's scale and risk level. |
| 3 | Actions are dependent on decision of the Credit Committee. |





Appendix 9: Material Aspects and Boundaries

G4-19, G4-20, G4-21

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|---------------------------|---------------------|--|--|--|
| Economic Performance | High Priority | Economic Conditions and Financial Performance | This aspect is material and Impacts occur inside the organization to the parent and all subsidiaries. | <p>Impacts occur outside the organization and are material to all entities to which Garanti distributes economic value and in particular to:</p> <ul style="list-style-type: none"> ▶ Governments by the means of taxes ▶ Employees by the means of wages ▶ Suppliers by the means of payments ▶ Shareholders by the means of dividends ▶ Other providers of capital by the means of interest ▶ Other entities by the means of charities or economic contributions |
| Market Presence | High Priority | Economic Conditions and Financial Performance | Impacts occur to the Parent company and all subsidiaries, since all operate in countries where minimum wage exists. | Impacts occur outside the organization and are material to the local communities where Garanti group operates. |
| Indirect Economic Impacts | High Priority | Economic Conditions and Financial Performance | Impacts occur to those subsidiaries (or parent) which utilize the bank's infrastructure investments or services targeted to local communities. | Positive impacts occur to those local communities that benefit from the investment or service. |

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|-----------------------|------------------------|--|---|--|
| Procurement Practices | Low to Medium Priority | Environmental and Social Impact of Suppliers | Impacts occur to the Parent company where there is a risk around the suppliers' performance on environmental, social and ethical issues. | Material impacts occur outside the organization since the environmental performance of private companies indirectly affects the welfare of the community (such as through water pollution, etc.) and their social and ethical performance affects the employees working at those subcontractors. |
| Energy | High Priority | Climate Change & Energy | The impacts are material to those subsidiaries with significant number of operations and/or significant employee travel activity. Therefore, this Aspect is material for the parent company and all subsidiaries with retail branches and multiple locations. | This Aspect is material to energy and resource suppliers, transportation companies and society in large. |
| Emissions | High Priority | Climate Change & Energy | Impacts occur to parent company which utilize significant amounts of electricity and fossil fuel for heating and car fleets. | This Aspect is material to carbon intensive sectors and society in large. |



Appendix 9: Material Aspects and Boundaries

G4-19, G4-20, G4-21

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|--------------------------|---------------------|--|---|---|
| Products and Services | High Priority | Responsible Products and Services | <p>The Aspect is material to all those subsidiaries and the parent of which the financial services might have negative or positive environmental impacts. Therefore, a financial service (e.g. loan or insurance) targeted to renewables or waste management companies might have positive impacts in the form of increased competitiveness. Failing to identify such opportunities might lead to loss of competitiveness.</p> <p>This Aspect is material to all subsidiaries and the parent.</p> | <p>There are indirect environmental impacts of the financial services provided and these depend on the nature of operations of the services' recipient and the relative size/ significance of the service.</p> <p>Therefore, this Aspect is material to all clients, the operations of which have significant environmental impacts and the financial services provided to them are also significant.</p> |
| Environmental Compliance | High Priority | Legal Compliance | <p>The impacts are material to the parent company and those subsidiaries with a significant number of operations. Therefore, this Aspect is material for the parent company and all subsidiaries with retail branches and multiple locations.</p> | <p>The impacts are material only to those entities that belong to Garanti's loan portfolio, the relative size of the loan is high, and the operations of which pose significant threats to the environment.</p> |

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|-----------------|---------------------|--|-------------------------|--|
| Transport | Medium Priority | Environmental footprint of suppliers | Not material | The impacts are material only to those entities that belong to Garanti's loan portfolio, the relative size of the loan is high, and the operations of which pose significant threats to the environment because of their upstream and downstream transportation activities. For example these entities might include petrochemical industry. |



Appendix 9: Material Aspects and Boundaries

G4-19, G4-20, G4-21

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|-----------------------------------|---------------------|--|--|--|
| Overall | High Priority | Environmental Degradation, E&S Risk Management | The impacts are material to the parent company and those subsidiaries with significant number of operations. Therefore, this Aspect is material for the parent company and all subsidiaries with retail branches and multiple locations. | The impacts are material only to those entities that belong to Garanti's loan portfolio, the relative size of the loan is high, and the operations of which pose significant threats to the environment. |
| Supplier Environmental Assessment | Medium Priority | Environmental Footprint of suppliers | Impacts occur to the Parent company where there is a risk around the suppliers' performance on environmental, social and ethical issues. | Impacts occur outside the organization and material since the environmental performance of private companies indirectly affects the welfare of the community (such as water pollution, etc.). |
| Employment | High Priority | Career Management and Promotion of Employability | The impacts are material to parent company and those subsidiaries with high number of employees. | This Aspect is material to companies which employ a large workforce and society at large |
| Labour/ Management Relations | High Priority | Responsible HR practices and OHS | The impacts are material to parent company and all subsidiaries. | Not material |
| Occupational Health and Safety | High Priority | Responsible HR practices and OHS | The impacts are material to parent company and those subsidiaries with significant number of employees. | This Aspect is material to visitors and clients of retail branches. |

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|---------------------------------|-------------------------|--|--|---|
| Training and Education | High Priority | Responsible HR practices and OHS | Investments in its workforce play a key role in Parent company's and all subsidiaries' business performance. | This Aspect is material to visitors and clients of retail branches, since the quality of service would increase. |
| Diversity and Equal Opportunity | Medium to High Priority | Human & Labour Rights, Responsible HR practices & OHS, non discrimination, fair remuneration | Diversity and Equal Opportunity are material to the parent company and to all subsidiaries, in terms of attracting talent, increasing employee loyalty and finally reducing employee turnover rate and associated costs. | Impacts occur outside the organization and are material for society at large. For instance, increasing the employment rate of women in Turkey would result in increased GDP and a more equitable distribution of prosperity, as well as availability of access for companies to a wider talent pool. |



