

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

SUSTAINABILITY



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EXPERIENCE

TRANSPARENCY

SUCCESS

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DIGITALIZATION

Sustainability

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Related Material Topics	Value Drivers	Indicators	2019	2020
#2 CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS	POSITIVELY INFLUENCE CUSTOMERS, DECISION-MAKERS AND THE SECTOR BEING THE LEADING BANK IN SUSTAINABILITY; CONTINUE TO HELP RAISE INCREASED AWARENESS	Participation in sustainability related initiatives and memberships	27	27
		Engagement platforms	44	44
		Sustainability indices in which Garanti BBVA is included	9	10
		Policies/position papers Garanti BBVA contributed	13	11
		Environmental and Social workshops and conferences	11	7
		Topics addressed/discussed in workshops and conferences	15	22
		Contribution to Sustainable Development (TL billion, cumulative)	38.4	51
		Issues addressed by community programs	3	4
		Amount of investments in community programs (TL million)	22.3	60
		SME initiatives (including applications and events)	10	5
#9 CLIMATE CHANGE: OPPORTUNITIES & RISKS	FOCUS ON COMMUNITY INVESTMENT PROGRAMS WHICH DELIVER IMPACTFUL OUTCOMES ON MATERIAL ISSUES AND OBSERVE IMPACT INVESTMENT PRINCIPLES	Women Entrepreneurs encouraged to apply to Woman Entrepreneur Awards (cumulative)	38,450	39,750
		Women who participated in woman entrepreneurship events and whom Garanti BBVA helped raise increased awareness	10,250	8,500
		Market share in wind power plants (WPP)	27.5%	24.7%
		Avoided GHGs through renewable portfolio (million tons of CO ₂ e)	5.9	7.2
		Scope 3 footprint of greenfield energy production portfolio (in new PF commitments)	0	0
#11 FINANCIAL HEALTH AND ADVICE	OBSERVE CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES; INTEGRATE THEM INTO OUR BUSINESS PROCESSES AND RISK POLICIES	Renewables in greenfield energy production portfolio (in new PF commitments)	100%	100%
		Total Sustainability Funds utilized from IFIs (TL million)	1,087	1,359
		Sustainable products/credit lines	42	43
#12 INCLUSIVE GROWTH (CONTRIBUTION TO SOCIETY, ENTREPRENEURSHIP, FINANCIAL INCLUSION, FINANCIAL EDUCATION)	INCREASE OUR SUSTAINABLE PRODUCTS DIVERSITY OFFERED TO CUSTOMERS, AND PROMOTE THEIR INCREASED USAGE			

Contributed Sustainable Development Goals



The world is undergoing a significant social, environmental and economic transformation. Many practices that we know and are familiar with are no longer applicable and capable of fulfilling our needs under the current conditions. In the past decade, we have witnessed a radical change in the expectations of communities from businesses. In the next decade, we will be seeing much more demanding societies that are more aware of their power given these revamped expectations. In the light of these, Garanti BBVA puts responsible and sustainable development in its focus and develops innovative practices to respond to its stakeholders' expectations.

For the whole world, 2020 has seen habits replaced by radical changes due to the COVID-19 virus that emerged in Wuhan. From March when the first virus case in Turkey was reported until the end of 2020, Garanti BBVA continued to work at full speed on innovative products, services and initiatives in the area of sustainable finance and development amid the pandemic. One of the main enablers of this speed was the digital investments that the Bank has been making for more than 25 years. During this period when the whole world was confined to their homes with the spread of the pandemic, the banking sector witnessed an unprecedented speed in terms of digital transformation.

The Bank continued to mobilize its human and intellectual capitals along with financial capital also in this period in a bid to support responsible and sustainable development, one of its strategic goals. Taking into consideration the effects of the pandemic process that plagued 2020, the Bank strove to understand the conditions surrounding its customers and other stakeholders, and to develop solutions catering to their needs.

Green and sustainable loans/bonds are quite important within the 2030 Agenda that ranks high among material topics. As of year end 2020, the total volume of sustainable borrowing market exceeded USD 1.9 trillion.¹ Just in the first half of 2020, the total volume of sustainable bonds and loans reached USD 270 billion despite the pandemic. This figure is reached at USD 655 billion as at the end of the year. Developing innovative

financial instruments and solutions such as the green loan and gender loan, Garanti BBVA keeps supporting the expansion of the sustainable bonds and loans volume in Turkey with the steps it has taken.

The Bank collaborates with its peers and the business world at a global level to identify new opportunities, to determine emerging best practices and products, and to remain a leader in sustainable finance and development in Turkey.

In this framework, Garanti BBVA actively takes part in, or holds seats as chair or member on the boards of directors of, 27 initiatives in total, including a number of intermediary platforms such as the United Nations Environment Program Finance Initiative (UNEP FI), Principles for Responsible Banking, Global Compact Turkey, and the Turkish Business Council for Sustainable Development (BCSD Turkey).

Garanti BBVA considers the Principles for Responsible Banking, in the constitution of which it was actively involved, which reached 200 signatories worldwide by end-2020 and was signed by seven banks from Turkey, as a global guide in the projects that it finances. The Bank evaluates the products in its loan book against non-financial criteria that make an environmental, social and/or governance (ESG) risk or impact, as well as financial parameters in the light of these Principles. The Bank, guided by the Principles, aims to set new targets and further improve its performance each time, rather than following the same decisions.

Remaining as a constituent of 10 sustainability indices in total including the Dow Jones Sustainability Emerging Markets Index, Garanti BBVA analyzes the sector's leading practices in environmental and social areas, and originates new areas for continuous improvement. The Bank shows the way for sustainable pathways through being involved in the development of collective policies and position papers of the private sector, which numbered 11 in 2020.

