

Materiality Analysis

 1,679  7 min  3  analysis

As always, Garanti BBVA's aim with this year's integrated annual report is to provide a coherent story of its activities. The basis of this story is the **materiality analysis** which enables identification of the **most relevant and important topics for Garanti BBVA and all its stakeholders**, the material topics. Material topics are mainly determined based on **dialogue with all internal and external stakeholders** and are then plotted in the materiality matrix. The topics defined within this matrix form the basis of this report as described in the 'About This Report' section. The Bank performed its **first materiality analysis in 2013**. As the Bank wants to make sure that it is always in line with the needs of its stakeholders and that the identified material issues are still the most important, it **updates** the materiality analysis **approximately once in every two years**.

In 2019, with the aim of 'bringing the age of opportunity to everyone', Garanti BBVA reviewed and revised its strategic priorities in alignment with the BBVA Group and in the light of the main trends reshaping the world and the financial services sector. **With the new strategic priorities set**, the **materiality analysis** was **revised in 2020** to ensure that the stakeholders as well as Garanti BBVA maintain an optimum focus. These revisions paved the way for a review of material topics based on data gathered from a variety of sources both globally on the basis of the Group and locally, while also providing a **broad database** that is **auditable and objective**, which put the analysis on a **more solid basis** and in **alignment with the current trends**.

Material topic headings covered in the materiality analysis which was most recently updated in 2020 remained valid also for 2021. In the materiality analysis, the Bank once again listened to internal and external stakeholders, and reviewed the connection

between the corporate strategy and global trends which impact the banking sector.

Additionally, in 2021, Garanti BBVA made some **improvements** to its materiality analysis in alignment with its principal shareholder BBVA Group, in order to fulfill **increased transparency and reporting demands**. In this context, the Bank:

- Provided details of **who** its stakeholders are, **how their needs and expectations** are considered, and **how** these considerations **impacted** the determination of the ranking of material topics;
- Conducted **double materiality analysis** that is **based on the four material topics** of the highest priority for stakeholders, which were revealed by the materiality analysis.

When conducting the materiality analysis in which it compiled the existing and potential **expectations, risks and opportunities** from the perspective of all internal and external stakeholders and the Bank's strategy, Garanti BBVA employed a **three-phase methodology**.

1. STAKEHOLDER ENGAGEMENT AND DETERMINATION OF MATERIAL TOPICS

Garanti BBVA identified its key stakeholders as **customers, employees, stakeholders and investors, government agencies and regulatory authorities, and the society**. The Bank included not only the public opinion, but also the **Non-Governmental Organizations (NGOs) and international organizations that closely monitor** the Bank's activities and contribution to **Sustainable Development Goals**.

The Bank used various sources for identifying the material topics for its stakeholders:

a. Contacts with departments that are highly familiar with the stakeholder groups:

On the back of regular contacts with various departments that are highly familiar with each stakeholder group at Garanti BBVA, regular insights were provided by **Talent and Culture**

(Employees), **Customer Experience and Service Model Management (Customers)**, **Investor Relations (Investor Expectations)**, **Legal Department and Compliance Department (Regulators and regulations)** and **Responsible Business and Corporate Reputation teams (expectations of the civil society and the community)**.

b. Reviewing various surveys on stakeholders:

Satisfaction questionnaires providing customer insights, **brand and reputation surveys, Gallup questionnaire and internal reputation surveys** analyzing employee opinions, and **surveys from analysts** integrating **investors' perspective** in the study were scrutinized.

Along with these resources, **sector reports, global reports, recommendations of international initiatives, standards and professional organizations, and international evaluation reports** shedding light on current trends were reviewed and taken into consideration.


Both the **mainstream investors** and **investors**, who strongly consider sustainability factors, and the **national and international NGOs that the Bank is a member of** were analyzed.

Material topic headings were determined paying regard also to the **outputs from the analyses on global investors and NGOs that were completed at the BBVA Group**.

c. Trend reports analysis and risk reports:

The external trends analysis addressed the priorities of initiatives guiding the business world and the finance sector, such as the **United Nations (UN) Sustainable Development Goals, UN Principles for Responsible Investment (PRI), World Economic Forum Global Risks Report, Presidency of the Republic of Türkiye Presidency of Strategy and Budget Development Plans, UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking, GRI Sustainability Reporting Standards and Value Reporting Foundation (VRF) Integrated Reporting Framework**. The external stakeholder analysis also included **reports published by organizations from the same sector, press and social media feedbacks** in order to see the

viewpoint of the society and the sector.