Appendix 9: Material Aspects and Boundaries

G4-19, G4-20, G4-21

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|---|---------------------|--|---|---|
| Equal Remuneration for Women and Men | Medium Priority | Fair Remuneration | Equal Remuneration for Women and Men are material to the parent company and to all subsidiaries, in terms of attracting talent, increasing employee loyalty and finally reducing the employee turnover rate and associated costs. | Impacts occur outside the organization and are material for society at large. For instance, increasing the employment rate of women in Turkey would result in increased GDP and a more equitable distribution of prosperity, as well as availability of access for companies to a wider talent pool. |
| Labour Practices Grievance Mechanisms | High Priority | Responsible HR practices & OHS | Labour Practices Grievance Mechanisms is material to the parent company and to all subsidiaries, in terms of attracting talent, increasing employee loyalty and finally reducing employee turnover rate and associated costs. | Not material |
| Investment | High Priority | E&S Risk Management | Inclusion of human rights clauses to loan agreements of significant investments is material in terms of eliminating the social risks associated with project financing and thus for the Parent and all subsidiaries entering into loan agreements with customers. | Not material |

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|--|---------------------|--|---|---|
| Non-discrimination | Medium Priority | Non discrimination | Non-discrimination is material to the parent company and to all subsidiaries, in terms of attracting talent, increasing employee loyalty and finally reducing the employee turnover rate and associated costs. | Impacts occur outside the organization and are material for society at large. For instance, increasing the employment rate of women in Turkey would result in increased GDP and a more equitable distribution of prosperity, as well as availability of access for companies to a wider talent pool. |
| Freedom of Association and Collective Bargaining | Medium Priority | Human & Labour Rights | Human and Labor Rights in general is material to the parent company and to all subsidiaries, in terms of compliance to laws and regulations, attracting talent, increasing employee loyalty and finally reducing employee turnover rate and associated costs, as well as in terms of being compliant to relevant legislation. | Not material |



Appendix 9: Material Aspects and Boundaries

G4-19, G4-20, G4-21

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|--------------------|---------------------|--|---|--|
| Security Practices | High Priority | Legal Compliance | <p>Security practices are material to the parent company and subsidiaries in terms of providing secure on-line financial service system/ platform to customers.</p> <p>Examples about why the aspect is material includes potential hacker attacks.</p> | <p>The impacts are material only to those entities that belong to Garanti's loan portfolio and the relative size of the loan is high, and those which carry high legal risk in terms of maintaining secure products and services, as well as a secure environment for employees.</p> |
| HR Assessment | Medium Priority | Human & Labour Rights | <p>Material to parent company and all subsidiaries and since violation of human rights would result in loss of revenues related to loss of customers, talent, etc. due to reputational damage.</p> | <p>The impacts are material to those entities that belong to Garanti's loan portfolio and the relative size of the loan is high, and those which carry high risk in terms of human and labor rights. An example to these high-risk sectors can be given as mining companies.</p> |

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|---|---------------------|---|--|---|
| Human Rights Grievance Mechanisms | High Priority | E&S Risk Management, Responsible HR practices & OHS | Material to parent company, all subsidiaries and suppliers since violation of human rights would result in loss of revenues related to loss of customers, talent, etc. due to reputational damage. | The impacts are material only to those entities that belong to Garanti's loan portfolio and the relative size of the loan is high, and those which carry high risk in terms of violation of human rights. |
| Local Communities | High Priority | E&S Risk Management, Philanthropy and Sponsoring Activities | The impacts from local community engagement are material to the parent and to the subsidiaries operating in the retail banking sector in terms of competitiveness. For some areas, local branches are the only or most effective means to properly understand local needs and deliver financial services designed to meet those needs. | This aspect is material to local communities in need of financial or other services that can be provided by the bank. |



Appendix 9: Material Aspects and Boundaries

G4-19, G4-20, G4-21

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|----------------------------|---------------------|--|---|--|
| Anti-corruption | High Priority | Legal Compliance | Material to parent company, all subsidiaries and suppliers since violation of human rights would result in loss of revenues related to loss of customers, talent, etc. due to reputational damage. | The impacts are material only to those entities that belong to Garanti's loan portfolio and the relative size of the loan is high, and those which carry high risk in terms of corruption. |
| Public Policy | High Priority | Legal Compliance | Material to parent company, all subsidiaries since anti-competitive Behaviour would result in financial loss associated to both fines and loss of customers, talent, etc. due to reputational damage. | Not material |
| Anti-competitive Behaviour | High Priority | Legal Compliance | Material to parent company, all subsidiaries since anti-competitive Behaviour would result in financial loss associated to both fines and loss of customers, talent, etc. due to reputational damage. | Not material |

| Material Aspect | Material to Garanti | Related Topic in Materiality Analysis (Figure 1) | Boundary inside Garanti | Boundary outside Garanti |
|-------------------------------|----------------------------|---|---|---|
| Product and Service Labelling | Medium to High Priority | Financial Education and Health, Legal Compliance | Material to both the parent company and all subsidiaries since informing customers about products and services protect companies from both legal and reputational risk, which would result in financial loss. | This Aspect is material to all customers which are legally obliged to inform their customers about the content, usage, etc. of their products and services. |
| Marketing Communications | High Priority | Legal Compliance, Reporting and Transparency | The impacts from marketing communications are material to both the parent company and subsidiaries in terms of legal compliance. | Any incidents of selling banking services that were not clearly explained to customers would be material to customers. |
| Customer Privacy | High Priority | Legal Compliance | Material to both the parent company and all subsidiaries since measures to ensure customer privacy protect companies from both legal and reputational risk, which would result in financial loss. | Privacy of Customer data is material to all our customers. |
| Compliance | High Priority | Legal Compliance | Compliance is material for both the parent company and all subsidiaries since violation of regulations would result in financial loss originating from legal fines and loss of reputation. | The aspect is material to all customers since they are legally obliged to comply with all applicable legislation. |