¹ Sustainable Debt Monitor Report: The Institute of International Finance, January 2021

Garanti BBVA diversifies financial instruments provided for low-carbon and inclusive growth, and cooperates with international financial institutions for low-cost funding. Drawing on its intellectual capital, the Bank introduces innovative financial resources that incorporate pioneering applications and sustainability criteria, as well as the first social bond issue ever carried out by a private bank in an emerging country.

With the Green Loan it has launched in 2018, Garanti BBVA urge borrowers to improve their sustainability performances throughout the term of the loan. Borrowers may become entitled to advantageous loan interest or commission rates made available against improved performance in environmental, social and corporate governance areas that satisfy the predefined criteria during the term of the loan. The Gender Loan, which was introduced in a similar structure in 2019 by Garanti BBVA, represents a first in the world. Under the Gender Loan, Garanti BBVA grants discount both on cash loan margins and non-cash loan commission for improvements borrowers secure in gender equality.

In 2020, we have seen the effects of the economic and social crisis stemming from the pandemic in every department of life. Notwithstanding, Garanti BBVA kept offering gender loans, sustainability-linked loans to encourage its customers to adopt more sustainable business models. Again in 2020, Garanti BBVA authored the world's first-ever Sustainability-linked Syndicated Facility by tying its own borrowing processes to ESG criteria.

As climate change continues to be one of the most significant global crises in the 21st century, responsible finance approach is molded to address climate change issues in addition to societal challenges such as fostering employment through supporting SMEs in growing their businesses. Having allocated 100% of its project finance support for greenfield energy investments to renewables in recent years, and thus increasing the total lending to this area to date above USD 5.3 billion. Garanti BBVA's support to green and environmentally-sensitive energy continues with the use of 100% renewable energy for electricity in all of its

branches and buildings outfitted with compatible infrastructure. Garanti BBVA considers its systematic and long-lived initiatives carried out within the scope of its community investment programs as a key element of its responsible business concept. The Bank identifies its strategic priorities in this framework in line with the social sensitivities in the country and the world, BBVA Group priorities, stakeholders' expectations and necessity areas.

Accordingly, the Bank creates shared value through its strategic community investment programs focusing on material topics such as quality education, culture and arts, entrepreneurship, and environment.

It is among the various goals of Garanti BBVA to support the growth and resilience of SMEs, women entrepreneurs and startups, who are key to sustainable development of the economy, and help them improve their environmental, social and ethical performance, besides producing solutions for their financial needs.

Through Garanti BBVA Partners Acceleration Program, the Bank helps flourish the entrepreneurial ecosystem in Turkey, and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow.

The Bank facilitates women entrepreneurs' access to financing, encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition, and executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School. Through Women Entrepreneurs Meetings, the Bank targets to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need.

Carried out by the Teachers Academy Foundation (ÖRAV) founded and sponsored by Garanti BBVA, the 5 Pebbles: Social and Financial Leadership Program is intended to build on teachers' knowledge of social and financial literacy and to

enable them to teach these skills to their students as well. ÖRAV's support to teachers is ongoing during the formidable pandemic that is affecting the whole world via innovative online activities. The Foundation's initiative to this end launched in 2020 with the support of Garanti BBVA is the web seminars series named Teachers without Distance.

Culture and art make another area in which Garanti BBVA intensifies its initiatives within the scope of the Community Investment Programs. Regarding active participation in cultural life, the development of individual and collective cultural liberties among the core components of personal and also sustainable societal development, Garanti BBVA founded SALT in 2011. SALT reaches the society through SALT Beyoğlu, SALT Galata locations and SALT Ankara Office; being an archetype and constantly evolving cultural institution, it plays a major part in the creation of the memory of Turkey's cultural heritage and in raising awareness of it.

Making it a priority to assume responsibility and take action in emergencies prevailing in the countries where it operates, Garanti BBVA took big steps in fighting the coronavirus pandemic throughout 2020. After making donations for provision of equipment and supplies for state university hospitals, the Bank procured 500 ventilators to be delivered to the Turkish Ministry of Health. Last but not least, the Bank donated 45 thousand saplings for reforestation efforts in Hatay that suffered from forest fires.

By focusing on responsible and sustainable development, the Bank actively contributes to Sustainable Development Goal 1: No Poverty, Goal 3: Good Health and Well Being, Goal 4: Quality Education, Goal 5: Gender Equality, Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 10: Reduced Inequalities, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, Goal 14: Life Below Water, Goal 15: Life on Land, Goal 16: Peace, Justice and Strong Institutions, Goal 17: Partnerships for the Goals.

INTRODUCE NEW SUSTAINABLE PRACTICES THROUGH PARTNERSHIPS

The Sustainable Development Goals (SDGs) emphasize the importance of cooperation among all stakeholders from governments to individuals in reaching the 2030 targets.

In line with its leading position in the implementation of sustainable finance and development initiatives, the Bank is transforming the sector through engaging and building partnerships with key stakeholders

For many years, Garanti BBVA has been participating in local and international organizations, which allowed for widespread, high-level engagement of the business community, governments and policymakers with numerous national and international organizations.

Garanti BBVA chairs, or participates in, the working group meetings of the UNEP FI Principles for Responsible Banking, and the working group meetings of the Global Compact Turkey, the Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey Role of the Financial Sector in Sustainable Growth Workgroup and the Turkish Industry and Business Association (TUSIAD) Environment and Climate Change Working Group meetings.

WHAT WE DID IN 2020

Ebru Dildar Edin, Garanti BBVA Executive Vice President responsible for Corporate, Investment Banking and Global Markets, continued to serve as the Chair of the Business Council for Sustainable Development Turkey (BCSD Turkey). With a total of 68 members from 19 sectors representing 15% of Turkey's gross domestic product, BCSD Turkey has been working for 16 years to make sustainability one of the key strategies of the business community.