 Initiatives supported by Garanti BBVA, which were included in the analysis, can be found under the **Download Center on the Garanti BBVA 2021 Integrated Annual Report website at www.garantibbvafaaliiyetraporu.com**.

2. ANALYSIS OF MATERIAL TOPICS ACCORDING TO THEIR PRIORITY FOR STAKEHOLDERS

All internal and external key stakeholder groups of Garanti BBVA were reached via **questionnaires, meetings and phone calls**, and a **thorough stakeholder analysis** was performed on each topic. Governing and optional **regulations** were tackled, **analyses** were conducted on all written and printed **media platforms**, and the relevant **publications** by similar establishments were reviewed.

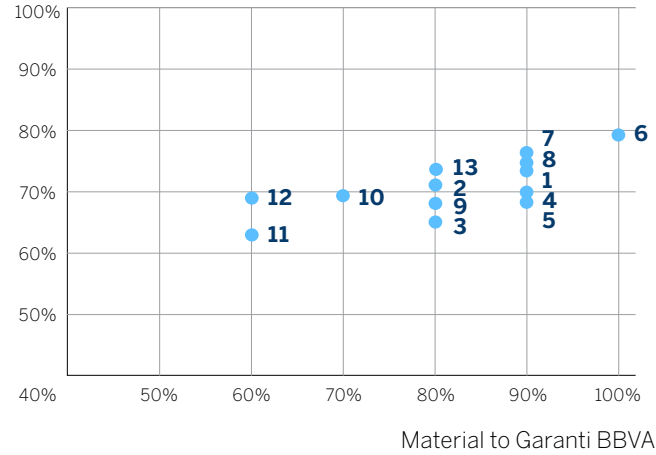
Prioritization for stakeholders was carried out in two phases: First, the topics were listed for **each stakeholder**. Second, all stakeholders were **ranked according to materiality of topics** by an aggregation process based on the prior analysis. In doing so, the Bank assessed its stakeholders according to **dependency, influence, proximity, representation, responsibility, policy and strategic intent criteria**, and calculated the weighted score for each stakeholder group. When **strategic projections were captured** in these **six criteria** used for stakeholder assessment, **stakeholder weights** showed some variations in 2021 as compared to 2020. In the collation method, a **prioritization score** for each topic on average was obtained using the weighted score of each stakeholder group.

3. ANALYSIS OF MATERIAL TOPICS ACCORDING TO THEIR IMPACT ON THE STRATEGY

Garanti BBVA carried out an internal evaluation of **how each material topic impacted its strategic priorities**, and finalized its materiality analysis, making sure that **all topics were aligned with its integrated business strategy**. The **13 Material Topics** identified are those that impact the achievement of its strategy to a high extent.

MATERIAL TOPICS FOR GARANTÍ BBVA AND ITS STAKEHOLDERS

Material to Stakeholders



NO MATERIAL TOPIC

1	Solvency and Financial Performance
2	Corporate Governance and Strong Management of All Risks
3	Business Ethics, Culture and Customer Protection
4	Easy, Fast and DIY
5	Financial Health and Advice
6	Climate Change: Opportunities & Risks
7	Responsible Use of Personal Data (data privacy, responsible AI)
8	Cybersecurity (cyber attacks, data theft, fraud...)
9	Employee Engagement and Talent Management
10	Diversity and Work-Life Balance
11	Human Rights
12	Inclusive Growth (contribution to the society, entrepreneurship, financial inclusion, financial education)
13	COVID-19

According to the finalized analysis, the **most material topic** was Climate Change. While it was ranked higher by stakeholders in previous years, **Solvency and Financial Performance** dropped to the **fourth spot** in 2021. As clearly revealed this year, both our internal and external stakeholders take greater heed of the fact that we are **running out of time for achieving the UN Sustainable**

Development Goals (SDGs) and for taking the actions that will minimize Climate Change Impact, and all our stakeholders **prioritize** every step we will be taking together to this end. As was the case in earlier years, the outputs from the analysis in 2021 once again showed that the **solid and sustainable solvency and financial performance, climate change** and **pandemic** topics must be **addressed and managed with an integrated perspective**. As **COVID-19** remained a material topic, Responsible Use of Personal Data and Cybersecurity headings incorporating data privacy and handling cyber risks within the scope of the **impacts of increased digitalization in the wake of the pandemic** took place in the top ranks also in 2021.