GRI G4 Content Index

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|-----------|--------------------|
| Strategy and Analysis | | | | |
| G4-1 | Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability. | Message from the CEO page 14 | | No |
| G4-2 | Description of key impacts, risks and opportunities. | Message from the CEO page 14 Garanti in brief page 18 For more information about Garanti Bank's risk management, see pages 119-124 of the 2013 Annual Report at: http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|-------------------------------|--|---|-----------|--------------------|
| Organizational Profile | | | | |
| G4-3 | Name of the organization. | Index only. T. Garanti Bankası A.Ş. | | No |
| G4-4 | Primary brands, products, and/or services. | Garanti in Brief page 18 Please also see: http://www.garanti.com.tr/en/our_company/about_us.page? | | No |
| G4-5 | Location of organization's headquarters. | Index only. Nispetiye Mah. Aytar Cad. No: 2, 34340 Levent-İstanbul | | No |
| G4-6 | Number of countries where the organization operates. | Turkey Garanti Bank operates in Turkey and serves through international subsidiaries in the Netherlands, Russia and Romania. Garanti in Brief page 18 Please also see http://www.garanti.com.tr/en/our_company/investor_relations/corporate_information/subsidiaries.page? | | No |
| G4-7 | Nature of ownership and legal form. | Türkiye Garanti Bankası Anonim Şirketi was established in Turkey by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. With a free float ratio of around 50%, Garanti Bank's shares are traded on the Istanbul Stock Exchange (ISE) under the "GARAN" ticker. Garanti in Brief page 18 | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|-------------------------------|--|---|-----------|--------------------|
| Organizational Profile | | | | |
| G4-8 | Markets served. | Garanti in Brief page 18 Please also see: http://www.garanti.com.tr/en/our_company/about_us.page? | | No |
| G4-9 | Scale of the reporting organization. | 'Garanti in brief' section page 18. In addition, Garanti Bank's financial and operational performance is available on pages 18-19 of the 2013 Annual Report. | | No |
| G4-10 | Number of employees by employment contract, region and gender. | Focusing on Human Resources Page 96 | | No |
| G4-11 | Percentage of total employees covered by collective bargaining agreements. | Index only. Garanti Bank respects the constitutional right to become a union member and for collective bargaining. All employees are free to act of their own free will with respect to union membership. | | No |
| G4-12 | Organization's supply chain. | Supply Chain Management page 84, Focusing on managing Environmental Impact of Operations section page 80 | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|-----------|--------------------|
| Organizational Profile | | | | |
| G4-13 | Significant changes during the reporting period regarding size, structure, form of ownership and supply chain. | Index only. During the reporting period, there were not any changes significant at the Garanti Bank level regarding its size, structure, ownership, or its supply chain. Nevertheless, since Garanti Bank is a large company with extensive operations there were still some changes affecting the Bank's size in terms of number of physical locations as well as organisational changes to management that are detailed on pages 240 and 110 of the 2013 Annual Report respectively (http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports/annual_and_interim_reports_brsa_consolidated.page?) | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|-----------|--------------------|
| Organizational Profile | | | | |
| G4-14 | Explanation of whether and how the precautionary principle is addressed by the organization. | Corporate Governance section, page 46. Additionally, the precautionary principle applies in all our business operations. Garanti Bank supports the precautionary principle under the UN Global Compact. Consistent with that principle, Garanti Bank implements a risk-based approach to its operations through extensive management systems. | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|-----------|--------------------|
| Organizational Profile | | | | |
| G4-15 | Externally developed economic, environmental and social charters, principles, or other initiatives, to which the organization subscribes or which it endorses. | Garanti Bank adopts various reporting initiatives and works in cooperation with a number of organizations with the aim of improving the reporting of the environmental and the social impacts of its activities, and to promote communication with other stakeholders. The initiatives we subscribe to are listed on page 43 with the date of adoption included in parenthesis. These are internationally adopted initiatives which have been developed with the participation of a wide range of stakeholders. However, Garanti was not involved in the development process of any of these initiatives and we are not able to comment in detail. See Focusing on Stakeholders section, page 32. | | No |
| G4-16 | Memberships of associations (such as industry associations) and national or international advocacy organizations. | Memberships of associations adopted and supported by Garanti Bank are listed on page 43. | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|--|--|---|-----------|--------------------|
| Identified Material Aspects and Boundaries | | | | |
| G4-17 | <p>(a) List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>(b) Entities included in the organization's consolidated financial statements or equivalent documents are not covered by the report.</p> | <p>Index only. Unless stated otherwise, this Report focuses on the operations of Türkiye Garanti Bankası A.Ş. only. The boundary for the Specific Standard Disclosures in this Report such as for the sections on the Bank's GHG Emissions is Türkiye Garanti Bankası A.Ş. plus the following subsidiaries: Garanti Mortgage, Garanti Payment Systems and Garanti Technology. The other subsidiaries listed in Appendix 2 on page 120 to this Report, which are a few small subsidiaries in Turkey and overseas are only covered to the extent that they are mentioned in this Report, such as through case studies. However, the economic indicator data in this report covers all the Garanti entities covered by the consolidated financial statements reported in the 2013 Annual Report.</p> | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|--|---|---|-----------|--------------------|
| Identified Material Aspects and Boundaries | | | | |
| G4-18 | (a) Process for defining the report content and Aspect Boundaries. (b) How the organization has implemented the Reporting Principles for Defining Report Content. | Approach to Materiality section, page 44 | | No |