UNEP FI Principles for Responsible Banking, among the 30 founding members of which Garanti BBVA was the only bank invited from Turkey and which was launched in New York in

September 2019, reached 200 signatories. The Principles, which are expected to significantly contribute to the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement objectives, focus on six main pillars: Alignment, Impact, Clients and Customers, Stakeholders, Governance and Target Setting, Transparency and Accountability. In its 2020 Integrated Annual Report, Garanti BBVA is sharing also its first Impact Report within the scope of the UNEP FI Principles for Responsible Banking.



UNEP FI Principles for Responsible Banking Impact Report can be found on page 569.

In recognition of the innovative steps it has taken to drive the private sector to integrate the 2030 Agenda into their business models, in 2020 Garanti BBVA was named the "Best Bank for Sustainable Finance in CEE" by Euromoney, and the "Best Investment Bank for Sustainable Finance in CEE" and the "Best Investment Bank in Turkey" by Global Finance. In 2020, Garanti BBVA was also honored with the "Best Bank for Sustainable Finance in Turkey" and "Best Investment Bank in Turkey" awards by the Global Economics, a leading financial publication in the world, for the project finance loans it has provided to major projects in Turkey, for its pioneering and innovative initiatives in sustainable finance, and for sector-leading investment notion. The Gender Loan structure, which was signed for a Wind Power Plant project and a first in the world, was honored with the ESG Finance Innovation of the Year award in 2019, while Garanti BBVA was the recipient of the Partnership for Sustainability Award in the Human category granted by the United Nations Global Compact (UNGC) Network Ukraine.

The only company operating in Turkey to have qualified for the 6th consecutive time in the Dow Jones Sustainability Emerging Markets Index, one of the leading sustainability indices in the world, Garanti BBVA is the only bank from Turkey included in the index. Having also remained as a constituent of the BIST Sustainability and the Corporate Governance Indices, Garanti

BBVA has been the only company to be included in Bloomberg Gender-Equality Index for the 4th consecutive year since 2017, and also continues to take place in the FTSE4Good Emerging Markets Index.

OUTLOOK

Garanti BBVA 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 as a leader in sustainable finance and development in Turkey. The COVID-19 pandemic that swept the whole world in 2020 served as a particular reminder of the vitality of sustainable development and the importance of collaborating to achieve it in the formation of post-pandemic new economic models.

Governments and businesses around the globe underlined that the post-pandemic new order to be established must have sustainability in its focus. Organizations directly involved in sustainable development such as the European Union (EU) already began planning the post-pandemic rehabilitation around green and sustainable criteria. It was recently announced that the seven-year EU budget worth EUR 1 trillion and the EUR 750 billion recovery package will be utilized in accordance with green and digital transformation terms and that 25% of this budget will be allocated to climate action.

In parallel with this, with the European Green Deal², the policy initiative designed to ensure the sustainability of the EU economy and a major driver of transformation of the European economy, it was resolved to make Europe carbon-neutral by 2050 and to decouple economic growth from resource use. The transformation plan detailed in the Deal entails important opportunities for the transformation of businesses in Turkey, as well. In this context, Garanti BBVA will continue to support its customers in this department with the sustainable borrowing instruments and green/sustainable loan options that it has been pioneering in Turkey.

² https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

Specifically, mechanisms such as the carbon border adjustment that will be incorporated in economic systems through the EU Green Deal will impose additional tax liabilities on all countries and sectors having an export relationship with the EU, and especially on carbon-intensive industries. All private and public actors wishing to avoid being negatively affected in their commercial relationships will have to contribute to post-pandemic green recovery.

The interest in green and sustainable investments fueled by the pandemic brings along certain risks. In particular, it becomes a real challenge to figure out whether sustainable investments are truly sustainable as the total volume grows larger. Hence, the sector players need guides detailing all aspects before they decide on their investments. There are standards on this topic published by the Loan Market Association and the International Capital Market Association.

The most important step in relation to strict definitions about being green or sustainable has been the EU Taxonomy³ published in June 2020 by the EU. The Taxonomy provides a comprehensive definition of environmentally sustainable investments. While it serves as a glossary, it also obligates big companies and financial institutions in the EU to report their sustainable finance activities.

We are witnessing that sustainability reporting, particularly in relation to climate change, is becoming more and more important. So much so that governments began to introduce obligations in this respect. For instance, the United Kingdom announced that TCFD reporting will become mandatory by 2025. As the Taxonomy studies expand, these reportings will encompass much broader regions and industries. In addition, Sustainability Principles Compliance Framework published by the Capital Markets Board of Turkey (CMB) in October 2020 constituted one of the most important steps taken towards raising increased ESG awareness of the companies in Turkey and to expand the transparency and accountability principles in this

respect. In the period ahead, Garanti BBVA targets to convey its knowledge acquired in this area to its customers acting just like an advisor, and drive the development of green investments in Turkey.

Garanti BBVA will mainly focus on enhancing non-financial risk management approaches within the Turkish banking sector. Additionally, the Bank will support activities to boost public-private sector partnerships. As part of the BBVA Group, the Bank will continue to contribute to BBVA Group's Sustainable Finance Pledge designed to support the combat against climate change and financing sustainable development.

CREATING SHARED VALUE FOR ALL THROUGH IMPACT INVESTMENT

Garanti BBVA diversifies financial instruments it offers for low-carbon and inclusive growth, and establishes cooperation with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, the Bank pays attention to providing financial solutions facilitating transition to a sustainable economy. Total financing provided to sustainable development amounted to TL 51 billion in 2020.