Activities covering all material topics along with these highlighted headings are explained in the report under the Financial Health, Sustainability, Reaching More Customers, Operational Excellence, The Best and Most Engaged Team, and Data and Technology headings that make the Company's six strategic priorities, by **establishing a connectivity** under the sections COVID-19, Corporate Governance, Risk Management and Our Value Creation.

DOUBLE MATERIALITY

Garanti BBVA undertook **double materiality** study for **Climate Change** -the highest priority both for the Bank's strategy and its stakeholders-, **Protection of Personal Data, Cybersecurity, Solvency and Financial Performance**. As part of this study, the Bank analyzed the impact of these topics upon Garanti BBVA (Outside-Inward Perspective) while how these topics impacted the others, in other words, how Garanti BBVA's activities dealing with these topics affected various stakeholders (Inside-Outward Perspective). Thus, the Bank analyzed risks and opportunities for each topic in connection with the aspect they were analyzed.

Garanti BBVA regards the double materiality analysis that it has undertaken for the very first time in 2021 as a basic effort showing that the Bank attaches great importance to this new methodology and started working on it, and aims to increase the effectiveness of this study in the coming years.

CLIMATE CHANGE

Impact on Garanti BBVA		Impact on Stakeholders	
HOW DOES CLIMATE CHANGE IMPACT GARANTI BBVA?		HOW DO GARANTI BBVA'S ACTIVITIES IN RELATION TO CLIMATE CHANGE IMPACT STAKEHOLDERS?	
Opportunities	Risks	Opportunities	Risks
<ul style="list-style-type: none"> New business opportunities facilitating low carbon transition Differentiation through, and increased preference for, climate change management A stronger and predictable solvency through integrated risk management Better positioning against regulators and possible differentiation with respect to capital adequacy requirements 	<ul style="list-style-type: none"> Risk of default due to customer assets entailing high climate risk Possible losses in specific business activities Need for a higher number of regulations Reputational risk Need for developing new talents Possible customer and investor losses New risks (greenwashing) 	<p>Customers: Transition to a more sustainable future in alignment with the regulatory framework governing climate-related areas</p> <p>Investors: Reduced investment risks and preserved value in the long-term</p> <p>Society: Fulfillment of the expectations of the society and contribution to mitigation of climate change impacts in daily life</p> <p>Employees: Healthier working environment and harmonious corporate culture</p> <p>Regulatory Authorities: Regulatory compliance</p>	<p>Customers: Challenges in accessing financing due to increased climate risks and lack of transition plans</p> <p>Investors: Lower value of investment assets</p> <p>Society: Risk of unfair climate transition and leaving behind certain communities</p> <p>Employees: Deteriorated living conditions of employees and their families</p> <p>Regulatory Authorities: Systemic risk</p>

CYBERSECURITY

Impact on Garanti BBVA		Impact on Stakeholders	
HOW DOES THE CYBERSECURITY TOPIC IMPACT GARANTI BBVA?		HOW DO GARANTI BBVA'S ACTIVITIES IN RELATION TO CYBERSECURITY IMPACT STAKEHOLDERS?	
Opportunities	Risks	Opportunities	Risks
<ul style="list-style-type: none"> Business continuity Regulatory compliance Customer satisfaction through investments for reinforcing security infrastructure Competent workforce Prevent potential financial and reputational losses Preventive security capabilities Efficient operations through increased automation capabilities in security infrastructure and processes Increase the channels and methods used to inform customers and employees about fraud trends and important considerations 	<ul style="list-style-type: none"> Failure to provide secure and uninterrupted service Regulatory compliance risk Reputational risk Lack of competencies in employees 	<p>Customers: Protect customer data, secure and uninterrupted service delivery to customers Information service on fraud trends and important considerations Prevent potential financial and reputational losses</p> <p>Regulatory Authorities: Regulatory compliance</p> <p>Employees: Invest in employees with cybersecurity training, employee satisfaction</p>	<p>Customers: Fraud risks Data security risk</p> <p>Regulatory Authorities: Systemic risk</p> <p>Employees: Competency risk and risk of compliance with the Bank's policies</p>