| G4-19 | (a) List of all the material Aspects identified in the process for defining report content. | Appendix 9 on Material Aspects and Boundaries, page 130 | | No |
| G4-20 | (a) Materiality of Aspects within the organization. | Appendix 9 on Material Aspects and Boundaries, page 130 | | No |
| G4-21 | (a) Materiality of Aspects outside the organization. | Appendix 9 on Material Aspects and Boundaries, page 130 | | No |
| G4-22 | (a) The effect of any restatements of information provided in previous reports, and the reasons for such restatements. | There have been restatements due to improvements in the quality of the measurement methods used to calculate certain environmental data. These restatements affect prior year data in the following 3 tables in the report. Restated data is highlighted in the table on Environment on page 29 and in Tables 15-16 on page 75. | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|---|--|--|-----------|--------------------|
| Identified Material Aspects and Boundaries | | | | |
| G4-23 | a) Significant changes in the Scope and Aspect Boundaries. | Index only. There have been no significant changes in scope from previous reporting periods. In addition, this is the first time that the Bank has defined the boundaries at the Aspect level. | | No |
| Stakeholder Engagement | | | | |
| G4-24 | (a) List of stakeholder groups engaged by the organization. | Tables 2-3, pages 35-42, Focusing on Stakeholders section | | No |
| G4-25 | (a) Basis for identification and selection of stakeholders with whom to engage. | Focusing on Stakeholders section, page 32 | | No |
| G4-26 | (a) Organization's approach to stakeholder engagement. | Focusing on Stakeholders section, page 32 | | No |
| G4-27 | a) Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | Table 8, page 57 in Focusing on Corporate Sustainability Governance section | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|---|--|-----------|--------------------|
| Report Profile | | | | |
| G4-28 | Reporting period. | Index only. This Sustainability Report covers the 18-month period from 1 July 2012 to 31 December 2013. | | No |
| G4-29 | Date of the most recent previous report. | Index only. The previous Sustainability Report covers the 18-month period from 1 January 2011 to 30 June 2012. | | No |
| G4-30 | Reporting cycle. | Recent sustainability reports have covered an 18-month period. In future the intention is to switch to a 12-month reporting period based on calendar year. | | No |
| G4-31 | Contact point for questions. | Project and Acquisition Finance Department, Sustainability Team, Ms Derya Özet Yalgi, Phone: +90 212 318 13 87, e-mail: DeryaO@garanti.com.tr | | No |
| G4-32 | GRI Content Index and 'in accordance' option. | Comprehensive Option, About this Report, page 3 | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|-----------|--------------------|
| Report Profile | | | | |
| G4-33 | The organization's policy and current practice with regard to seeking external assurance for the report. | Index only. Although Garanti Bank has not obtained external assurance of the full report, the Bank has obtained Limited Assurance on its Scope 1 and 2 GHG Emissions for 2013 that were reported to CDP in the Bank's 2014 response. Please see pages 68-71 of the 2014 CDP Report for the Limited Assurance Opinion Statement. In addition, all significant sustainability data appearing in this report was subjected to our comprehensive internal metrics systems through which we employ a variety of internal and external processes to bring assurance that our operations are transparent and the information we report is accurate and truly reflective of our actual results. Garanti Bank's financial performance is independently audited and some of the indicators presented in this report are checked by periodical audits. | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|---|--|-----------|--------------------|
| Governance | | | | |
| G4-34 | Governance structure of the organization. | Focusing on Corporate Sustainability Governance page 46 | | No |
| G4-35 | The process for delegating authority for sustainability topics | Sustainability Committee, Corporate Governance section, page 55 | | No |
| G4-36 | Executive-level positions with responsibility for sustainability topics | Sustainability Committee, Corporate Governance section, page 55 | | No |
| G4-37 | Processes for consultation between stakeholders and the highest governance body | Sustainability Committee, Corporate Governance section, page 55 | | No |
| G4-38 | Composition of the highest governance body and its committees | Table 5, page 47, Focusing on Corporate Sustainability Governance Please also see page 140-152 of the 2013 Annual Report at: http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|---|---|-----------|--------------------|
| Governance | | | | |
| G4-39 | Position of the chair of the board of directors | Focusing on Corporate Sustainability Governance page 46. The Chairman of the Board of Directors does not carry any executive duties. For further information please see Corporate Governance section pages 140-152 of the 2013 Annual Report. | | No |
| G4-40 | Nomination and selection processes for the highest governance body and its committees | Garanti Bank's Corporate Governance Structure, pages 140-152 of the 2013 Annual Report | | No |
| G4-41 | Avoiding conflicts of interest | Focusing on Corporate Sustainability Governance page 46, Corporate Governance Section of the Annual Report 2013 pages 140-152 | | No |
| G4-42 | The role of the highest governance body and senior executives in setting purpose, values and strategy | Focusing on Corporate Sustainability Governance page 46, Corporate Governance Section of the Annual Report 2013 pages 140-152 | | No |
| G4-43 | Measures taken to enhance the Board of Directors' collective knowledge of sustainability topics | Focusing on Corporate Sustainability Governance page 46 | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|-----------|--------------------|
| Governance | | | | |
| G4-44 | Evaluating board performance with respects to sustainability topics | Focusing on Corporate Sustainability Governance page 46. Please see page 140 of the 2013 Annual Report at: http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page | | No |
| G4-45 | The role of Board of Directors in the identification and management of economic, environmental and social impacts, risks and opportunities | Focusing on Corporate Sustainability Governance page 46 | | No |
| G4-46 | The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics. | Sustainability committee page 55, Corporate Governance section | | No |
| G4-47 | The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities. | Sustainability committee page 55, Corporate Governance section | | No |



| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|---|---|--------------------|
| Governance | | | | |
| G4-48 | The highest committee or position to formally approve this report and its materiality review | Sustainability Committee page 55, Corporate Governance section | | No |
| G4-49 | Process for communicating critical concerns to the highest governance body | Sustainability Committee page 55, Corporate Governance section | | No |
| G4-50 | Nature and number of critical concerns communicated to the highest governance body | Sustainability Committee page 55, Corporate Governance section | | No |
| G4-51 | Remuneration policies for the Board of Directors and senior executives | | We are not able to declare this data since it is not a business norm in the markets where we operate and is commercially sensitive. | No |
| G4-52 | Process for determining remuneration | Focusing on Corporate Sustainability Governance page 46, Corporate Governance Section of the Annual Report 2013 pages 140-152 | | No |
| G4-53 | Inclusiveness of stakeholders' views regarding remuneration | Focusing on Stakeholders page 32, Focusing on Corporate Sustainability Governance, page 46 | | No |

| General Standard Disclosures | Description | Page | Omissions | External Assurance |
|------------------------------|--|--|---|--------------------|
| Governance | | | | |
| G4-54 | Ratio of the annual total compensation for the organization's highestpaid individual to the median annual total compensation | | We are not able to declare this data since it is not a business norm in the markets where we operate and is commercially sensitive. | No |
| G4-55 | Ratio of percentage increase with regards to G4-54 | | We are not able to declare this data since it is not a business norm in the markets where we operate and is commercially sensitive. | No |
| Ethics and Integrity | | | | |
| G4-56 | The organization's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics. | Policies and Principles page 51, Focusing on Corporate Sustainability Governance, section, Appendix 4 Whistleblowing Programme | | No |
| G4-57 | Internal and external mechanisms for seeking advice on ethical and lawful behaviour. | Policies and Principles page 51, Focusing on Corporate Sustainability Governance, section, Appendix 4 Whistleblowing Programme | | No |
| G4-58 | Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour. | Policies and Principles page 51, Focusing on Corporate Sustainability Governance, section, Appendix 4 Whistleblowing Programme | | No |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|----------------------|-------------------|---|--|--------------------|
| Economic | | | | |
| Economic Performance | DMA | | Focusing on Customers through Sustainable Finance page 60, Focusing on Corporate Sustainability Governance, page 46 | No |
| | G4-EC1 | Direct economic value generated and distributed | Annual Report 2013, Section 4 Consolidated Financial Information, pages 243 to 337 | |
| | G4-EC2 | Risks and opportunities due to climate change | <p>Index only. Garanti's efforts to manage climate change related risks and opportunities can be classified into two categories,</p> <ul style="list-style-type: none"> - asset level risks and opportunities which are associated with the loan portfolio and company level risks and - opportunities which are related to the physical infrastructure and the human resources of the Bank. <p>Total annual investment made to manage climate change risks and opportunities are calculated as 4,326,726 TL, whereas the total anticipated annual cost savings are calculated as roughly 1,910,919 TL</p> | |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|----------------------|-------------------|---|--|--------------------|
| Economic | | | | |
| Economic Performance | G4-EC3 | Coverage of defined benefit plan obligations | Detailed information is given at pages 261-262 of the 2013 Annual Report at: http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_reports.page? | No |
| | G4-EC4 | Financial assistance from government | Index only. Garanti bank did not receive any financial assistance from Government during the reporting period. | |
| Market Presence | DMA | | Focusing on Customers through Sustainable Finance page 60, Focusing on Corporate Sustainability Governance, page 46 | No |
| | G4-EC5 | Entry level wage by gender compared to minimum wage | Index only. All Garanti bank staff are paid more than the minimum wage. | |
| | G4-EC6 | Local hiring | Index only. The senior management including the CEO, EVPs and Coordinators is Turkish. By doing this the Bank is better able to understand and serve an increasingly wide range of customers across Turkey. In Garanti's overseas operations, local talent is also hired at various levels of the organisations. | |



| General Standard Disclosures | DMA/ G4 Indicator | Description | Page | Omissions | External Assurance |
|------------------------------|-------------------|---|---|-----------|--------------------|
| Indirect Economic Impacts | DMA | | Focusing on Customers through Sustainable Finance page 60, Focusing on Corporate Sustainability Governance, page 46 | | No |
| | G4-EC7 | Development and impact of infrastructure investments and services supported | Focusing on Customers through Sustainable Finance page 60 | | |
| | G4-EC8 | Significant indirect economic impacts | Focusing on Customers through Sustainable Finance page 60, Focusing on Communities, page 112 | | |
| Procurement Practices | DMA | | Appendix 9: Material Aspects and Boundaries on page 130, Supply Chain Management on Page 84, Environmental Management System on page 80 | | No |
| | G4-EC9 | Spending on local suppliers | Supply Chain Management section, page 84, Focusing on Environmental Impact of Operations page 80 | | |

| General Standard Disclosures | DMA/ G4 Indicator | Description | Page | Omissions | External Assurance |
|------------------------------|-------------------|--|---|-----------|--------------------|
| Environmental | | | | | |
| Energy | DMA | | Appendix 9: Material Aspects and Boundaries on page 130, Focusing on Managing Environmental Impact of Operations page 80, Focusing on Corporate Sustainability Governance page 46 | | No |
| | G4-EN3 | Energy consumption within the organisation | Focusing on Environmental Impact of Operations page 80 | | |
| | G4-EN4 | Energy consumption outside of the organization | Focusing on Environmental Impact of Operations page 80 | | |
| | G4-EN5 | Energy intensity | Energy Intensity Ratio in MWh* per FTE**: 10.53 (2013); 10.95 (2012) *includes Diesel, Natural Gas, Lignite, Diesel (mobile), Gasoline (mobile), Electricity within Garanti Bank facilities in Turkey, Garanti Mortgage, Garanti Payment Systems and Garanti Technology ** includes Garanti Bank facilities in Turkey, Garanti Mortgage, Garanti Payment Systems and Garanti Technology | | |
| | G4-EN6 | Reduction of energy consumption | Focusing on managing Environmental Impact of Operations page 80 | | |
| | G4-EN7 | Reductions in energy requirements of products and services | Focusing on managing Environmental Impact of Operations page 80 | | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance | |
|-----------|-------------------|--|---|--------------------|--|
| Emissions | DMA | Focusing on managing Environmental Impact of Operations page 80, Focusing on Corporate Sustainability Governance page 46 | | No | |
| | G4-EN15 | Focusing on managing Environmental Impact of Operations page 80 | | | |
| | G4-EN16 | Focusing on managing Environmental Impact of Operations page 80 | | | |
| | G4-EN17 | Other indirect greenhouse gas (GHG) emissions (scope 3) | Focusing on managing Environmental Impact of Operations page 80 | | |
| | G4-EN18 | Greenhouse gas (GHG) emissions intensity | Focusing on managing Environmental Impact of Operations page 80 | | |
| | G4-EN19 | Reduction of greenhouse gas (GHG) emissions | Focusing on managing Environmental Impact of Operations page 80 | | |
| | G4-EN20 | Emissions of ozone-depleting substances (ODS) | Focusing on managing Environmental Impact of Operations page 80 | | |
| | G4-EN21 | NOx, SOx, and other significant air emissions | Index only. Garanti Bank does not report on this indicator as the disclosure is not material to its business because the Bank's business activities and operations do not generate significant emissions of these substances. | | |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|--------------------------|-------------------|--|---|--------------------|
| Products and Services | DMA | | Focusing on Customers through Sustainable finance page 60, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-EN27 | Mitigation of environmental impacts of products and services | Focusing on Customers through Sustainable finance page 60, Focusing on Corporate Sustainability Governance page 46 | |
| | G4-EN28 | Percentage of products sold and their packaging materials that are reclaimed by category | Index only. This indicator is not material to the Bank since in the course of its operations it does not produce significant amounts of packaging materials. | |
| Environmental Compliance | DMA | | Focusing on Customers through Sustainable finance page 60, Focusing on Managing Environmental Impact of Operations page 80, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-EN29 | Fines and sanctions for non-compliance with environmental regulations | Index only. There have not been any significant fines or incidents of non-compliance with environmental laws and regulations during the reporting period. | |
| Transport | DMA | | Focusing on managing Environmental Impact of Operations page 80 | No |
| | G4-EN30 | Significant environmental impacts of transportation | Focusing on managing Environmental Impact of Operations page 80, Appendix 9: Material Aspects and Boundaries on page 130 | |