Additionally, the BBVA Group, which is the main shareholder of Garanti BBVA, contributed EUR 50.2 billion in total to the Pledge 2025⁴ declared in 2018, whereby the Group committed to securing EUR 100 billion financing for sustainable development and combating climate change.

BORROWINGS AND SECURITY PRODUCTS ENTAILING ESG CRITERIA BOND ISSUANCE

During 2020, Garanti BBVA secured funds worth USD 700 million in this scope from international finance institutions. This amount accounts for 52% of the total financing the Bank secured in 2020.

³ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

⁴ <https://www.bbva.com/en/infographic-2025-pledge/>

SECURITY PRODUCTS

Garanti BBVA Pension's sustainability stock pension investment fund was worth TL 91 million as at end-2020 and makes up 10.75% of Garanti BBVA Pension Investment Funds.

WHAT WE DID IN 2020

Garanti BBVA signed the second Gender Loan structure, the world's first that made its debut in 2019, with 4 more companies engaged in the leisure industry, which are affiliated to a corporate company operating in our country. The Gender Loan worth TL 151.2 million in total incorporated the UNDP Gender Equality Seal for Public and Private Enterprises criteria, in addition to the criteria set by Garanti BBVA.

Turkey's largest Sustainability-Linked Loan in which Garanti BBVA participated as a Sustainability Agent signed with an energy company in September 2020 was another major deal. In this facility worth EUR 650 million, the margin of the loan was tied to predetermined environmental and social criteria.

Another groundbreaking major deal introduced in the world by Garanti BBVA was the Sustainability-Linked Syndicated Loan. Having rolled over the syndicated loan it received from international markets under its foreign borrowing program, Garanti BBVA signed two new loan agreements participated by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) and obtained funds totaling approximately USD 700 million from overseas markets. This syndication signed by Garanti BBVA is the first ESG-linked syndication loan obtained by any bank in the world tied to a bank's sustainability criteria. According to the terms of the loan, an international independent consultancy firm will periodically evaluate Garanti BBVA's performance against the agreed criteria. Interest due will be reduced to the extent Garanti BBVA improves its performance and fulfills the criteria it has committed to. Signed in May 2020, the deal was received with great interest despite all the unknowns of the pandemic and once again demonstrated the trust held by the international market in Garanti BBVA.

The Bank is working to motivate its customers to employ sustainable finance mechanisms in their borrowings and to adopt sustainable business models. In July 2020, Garanti BBVA intermediated green bond issuance worth TL 100.5 million of a client. This was also the first green bond issue in terms of Turkish Lira. Positioned like an advisor in the process, Garanti BBVA stood by its client at every stage from the preparation of the framework document for the bond to the meetings with the rating agency, and shared its knowledge and experience in this field. Following the issue, the Bank made use of its digital and mobile channels to inform its corporate, retail and private banking customers about the opportunities stemming from investments that contribute to sustainable development and helped the green bond issue reach a much larger group of investors.

OUTLOOK

In the period ahead, Garanti BBVA will continue to motivate its customers to adopt more sustainable business models by way of innovative products and services. Targeting to provide a financing of TL 2.5 billion minimum to sustainable development and the combat against climate change in 2021, the Bank commits to allocate a minimum funding of TL 14 billion in this field over the next 4 years by 2025.

FINANCING THE TRANSITION TO A LOW-CARBON ECONOMY

It is a primary objective for Garanti BBVA to provide the necessary financing for renewable energy, which is making exponential progress through global technological developments, and to contribute to utilization of renewable energy potential of our country.

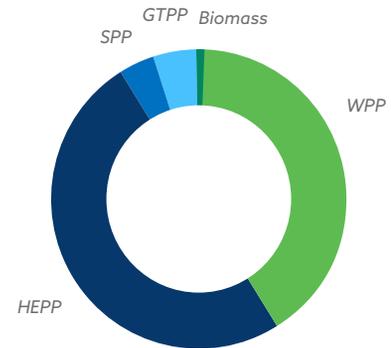
Garanti BBVA published its Climate Change Action Plan in October 2015, which focuses on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. Garanti BBVA has been the first bank in Turkey to commit to UN Global Compact's Business Leadership Criteria on Carbon Pricing. Closely watching the

National Emissions Trading System activities carried out by the Ministry of Environment and Urbanization within the scope of the PMR Project, Garanti BBVA keeps applying shadow carbon pricing to 100% of greenfield electricity generation projects in its project finance deals in order to reflect global developments in this respect in its business model.

With this Action Plan, Garanti BBVA also pledged that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be allocated to renewable investments. In 2016, Garanti BBVA took its pledge one step further and committed to a renewable energy share at a minimum of 70% of the greenfield power sector financing to be provided by 2020 in new project finance transactions. In 2020, this ratio was far exceeded as it reached 100% similarly to previous years. Hence, once again in 2020, all of the project finance loans Garanti BBVA provided for greenfield power plants have been allocated to renewable energy projects. By the end of 2020, the percentage of green assets to Project and Acquisition Finance loan portfolio is 26% which corresponds to a total volume of 2.1 billion USD. The percentage of green assets to the loans granted for electricity generation purposes in the Project and Acquisition Financing portfolio is 73%; while the percentage of green assets to the loans granted for infrastructure projects such as energy, highway, airport, port and health campus projects, is 33%. The Bank hold the market leader position with 24.7% market share. The cumulative amount of financing provided for renewable energy investments has exceeded USD 5.3 billion. Financing 100% renewable energy in greenfield electricity generation projects within the scope of Project Finance since 2014, the total percentage of coal related exposure to the Bank's entire portfolio is 2%.

Also, in 2020, total avoided emissions of operational solar power plant, wind power plant and hydro power plant projects, in the financing of which Garanti BBVA was involved, was 7.2 million tCO₂e based on the current average grid emission factor for Turkey.