RESPONSIBLE USE OF PERSONAL DATA

Impact on Garanti BBVA		Impact on Stakeholders	
HOW DOES THE RESPONSIBLE USE OF PERSONAL DATA TOPIC IMPACT GARANTI BBVA?		HOW DO GARANTI BBVA'S ACTIVITIES IN RELATION TO RESPONSIBLE USE OF PERSONAL DATA IMPACT STAKEHOLDERS?	
Opportunities	Risks	Opportunities	Risks
<ul style="list-style-type: none"> Add momentum to our solution processes through AI, machine learning and big data interpretation that have acquired a major place in the Bank's day-to-day operation Use data analytics effectively in various areas including offering the right products to customers, pricing, risk management etc. Various security-enhancing practices for customers Groundbreaking practices enabled by better data management and AI Develop applications that will support the expansion of our customer base Process automation using AI and data analytics, a better customer experience with minimum errors and high speed Enhance customer satisfaction by offering smart, customizable solutions Implement active pricing strategy, prevent fraudulent transactions Accelerate and facilitate customers' and employees' access to information with the use of chatbots, and increase operational efficiency Support customers' financial health and planning skills with data analytics Service continuity 	<ul style="list-style-type: none"> Exercise discrimination in analytical solutions used in customer acquisition, pricing, employee recruitment and remuneration using data on gender, color, ethnical origin, disability, religion, sexual orientation and political affiliation Reputational risk Regulatory compliance risk Data security risk Business continuity risk 	<p>Customers: Use fast customer solutions A good customer experience in pricing and product delivery Smarter, differentiated and customized experiences for customers Solutions supporting financial health Security and privacy</p> <p>Employees: Trusted, preferred employer</p> <p>Regulatory Authorities: Regulatory compliance</p>	<p>Customers: Be subject to discrimination in data analytics Risk of data breaches related to customer privacy</p> <p>Employees: Be subject to discrimination in recruitment</p> <p>Regulatory Authorities: Systemic risk</p>

SOLVENCY AND FINANCIAL PERFORMANCE

Impact on Garanti BBVA		Impact on Stakeholders	
HOW DOES A ROBUST VS. UNSTEADY SOLVENCY AND FINANCIAL PERFORMANCE IMPACT GARANTI BBVA?		HOW DOES ROBUSTNESS/UNSTEADINESS OF GARANTI BBVA'S SOLVENCY AND FINANCIAL PERFORMANCE IMPACT STAKEHOLDERS?	
Opportunities	Risks	Opportunities	Risks
<ul style="list-style-type: none"> Opportunities -Business continuity -Decreased capital costs -Less regulatory and supervisory pressure -Possibility to access more capital and investors -Possibility to reach more employees and customers Trust and reputation Long-term sustainable funding 	<ul style="list-style-type: none"> Risk of instability in the system Loss of capital, customers and employees Reputational risk Loss of shareholders and investors Perceived unsteady business model resulting from unstable financial results, which gives rise to the risk of disposal of shares or debt instruments by a portion of investors Risk of disposal of shares or debt instruments by investors in the event of uncertainty and failure to secure repayment assurance due to below-expected solvency level 	<p>Sustainable value creation for all stakeholders and support to economy</p> <p>Regulatory Authorities: Providing assurance to the system</p> <p>Investors: Consistent, long-term investment returns</p> <p>Resilience against volatility</p> <p>Decline in investment asset risk</p> <p>New and long-lived investors</p>	<p>Financial loss for customers, employees, business partners</p> <p>Regulatory Authorities: Systemic risk</p> <p>Investors: Exit risk in investors and creditors due to financial instability</p> <p>Rise in investment asset risk</p> <p>Decreased value of investment asset</p>

SUSTAINABLE DEVELOPMENT GOALS AND GARANTI BBVA

The Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into force on 1 January 2016. SDGs, adopted by the United Nations, guide the business world in terms of contributing to social development.

To ensure an inclusive, robust and stable economy for all individuals and to achieve social welfare in the world, the financial services sector should also adopt the SDGs in various ways, including, for example, by reshaping market opportunities in line with society's needs. **Garanti BBVA contributes to the SDGs with all the sector-leading actions it undertakes to address the material topics.**

Further details can be found in the Value Creation Process and Contribution to Sustainable Development Goals and Targets sections of the report, and activities undertaken can be found in [Financial Health](#), [Sustainability](#), [Reaching More Customers](#), [Operational Excellence](#), [The Best and Most Engaged Team](#), and [Data and Technology](#) sections addressing the performance in strategic priorities.