| Aspect | DMA/ G4 Indicator | | Page | Omissions | External Assurance |
|-----------------------------------|-------------------|---|---|-----------|--------------------|
| Overall | DMA | | Focusing on Customers through Sustainable finance page 60, Focusing on Managing Environmental Impact of Operations page 80, Focusing on Corporate Sustainability Governance page 46 | | No |
| | G4-EN31 | Environmental expenditures and investments | Focusing on managing Environmental impact of operations page 80 | | |
| Supplier Environmental Assessment | DMA | | Focusing on Environmental Impact of Operations page 80 | | No |
| | G4-EN32 | Percentage of new suppliers that were screened using environmental criteria | Supply Chain Management section 71, Focusing on Environmental Impact of Operations page 80 | | |
| | G4-EN33 | Significant actual and potential negative environmental impacts in the supply chain | Focusing on Customers through Sustainable finance page 60, Appendix 9: Material Aspects and Boundaries on page 130 | | |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---|-------------------|---|--|--------------------|
| Social: Labour Practices and Decent Work | | | | |
| Employment | DMA | | Focusing on Human Resources page 96 | No |
| | G4-LA1 | New employee hires and employee turnover | Focusing on Human Resources, page 96 | |
| | G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or parttime employees | Focusing on Human Resources, page 96 | |
| | G4-LA3 | Return to work and retention rates after parental leave | Focusing on Human Resources page 96 | |
| Labour/ Management Relations | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-LA4 | Minimum notice periods regarding operational changes | Focusing on Human Resources page 96. Garanti Bank makes every effort to avoid redundancies. Whenever restructuring and/or redeployment are unavoidable however, the Bank's processes and guidelines seek to minimize the impact on those who may be affected. Focusing on Human Resources page 96 | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---|-------------------|---|---|--------------------|
| Social: Labour Practices and Decent Work | | | | |
| Occupational Health and Safety | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-LA5 | Percentage of workforce represented in formal joint management-worker health and safety committees | Focusing on Human Resources page 96 | |
| | G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | <p>In the reporting period, there were 15 work-related incidents of injury; and no work-related incidents of death. There were not any work-related diseases. Duration of absenteeism is 41,956 days for women employees and 20,542 days for men.</p> <p>The total lost days data is collected on the basis of medical reports of sickness leave and injuries.</p> <p>The number of total lost days is reported in the table on page 103.</p> | |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|--|-------------------|--|---|--------------------|
| Social: Labour Practices and Decent Work | | | | |
| Occupational Health and Safety | G4-LA7 | Workers with high incidence or high risk of diseases related to their occupation | <p>Index only. None of our employees are subject to a high risk of any serious diseases from the Bank's occupational activities. Our Bank's intranet contains readily accessible information that is useful in dealing with a variety of subjects such as how to cope with the flu.</p> <p>Garanti Bank provides both classroom and e-course trainings about topics such as office ergonomics, emergency management, stress management, breathing techniques, well-being and Detox and meditation. It is planning to implement a notification software to employees computers for healthy life tips by the end of 2014.</p> | No |
| | G4_LA8 | Health and safety topics covered in formal agreements with trade unions | Index only. As per relevant regulations, all employees are required to notify their employer upon their becoming a member of a union. The number of employees who had made such notification at the beginning of the reporting period was zero and no such notification has been made to Garanti Bank during the reporting period. | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---|-------------------|---|--|--------------------|
| Social: Labour Practices and Decent Work | | | | |
| Training and Education | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4_LA9 | Average hours of training per year per employee by gender, and by employee category | Focusing on Human Resources page 96 | |
| | G4_LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Index only. When employees join Garanti Bank, they automatically become members of the 'T. Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı' (Garanti Bank Pension Fund Foundation), which was founded in accordance with temporary article no. 20 of the Social Securities Law no. 506. | |
| | G4_LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | Focusing on Human Resources page 96 | |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance | | | | | | | | |
|---|---|---|---|--------------------|---|-----------------------------|-----|--|------|----------------------------------|------|----|
| Social: Labour Practices and Decent Work | | | | | | | | | | | | |
| Diversity and Equal Opportunity | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No | | | | | | | | |
| | G4_LA12 | Composition of governance bodies and employee breakdown | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | | | | | | | | | |
| Equal Remuneration for Women and Men | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No | | | | | | | | |
| | G4-LA13 | Ratio of basic salary and remuneration of women to men | <p>Garanti Bank's compensation system is totally gender neutral and based entirely on performance. Salary variations result from relative experience levels of employees.</p> <table border="1"> <thead> <tr> <th>Job Title</th> <th>Total Compensation Average (Female/ Male)</th> </tr> </thead> <tbody> <tr> <td>Supervisors (branches only)</td> <td>99%</td> </tr> <tr> <td>Below Supervisor level (branches only)</td> <td>100%</td> </tr> <tr> <td>Management level (branches only)</td> <td>103%</td> </tr> </tbody> </table> | Job Title | Total Compensation Average (Female/ Male) | Supervisors (branches only) | 99% | Below Supervisor level (branches only) | 100% | Management level (branches only) | 103% | No |
| Job Title | Total Compensation Average (Female/ Male) | | | | | | | | | | | |
| Supervisors (branches only) | 99% | | | | | | | | | | | |
| Below Supervisor level (branches only) | 100% | | | | | | | | | | | |
| Management level (branches only) | 103% | | | | | | | | | | | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---|-------------------|---|--|--------------------|
| Social: Labour Practices and Decent Work | | | | |
| Labour Practices Grievance Mechanisms | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-LA16 | Grievances about labor practices through Formal grievance mechanisms | Focusing on Human Resources page 96. No complaints were lodged on any matter pertaining to labour practices during the reporting period. | |
| Social: Human Rights | | | | |
| Investment | DMA | | Focusing on Customers through Sustainable Finance page 60 | No |
| | G4-HR1 | Human rights screening or clauses included in significant investment agreements | 100% of all significant investment agreements are assessed using the Bank's E&S Impact Assessment Process that covers human rights issues. Focusing on Customers through Sustainable Finance page 60 | |
| | G4-HR2 | Employee training on human rights | Index only. Although no training was delivered that specifically focussed on Human Rights, the Bank does provide numerous sustainability trainings to all its personnel that incorporate material on some human rights topics such as ethics. For example, the total duration of trainings on Sustainability E-learning Program during the reporting period was 8,900 hours. | |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|--|-------------------|--|---|--------------------|
| Social: Human Rights | | | | |
| Non-discrimination | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-HR3 | Actions taken in incidents of discrimination | Index only. There were no incidents of discrimination reported during the reporting period. | |
| Freedom of Association and Collective Bargaining | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-HR4 | Supporting right to freedom of association and collective bargaining in risk areas | Index only. Garanti Bank respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will. During the reporting period, Garanti Bank had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights, which is to say of their employees' right to join or not to join a trade or labor union. | |
| Security | DMA | | Appendix 9: Material Aspects and Boundaries on page 130, Focusing on Corporate Sustainability Governance page 46 | No |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|-----------------------------|-------------------|---|---|--------------------|
| Social: Human Rights | | | | |
| Practices | | Focusing on Corporate Sustainability Governance page 46 | | |
| | G4-HR7 | Percentage of security personnel trained in human rights policies or procedures | Index only. The procedures required to be followed by the security personnel of the Bank are governed under the relevant Security Procedure and published in the Bank's intranet. As per applicable regulations, all private security personnel employed by the Bank are required to complete 120 hours of training and satisfy minimum testing requirements. The training is overseen and monitored by the Ministry of Internal Affairs. In addition to the regulatory training, Garanti Bank further requires its security personnel to complete on-the-job training for 15 days as well as 2 days of in-class training. Security personnel also receive ad hoc training on various subjects during their employment. | No |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|-----------------------------------|-------------------|---|---|--------------------|
| Social: Human Rights | | | | |
| HR Assessment | DMA | | Focusing on Corporate Sustainability Governance page 46, Appendix 9: Material Aspects and Boundaries on page 130 | No |
| | G4-HR9 | Operations subject to human rights reviews or impact assessments | Index only. No operations have been subject to human rights reviews and/or impact assessments during the reporting period. | |
| Human Rights Grievance Mechanisms | DMA | | Focusing on Human Resources page 96, Focusing on Corporate Sustainability Governance page 46, Appendix 9: Material Aspects and Boundaries on page 130 | No |
| | G4-HR12 | Grievances about human rights through formal grievance mechanisms | Index only. No complaints were lodged on any matter pertaining to human rights during the reporting period. | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|------------------------|-------------------|--|---|--------------------|
| Social: Society | | | | |
| Local Communities | DMA | | Focusing on Communities page 112, Focusing on Corporate Sustainability Governance page 46, Corporate Profile page 22, Appendix 9: Material Aspects and Boundaries on page 130 | No |
| | G4-SO1 | Local community engagement, impact assessments, and development programs | Index only. The total amount of contributions and donations made by the Bank in 2013 is TL 18,001,967 (2012: TL 12,408,468). Based on its commitment to corporate social responsibility, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations that are engaged in the fields of education, culture, art, environment and sports throughout all regions of Turkey. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities. Amounts and Beneficiaries of the donations made in 2013 are disclosed on page 143 of the 2013 Annual Report. | No |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|------------------------|-------------------|---|--|--------------------|
| Social: Society | | | | |
| Local Communities | G4-SO2 | Operations with significant negative impacts on local communities | Index only. There were no in-house operations with significant potential or actual negative impacts on local communities during the reporting period. On the other hand, Garanti Bank aims to control its indirect impact on the environment and society through ESLP and ESIAP. Focusing on Customers through Sustainable Finance page 60 | No |
| | FS-13 | Access points in low-populated or economically disadvantaged areas. | Index only. Garanti Bank does not have access points in low populated areas. | |
| | FS-14 | Initiatives to improve access to financial services for disadvantaged people. | Focusing on Customers through Sustainable Finance page 60 | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|------------------------|-------------------|--|--|--------------------|
| Social: Society | | | | |
| Anti-corruption | DMA | | Focusing on Corporate Sustainability Governance, page 46, Appendix 9: Material Aspects and Boundaries on page 130 | No |
| | G4-SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified. | Focusing on Corporate Sustainable Governance page 46, Focusing on Customers through Sustainable Finance page 60. Internal control monitoring activities are grounded in predefined fraud scenarios which have been formulated on the basis of early-warning signals that take the entire Bank into account. Virtually every headquarters unit is inspected at regular intervals by the Board of Inspectors. The Bank's Anti-Fraud Unit also continuously develops strategies which are capable of identifying, controlling, and preventing instances of externally-sourced fraud anywhere in the Bank. | |