**AS OF
31 DECEMBER 2020,
GARANTI BBVA
HAS ALLOCATED:**



USD 2.66 billion to **WIND POWER PROJECTS (WPP)**, for 2,553 MW current installed capacity, which will reach a total installed capacity of 2,796 MW once fully operational,

USD 2.42 billion to **HYDROPOWER PROJECTS (HEPP)**, for 3,014 MW current installed capacity, and fully operational hydroelectric power plant projects,

USD 263 million to **GEOTHERMAL POWER PLANT PROJECTS (GTPP)**, which will have a total installed capacity of 337 MW once fully operational,

USD 244 million to **SOLAR ENERGY PROJECTS (SPP)**, which will have a total installed capacity of 326 MW once fully operational,

USD 57 million to **BIOMASS TO ENERGY PROJECTS**, which will have a total installed capacity of 58 MW once fully operational.

Garanti BBVA also launched its Environmentally-Friendly Auto Loan in May 2017 for the financing of hybrid and electric automobiles that provide fuel efficiency and stand out with their environmental features. Total lending reached TL 34 million at the end of 2020. The Bank believes there is strong potential moving forward given the international pledges and developments in this area. The Environmentally-Friendly Auto Loan will offer advantages to consumers with more attractive interest rates from 2020.

Total financing provided under the Green Mortgage product introduced in 2017 to encourage individuals to live in green and environmentally-friendly buildings amounted to TL 520 million.

Through the Green Corporate Loan introduced by Garanti BBVA for the first time in Turkey in 2018 and followed by the Green Project Finance Loan, a multi-bank loan agreement in which Garanti BBVA acted both as lender and green loan agent, the Bank helped establish credit mechanisms encouraging borrowing companies to improve their sustainability performance throughout the term of the loan in the market. In 2020, Garanti BBVA defied the backbreaking effects of the pandemic upon the market and continued to act as a pioneer in green and sustainable products. In the reporting period, the Bank signed its name under the second Gender Loan agreement and Turkey's highest Sustainability-linked Loan Agreement in which it was both a lender and Sustainability Agent. Under 5 green and sustainability-linked loan agreements, Garanti BBVA provided a total funding of USD 295 million as at year-end 2020.

ENVIRONMENTAL IMPACT OF OUR OPERATIONS

Offering innovative solutions in environmental issues to its stakeholders as part of its indirect impact, Garanti BBVA continues to take environmentally-friendly steps for its direct impact, as well. In 2019, Zincirlikuyu Head Office building earned Platinum certificate in LEED, one of the green building rating systems developed by the American Council of Green Buildings

(USGBC), thus becoming the first bank to have received such recognition in Turkey. Besides Zincirlikuyu Head Office building, Garanti BBVA Kızılay Branch is the only bank building holding Platinum certificate in New Buildings category. In addition, Garanti BBVA Pendik Technology Campus, Sivas Customer Contact Center and Karşıyaka İzmir Building all have LEED Gold certifications.

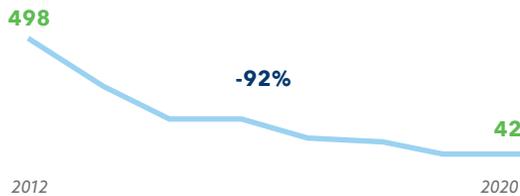
Besides its environmentally-friendly buildings, Garanti BBVA took some actions related to plastic use within the Bank in 2019. In this context, the Bank has become a signatory of the Business Initiative for Plastic led by BCSD Turkey, Global Compact Turkey and Turkish Industry and Business Association (TÜSİAD). As part of this initiative that started off with 26 companies and exceeded 40 in 2020, the Bank targets to end the consumption of single-use plastics within the Bank.

Financing 100% renewable energy in greenfield projects since 2014, the Bank took its efforts in this department one step further and launched an initiative that will be marked in the history. As a result of the contacts held with two different energy companies, 100% Renewable Energy Agreements were executed for the electricity consumed by the Bank. In 2020, 809 Garanti BBVA branches and 46 buildings met all of their 73 million kWh electricity needs from renewable energy. Thus, nearly 34,790 tonnes of CO₂-equivalent emissions were avoided which corresponds to the carbon sink capacity of roughly 2.2 million trees.

Additionally, at Garanti BBVA branches and buildings that are technically fit, energy is supplied from natural and renewable resources. Currently, Garanti BBVA Bodrum Branch, Sivas Customer Contact Center and Antalya Akdeniz Branch procure their electricity needs through rooftop photovoltaic panels. The Head Office building, on the other hand, secures saving from electric energy consumption with the trigeneration system that has been in operation since 2018.

The Bank has secured significant reduction in carbon intensity over the years as a result of the long-standing efforts in relation to carbon footprint. Since the introduction of ISO 14001 Environmental Management System in 2012, the Bank's carbon intensity lessened by 92%.

CARBON INTENSITY (tCO₂E/TOTAL ASSETS)



In 2020, Garanti BBVA set itself the target of reducing its carbon emissions by 29% by 2025 and 71% by 2035 under the Science Based Target initiative compliant with the Paris Agreement goal to limit global warming to below 1.5°C. The Bank has been the first company in Turkey to declare such a target.

In 2020, the Bank purchased carbon credits for its emissions arising from its operations and has become a carbon-neutral Bank. Thus, the Bank has far exceeded its reduction goal of 71% for 2035 already at the end of 2020, i.e. 15 years earlier than targeted.

Garanti BBVA will carry on and further expand its environmentally-sensitive and pioneering initiatives in the years ahead, thus continuing to contribute to social and environmental benefits.



Resource consumption and carbon emissions of Garanti BBVA by years are presented in detail in the Appendix A3.