Undertaking a more detailed study in 2021, Garanti BBVA reported not only on contributed **Sustainable Development Goals**, but also the **details of how it contributed to which Sustainable Development Targets under these goals by way of its policies, products, services, and processes.**





The Bank disclosed the **actions** it has taken in relation to Sustainable Development Targets **establishing their connectivity to its Material Topics, Strategic Priorities and Capitals covered within its value creation according to integrated reporting framework.**

Through this disclosure, Garanti BBVA aimed to avoid greenwashing in its reporting, a term referring to the provision of deceptive or misleading information by a company on how more sustainable its products and services are.

	Related Material Topics	Contributed Sustainable Development Goals	Contributed Sustainable Development Targets	
Our Strategic Priorities	FINANCIAL HEALTH	<ul style="list-style-type: none"> 3 Business Ethics, Culture and Customer Protection 5 Financial Health and Advice 	<p>5.1, 5.5, 5B, 5C, 8.3, 8.10, 9.1, 9.2, 9.3, 9B</p>	
	SUSTAINABILITY	<ul style="list-style-type: none"> 2 Corporate Governance and Strong Management of All Risks 5 Financial Health and Advice 6 Climate Change: Opportunities & Risks 12 Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education) 	<p>2.3, 2.4, 3.9, 3C, 4C, 5.1, 5.5, 5.B, 5.C, 6.1, 6.3, 6.6, 7.1, 7.2, 7.3, 7A, 7B, 8.3, 8.4, 8.7, 8.10, 9.1, 9.3, 9.4, 10.6, 11.3, 11.4, 11.C, 12.2, 12.4, 12.5, 12.6, 12.8, 12.C, 13.1, 13.2, 13.3, 13.A, 14.1, 14.2, 15.1, 15.2, 17.7, 17.14, 17.17, 17.19</p>	
		REACHING MORE CUSTOMERS	<ul style="list-style-type: none"> 3 Business Ethics, Culture and Customer Protection 4 Easy, Fast and DIY 	<p>9.1, 9.2, 9.3, 9B</p>
		OPERATIONAL EXCELLENCE	<ul style="list-style-type: none"> 1 Solvency and Financial Performance 2 Corporate Governance and Strong Management of All Risks 4 Easy, Fast and DIY 	<p>10.1, 16.4, 16.5, 16.6</p>
		DATA AND TECHNOLOGY	<ul style="list-style-type: none"> 3 Business Ethics, Culture and Customer Protection 4 Easy, Fast and DIY 5 Financial Health and Advice 7 Responsible Use of Personal Data (data privacy, responsible AI) 8 Cybersecurity (cyber attacks, data theft, fraud) 	<p>9.1, 9.2, 9.3, 9B</p>
	THE BEST AND MOST ENGAGED TEAM	<ul style="list-style-type: none"> 9 Employee Engagement and Talent Management 10 Diversity and Work-Life Balance 11 Human Rights 	<p>4.A, 5.1, 5.5, 5.C, 8.3, 8.5, 8.7, 8.8, 10.1, 10.2, 10.3, 10.4, 13.3</p>	
	CORPORATE GOVERNANCE	<ul style="list-style-type: none"> 2 Corporate Governance and Strong Management of All Risks 3 Business Ethics, Culture and Customer Protection 	<p>5.1, 5.5, 5C, 10.4, 16.4, 16.5, 16.6, 16.7</p>	
	COVID-19	<ul style="list-style-type: none"> 13 COVID - 19 	<p>3.C</p>	

Further details can be found on Contribution to Sustainable Development Goals and Targets section.

Stakeholder Engagement

 753  3 min  2  stakeholders

Given the great importance attached to them, Garanti BBVA maintains **regular communication** with its stakeholders, hears their opinions, and moves ahead with a keen focus on being an **inclusive bank** in every aspect. Continuous feedback from stakeholders allows the Bank not only to understand stakeholder expectations and meet their needs more precisely, but also presents it with a great opportunity to identify risks and opportunities, and set its priorities and strategy more comprehensively.