| Aspect | DMA/ G4 Indicator | | Page | Omissions | External Assurance |
|----------------------------|-------------------|--|--|-----------|--------------------|
| Social: Society | | | | | |
| Anti-corruption | G4-SO4 | Communication and training on anti-corruption policies and procedures | Focusing on Corporate Sustainable Governance page 46, Focusing on Customers through Sustainable Finance page 60. | | No |
| | G4-SO5 | Confirmed incidents of corruption and actions taken. | Index only. Investigation activities aim at detecting/ preventing fraudulent activities and all applications, transactions and attitudes contrary to policies, procedures and Ethical Principles of the Bank. Investigation reports are evaluated and concluded by the Disciplinary Committee. A criminal report is made if necessary. | | |
| Anti-competitive Behaviour | DMA | | Focusing on Corporate Sustainability Governance, page 46 | | No |
| | G4-SO7 | Total number of legal actions for anti-competitive behavior, and anti-trust and monopoly practices and their outcomes. | Focusing on Corporate Sustainability Governance, page 46 | | |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---------------------------------------|-------------------|---|--|--------------------|
| Social: Product Responsibility | | | | |
| Product and Service Labelling | DMA | | Focusing on Customers through Sustainable finance page 60, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements | Index only. Garanti Bank complies with laws and regulations pertaining to the disclosure of information about the products and services that it provides. To this end, the bank supplies any and all manner of currently applicable information about the products and services that it offers its customers both as may be required by law and as Garanti Bank believes may be necessary for consumers to make objective decisions. | |