SUPPORTING WOMEN ENTREPRENEURS

Garanti BBVA supports active participation of women in employment and economic life, with the understanding that an inclusive economy where all individuals make use of opportunities equally will be more efficient and can grow faster. Commitment to gender equality means ensuring development within the Bank and in our country in a way that it is beneficial for everyone.

The loan amount provided to women entrepreneur customers, categorized as a special customer group, reached TL 8.7 billion by the end of 2020.

Besides financing, the Bank provides entrepreneurship training for women through Women Entrepreneurs Executive School and supports women entrepreneurs in developing their businesses by creating ecosystems that enable knowledge and experience sharing.

Women Entrepreneurs Executive School initiative was awarded Gold Sardis in the Gender Equality category at the Sardis Awards for its contribution.

Supporting active participation of women in employment and economic life, Garanti BBVA's loan amount provided to women entrepreneurs reached TL 8.7 billion by the end of 2020.

2 Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 125 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti BBVA.

FOSTERING EMPLOYMENT THROUGH SUPPORTING SMES AND ENTREPRENEURSHIP

Making up 74% of the total employment in Turkey, SMEs are important contributors to the economy, domestic development, and inclusive and value-added growth. Garanti BBVA supports SMEs in increasing their financial resilience and making value-added production that will benefit the economy.

In 2020, the amount of cash and non-cash loans provided to small and medium enterprises as SME Banking² reached TL 81.2 billion.

PARTNERING WITH FINANCIAL INSTITUTIONS

Leading the sector in transforming the real sector's way of doing business, Garanti BBVA signed a 5-year agreement for USD 150 million equivalent TL 540 million with the International Finance Corporation (IFC), a member of the World Bank Group, within the scope of the Mortgage Backed Securities Issuance program. The issuance is the first green bond issued by Garanti BBVA and is also the first Mortgage Backed Securities issuance that the IFC invested in in Turkey.

Garanti BBVA makes available this fund, which is also its first deal in local currency with the IFC, mainly to finance "Green Mortgage" extended to environmentally-friendly projects covering high energy-efficient buildings.

In addition, a Green Mortgage agreement for EUR 75 million equivalent TL 313 million was executed with the EBRD in July 2017, under which total on-lending to date amounted to TL 100 million. These funds falling under the scope of Green Mortgage constitute 46% of the funding Garanti BBVA has secured from the Mortgage Backed Securities market.

In a bid to create equal opportunity in business life, Garanti BBVA has been extending support to women entrepreneurs since

2006. Within the scope of this support, The Bank, in cooperation with the IFC, issued Turkey's first social bond, Gender Bond, for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. Under the facility, the Bank provides working capital up to TL 400,000 and up to maturities of 36 months exclusively to women entrepreneurs. Additionally, the Bank signed the Women Entrepreneurs Export Support Loan protocol with Turk Eximbank in 2019.

Garanti BBVA carried on with its pioneering stance with the new products launched in 2020. In this context, Garanti BBVA provided financing support worth USD 133 million to energy efficiency and renewable energy projects across 22 provinces, to SMEs and women entrepreneurs within the scope of the protocols executed with the IFC, Development Bank of Austria (OeEB) and the Green for Growth Fund (GGF). Under the protocol signed with Garanti BBVA and the IFC, a member of the World Bank Group, a financing package of USD 90.75 million was made available to Garanti BBVA to be on-lent to small enterprises mostly in provinces in the South and Southeastern Anatolia, where majority of the population provided with temporary protection in Turkey lives. In addition to this support package, Garanti BBVA obtained access to financing in the amount of USD 22 million from the Development Bank of Austria (OeEB) to be used for supporting women entrepreneurs. Finally, Garanti BBVA signed a financing agreement for USD 20 million with the GGF to be extended to energy efficiency and renewable energy projects.

Having developed innovative products that serve sustainable development over the last 15 years, Garanti BBVA issued 5-year maturity Green Bond for USD 50 million abroad in December under the GMTN (Global Medium Term Notes) program. This is the Bank's first green bond issuance in line with Green Bond Principles. With the fund generated on this issuance, the Bank will extend support to renewable energy and resource efficiency projects that produce solutions for climate change within the scope of the BBVA SDGs Bond Framework³.

³ https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA-SDGs-Bond-Framework_23042018_Eng.pdf

Maintaining its market leading position in innovative products in 2020, Garanti BBVA secured the first green syndication loan obtained by any bank in the world tied to a bank's sustainability criteria. According to the terms of the loan, an international independent consultancy firm will periodically evaluate Garanti BBVA's performance against the agreed criteria. Price will be reduced to the extent the criteria are fulfilled. With this facility, Garanti BBVA has added yet another one to its sustainability practices and used its commitments in renewable energy for the first time in an overseas borrowing instrument.

2020 has been a year in which economies and markets all over the world were negatively affected due to the COVID-19 pandemic. In this period, Garanti BBVA took some steps to back its stakeholders against the negative effects of the pandemic. Accordingly, in an effort to support the sustainability of its SME customers that suffered from negatively affected cash flows due to the pandemic, the Bank secured financing in the amount of USD 50 million and USD 54.7 million from the IFC and the EBRD, respectively. Garanti BBVA aims to help strengthen the market against the adverse impacts of the pandemic by extending support to economic development.

As the negative implications of the pandemic continued, Garanti BBVA realized the Bank's first risk sharing deal with the Risk Sharing Agreement made with the EBRD by late 2020. Under the agreement, funding up to 50% will be provided to commercial and project finance loans to be extended by Garanti BBVA in TL, USD or EUR, and the risk weight responsibility of half the amount will be transferred to EBRD. The agreement will facilitate lending to investment projects hit by the pandemic and priority will be given to investments with high sustainability performance or wishing to improve it.

OUTLOOK

Garanti BBVA will carry on with financing activities that create positive impact. The Bank will expand its green products and services to support Turkey's transition to a low-carbon economy

and to contribute to the global goal of 1.5-degree warming. In that respect, Garanti BBVA will continue to prioritize renewable investments and take more ambitious actions regarding carbon-intensive sectors in its portfolio.

Garanti BBVA will continue to support the empowerment of women entrepreneurs through various programs and initiatives, which eventually will contribute to creating employment opportunities and providing the sustainable development of the Turkish economy. In tandem, the Bank will sustain its support to help render SMEs sustainable businesses with the contribution of the entrepreneurs, as well.

Garanti BBVA pursues a prudent external funding strategy, which is an important pillar underpinning a sustainable and well-diversified funding base. The Bank targets to expand its correspondent network in different geographies and meet the client needs for international transactions. Garanti BBVA aims to provide customized trade finance solutions for its clients and enter into new cooperation in this area with correspondent banks and export credit agencies.

COMMUNITY INVESTMENT PROGRAMS

QUALITY EDUCATION

Worldwide failure to achieve sufficient progress with respect to "Quality Education", which is Goal 4 under the Sustainable Development Goals espoused by the United Nations, exhibits the utmost importance of expanding educational opportunities in our day. The shared value to be created in this respect is attainable through fulfillment of the world's and present day's requirements that are rapidly evolving as a result of the current technology and digitalization, and through closing the skills gap for better preparing the young generations for the future.

The Teachers Academy Foundation (ÖRAV), established by Garanti BBVA in 2008, continues its activities with the goal of helping ensure that the society gives the much-deserved

value to teachers, one of the key focal points of education, as they practice a profession requiring specific knowledge, skills and attitude. The Bank aims to be instrumental in helping the teachers lead the education and training of the future generations so that they can build a contemporary and healthy world as they set the course of the future.

Launched in 2017 as a collaborative initiative of Garanti BBVA and the Teachers Academy Foundation, 5 Pebbles: Social and Financial Leadership Program contribute to primary school teachers' social and financial literacy knowledge and employs a child-centered approach and active learning methods to instill these skills in students. While raising the students' awareness of social and financial topics, the ultimate goal is to create a consciousness of "good citizenship". Under the Project comprised of five modules, education is given and various activities are carried out in the areas of "Self-Exploration and Understanding", "Rights and Responsibilities", "Saving and Spending", "Planning and Budgeting" and "Social and Financial Entrepreneurship".

To help the teachers handle the distance learning process as effectively as possible, ÖRAV keeps extending support to them in this respect. One of the initiatives in this framework is Teachers without Distance web seminar series, and is conducted via its online platform (eKampüs). Covering 17 topics, the web seminar series was launched in September 2020 and will be held in all 81 provinces of Turkey throughout the year.

The support Garanti BBVA has been extending to Tohum Autism Foundation's Continuing Education Unit continued also in 2020. In this framework, Tohum Autism Foundation provides theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students.

Sports and physical education can motivate children and youth to attend and engage in formal and informal education, as well

as improve their academic performance and learning success. Sports can teach transferable life skills and key values such as tolerance, inclusion and lead towards learning opportunities beyond school. Sports can advocate for gender equality, address constricting gender norms, and provide inclusive safe environment.

With this perspective, Garanti BBVA has been supporting 12 Giant Men (National Men's Basketball Team) since 2001, Pixies of the Court (National Women's Basketball Team) since 2005, 12 Brave Hearts (National Men's Wheelchair Basketball Team) and 12 Magical Wrists (National Women's Wheelchair Basketball Team) since 2013. With the inspiration drawn from the 12 Giant Men, the 12 Giant Men Basketball Academies project finds and trains the 12 Giant Men and Pixies of the Court of the future.

ENTREPRENEURSHIP

Garanti BBVA conducts educational and skills development programs such as Women Entrepreneurs Executive School and Women Entrepreneur Meetings in order to support its customers in the SME segment. These programs create positive impact on gender equality.

Furthermore, Garanti BBVA started its Garanti BBVA Partners Accelerator Program in 2015 in order to meet entrepreneurs' needs in all aspects of their new ventures. Under the program, the Bank hosted 5 entrepreneurs and provided assistance in various departments such as office space, mentorship, networking, marketing and training. Total investments received by the entrepreneurs exceeded TL 22 million.

CULTURE AND ARTS

Cultural aspects, including active participation in cultural life, the development of individual and collective cultural liberties, the safeguarding of tangible and intangible cultural heritages, and the protection and promotion of diverse cultural expression are core components of personal and also sustainable development.

In 2011, Garanti BBVA unified Platform Garanti Contemporary Art Center, Ottoman Bank Museum and Garanti Gallery that had been operating under its organization to support active participation in cultural life under a not-for-profit umbrella institution named SALT, which contributes to the society and cultural development.

Garanti BBVA also aims to make cultural activities become widespread. As the main sponsor of İstanbul Jazz Festival for 23 years, Garanti BBVA has been supporting the leading music venues in İstanbul under the name of "Garanti BBVA Concerts" series and "Turn Up the Music with Garanti BBVA" project.

ENVIRONMENT

Garanti BBVA has been the main sponsor of WWF-Turkey for 29 years. Contributing to the sustainability of the planet through its efforts and initiatives worldwide, WWF is one of the largest wildlife protection associations in the world, with 6,200 employees in more than 100 countries. WWF-Turkey conducts projects in the areas of seas, freshwater, wildlife, climate-energy, forests and food.

Garanti BBVA also supports the Earth Hour movement organized by the WWF every year in order to highlight the world's environmental problems. Garanti BBVA is also part of WWF-Turkey's Green Offices network, and contributes to the Foundation's nature protection initiatives with its employee volunteerism.