| Aspect | DMA/ G4 Indicator | | Page | Omissions | External Assurance |
|---------------------------------------|-------------------|---|--|-----------|--------------------|
| Social: Product Responsibility | | | | | |
| Product and Service Labelling | G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | Index only. There were no incidents of significant non-compliance reported during or after the reporting period. | | No |
| | G4-PR5 | Results of surveys measuring customer satisfaction | For the Bank's engagement with Customers please see the section Focusing on Customers through Sustainable Finance though it is not customary in the Bank's sector in Turkey to disclose information on survey results. | | |
| Marketing Communications | DMA | | Focusing on Customers through Sustainable finance page 60, Focusing on Corporate Sustainability Governance page 46 | | No |



| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|--------------------------------|-------------------|--------------------------------------|---|--------------------|
| Social: Product Responsibility | | | | |
| Marketing Communications | G4-PR6 | Sale of banned or disputed products. | <p>Focusing on Customers through Sustainable finance page 60, Focusing on Corporate Sustainability Governance page 46</p> <p>Focusing on Customers through Sustainable finance page 60, Focusing on Corporate Sustainability Governance page 46. Garanti Bank complies with laws and regulations pertaining to the disclosure of information about the products and services that it provides. The Bank also diligently strives to be in full compliance with the requirements of applicable laws and regulations in Turkey in the conduct of all of its marketing and communication activities. Garanti Bank does not finance any activities which are restricted or banned under national legislation and/or international agreements that Turkey is a party to or the projects or the activities of people or corporations which have been proven to employ child workers or violate human rights. Garanti Bank rejects loan demands for such projects or activities without holding them subject to any social and environmental impact evaluation and without any limit on the size of the loan.</p> | No |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---------------------------------------|-------------------|--|---|--------------------|
| Social: Product Responsibility | | | | |
| Marketing Communications | G4-PR7 | Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes. | Index only. There were no incidents of non-compliance reported during or after the reporting period. | No |
| Customer Privacy | DMA | | Focusing on Corporate Sustainability Governance page 46, Focus on Customers through Sustainable Finance page 60 | No |
| | G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | Index only. There were no substantiated complaints of breaches of customer privacy reported during or after the reporting period. | |
| Compliance | DMA | | Appendix 9: Material Aspects and Boundaries on page 130, Focusing on Corporate Sustainability Governance page 46 | No |
| | G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | Focusing on Corporate Sustainability Governance page 46 | |



| Aspect | DMA/ G4 Indicator | | Page | Omissions | External Assurance |
|---------------------------------------|-------------------|--|--|-----------|--------------------|
| Social: Product Responsibility | | | | | |
| Product Portfolio | DMA | | Corporate Profile page 24, Focusing on Customers through Sustainable finance page 60 | | No |
| | FS-6 | Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector. | Corporate Profile page 24. See also Annual Report 2013, page 36, note 4.2.2 | | No |
| Product Portfolio | FS-7 | Monetary value of products and services designed to deliver specific social benefit for each business line, broken down by purpose. | Focusing on Customers through Sustainable Finance page 60 | | No |
| | FS-8 | Monetary value of products and services designed to deliver specific environmental benefit for each business line, broken down by purpose. | Focusing on Customers through Sustainable finance page 60 | | No |
| Audit | DMA | | Focusing on Corporate Sustainability Governance page 46 | | No |

| Aspect | DMA/ G4 Indicator | Page | Omissions | External Assurance |
|---------------------------------------|-------------------|--|---|--------------------|
| Social: Product Responsibility | | | | |
| Active Ownership | DMA | | Annual Report 2013, page 36, note 4.2.2. | No |
| | FS-10 | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues. | Focusing on Environmental Impact of Operations page 80. The ESLP is applied to 100% of the companies in Garanti Bank's portfolio. Additionally, Garanti Bank applies ESIAM to projects with an investment amount of more than USD 20 million. | |
| | FS-11 | Percentage of assets subject to positive and negative environmental or social screening. | Focusing on Customers through Sustainable finance page 60 | |



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