In addition, Garanti BBVA is the main sponsor of CDP Turkey, the Turkey office of the world's most powerful green non-governmental organization which is engaged in the fight against climate change and conservation of natural resources.

SOCIAL IMPACT ANALYSIS

Garanti BBVA conducts Social Impact Analysis using the Social Return on Investment (SROI)⁴ method in order to assess the

value and the social impact of its ongoing programs among the target audiences.

WHAT WE DID IN 2020

While ÖRAV reached 19,529 teachers in 81 cities, the number of active users of its online platform (eKampüs) reached 18,340 in 2020.

The 5 Pebbles: Social and Financial Leadership Program reached 564 teachers and 9,000 students in 78 cities in 2020.

Teachers Overcoming Distances web seminars series reached 14,939 teachers in 4 months in 2020.

3,152 people were reached with initiatives carried out by Tohum Autism Foundation with the support of Garanti BBVA in 2020.

In the reporting period, 2,013 participants followed the events held at SALT locations. The three SALT locations welcomed a total of 144,663 visitors free of charge. On the other hand, 114,534 people attended the online events organized since March 2020.

In 2020, national basketball teams, which have Garanti BBVA as their main sponsor, competed in the qualification rounds of the European Championship. While Pixies of the Court represented our country in the qualification round of 2021 European Women's Basketball Championship, 12 Giant Men competed in the qualification round of 2022 European Basketball Championship.

In this context, Garanti BBVA invested TL 60 million for community investment programs in 2020.

OUTLOOK

Garanti BBVA aims to develop its community investments so as to produce shared value. In 2021, the Bank will continue to make investments focused on creating high social impact in the

⁴ Social Return on Investment (SROI): SROI is an approach created to measure social impact of projects. According to technical literature, projects with an SROI value higher than 1:1 are considered as successful projects in terms of social return, whereas projects within financial sector with an SROI value higher than 2:1 are accepted as very successful.

fields of quality education, entrepreneurship, culture & arts, and environment that make up its priority fields.

SUPPORTING CUSTOMERS TO GROW THEIR BUSINESSES SUSTAINABLY

In addition to producing solutions that address the specific financial needs of the SMEs, women entrepreneurs and startups who are key to the sustainable development of the economy, Garanti BBVA aims to support their growth and sustainability, and to help them improve their environmental, social and ethical performance. To this end, the Bank offers training programs and consultancy services making use of its human and intellectual capital as well, while also making various platforms available to them and establishing collaborations. With its support to the economic sustainability of SMEs, Garanti BBVA also creates employment opportunities indirectly and contributes to the sustainable development of Turkey.

WHAT WE DID IN 2020

Garanti BBVA helps flourish the entrepreneurial ecosystem in Turkey, and targets to support and accelerate early startups and initiatives with the potential to attract investment and grow. Through Garanti BBVA Partners Acceleration Program, the Bank supports early startups of any scale and sector, the SMEs and growing ventures. Under the holistic support mechanism covering provision of office space, mentoring, networking, marketing and training support, the Bank offers versatile and differentiated services at every stage of the entrepreneurial cycle. This year, Garanti BBVA hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Garanti BBVA facilitates women entrepreneurs' access to financing, executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School, and encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition. With the Women Entrepreneurs Meetings, which attracted the participation of 8,500 women to date, the Bank seeks to help

women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need. Women Entrepreneurs Meetings conducted on digital platforms this year served to share experiences with a higher number of women entrepreneurs. The SROI (Social Return on Investment) value of the Women Entrepreneurs Executive School project is estimated as 5.

This year, Garanti BBVA hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Within the frame of the international borrowing program, Garanti BBVA, in cooperation with the World Bank-member IFC, introduced a social bond for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. The Bank carried on with on-lending of this fund, which is the first social bond issued by a private bank in an emerging country, to women entrepreneurs in 2020.

For Garanti BBVA, it is also important to keep the SMEs advised of the developments in their sectors and matters affecting their business lives. The KOBİ Girişim magazine published for many years in cooperation with the Economist Magazine is mailed free-of-charge to all our SME customers electronically.

Also in the reporting period, Garanti BBVA continued to share information with its internal stakeholders, as well as external stakeholders including international financial institutions, clients and non-governmental organizations about innovative environmental, social and governance practices in Turkey, sustainable financing products that support equal opportunities to women and men employees in companies, digitalization, transparency and the new trends in non-financial reporting.

Furthermore, in 2020, the Bank sustained its information provision about the most current topics related to national and global sustainability trends, sustainable bonds and loans markets, international guidelines and best practices in environmental and social risk management at events such as the CDP Turkey Workshop, of which the Bank is the main sponsor and supporter, and The Sustainable Finance Forum, in the launch meetings of international principles such as the UNEP FI of which it is a founding signatory, and two live streaming events that it took part in during the year.

In this framework, 22 different topics were addressed in a total of 7 events during 2020, and information was provided to corporate and commercial customers and financial institutions on a one-on-one basis.

In addition, training programs were organized to enable Corporate Banking teams to give more comprehensive support to customers in relation to sustainable bonds and loans markets and innovative sustainable financial products.

OUTLOOK

In 2021 and beyond, Garanti BBVA will continue to highlight entrepreneurship, digitalization, sustainable finance, the combat against climate change, and environmental and social risk management issues in its capacity building efforts. Organizing summits and meetings where stakeholders can share experiences and information, and providing informative trainings on emerging new trends will continue to play a key part in the support extended to customers. Setting up partnerships and specialized teams and providing technical support making use of technological infrastructure in various topics such as sustainable finance and digitalization will be a part of the roadmap for the years ahead. Informing the customers on environmental and social trends will continue to take an important place in the Bank's agenda.

The Bank will make use of the existing international channels and platforms such as the United Nations platforms in designing capacity building initiatives.