Having blended trends and surveys with the engagement of its stakeholders and completed its materiality analysis with the addition of the double materiality approach, Garanti BBVA discloses its strategy and activities, its contribution to the Sustainable Development Goals and Targets, and its total value creation process in connectivity with integrated thinking in its Integrated Annual Report.

Firstly, Garanti BBVA grouped its stakeholders as **those impacted by the Bank through its operations, products and services** and **those that have an impact on the Bank's achievement of its goal**. Based on this analysis, key stakeholders are determined as **customers, employees, shareholders and investors, government agencies & regulatory bodies, and the society, Non-governmental Organizations (NGOs) and international organizations**, which monitor not just the public opinion but also the Bank's activities and its **contributions to the Sustainable Development Goals** were taken into consideration as part of the society stakeholder.

Maintaining its dialogue with all its internal and external key stakeholders through various channels, Garanti BBVA reviewed


the feedbacks and outputs that cover **insights gained from regular contacts with departments that are highly familiar with stakeholder groups, stakeholder questionnaires and surveys, sector and global reports and recommendations of international initiatives and professional organizations, and trend reports encompassing press and social media feedbacks** as a whole.

Material topics determined in view of the outputs from the dialogue with all internal and external key stakeholders in 2021 paralleled those in 2020, which remained valid.

In order to measure its performance in satisfying customer expectations and reveal its improvement areas, Garanti BBVA analyzed the whole body of **Net Promoter Score (NPS) studies** and **after-service surveys** for customers that receive support from branches, the Customer Contact Center, the Customer Experience Support Team and digital channels, **regular monthly usability surveys** for better observing user needs, **brand and reputation surveys, customer complaints handling system, "Garanti BBVA'ya Sor" (Ask Garanti BBVA)** the customer satisfaction channel offering service 24/7 via social networks, the **smart platform supporting employees for solutions Empathy Assistant, Önersen, GONG, Atölye** platforms that compiles employee ideas and suggestions, and the **Ask/Share** section on the Intranet portal, **Gallup questionnaire** and **internal reputation surveys** for analyzing employee opinions, **questionnaires from analysts** with the aim of integrating **investors' perspective** within the study, both the **mainstream investors** and **sustainability-sensitive investors**, and the **national and international NGOs that the Bank is a member of**. The Bank determined its **material topics** taking into account also the **outputs from the analyses completed at the BBVA Group for global scale investors and NGOs**.

Material topics determined in view of the outputs from the dialogue with all internal and external key stakeholders **in 2021 paralleled those in 2020, which remained valid**. Having identified its material topics, Garanti BBVA first listed the topics for **each**

stakeholder, and second, ranked all stakeholders according to **significance of topics** by an aggregation process based on prior analysis. In doing so, the Bank assessed its stakeholders according to **dependency, influence, proximity, representation, responsibility, policy and strategic intent criteria**, and calculated the weighted score for each stakeholder group. When **strategic projections were captured** in the criteria used for stakeholder assessment, **stakeholder weights showed some variations in 2021 as compared to 2020**. In the collation method, a **prioritization score for each topic** on average was obtained using the weighted score of each stakeholder group. Garanti BBVA carried out an internal evaluation of how each material topic impacted its strategic priorities, and finalized its materiality analysis, making sure that **all topics were aligned with its integrated business strategy**.

 [Further details can be found in the Materiality Analysis section of the Report.](#)

Garanti BBVA summarized the topics that its **stakeholders regarded material and wished to highlight, their opinions and expectations**, how they relate to the 13 material topics identified in the materiality analysis, along with the **actions taken** in these respects.

Garanti BBVA provides an account of its **activities covering all material topics in the report** under the Financial Health, Sustainability, Reaching More Customers, Operational Excellence, The Best and Most Engaged Team, and Data and Technology headings that make the Company's six strategic priorities, by **establishing a connectivity** under the sections COVID-19, Corporate Governance, Risk Management and Our Value Creation.

STAKEHOLDER WEIGHTING CRITERIA

PROXIMITY

Garanti BBVA's interaction frequency, engagement in daily activities, long-term relations

DEPENDENCY

Direct or indirect dependency for the continuity of the company's activities

INFLUENCE

Impact on the Company or decision-making power

REPRESENTATION

Officially representing certain groups

RESPONSIBILITY

Garanti BBVA's financial, operational and legal responsibility

POLICY AND STRATEGIC INTENT

Supporting the company in developing policy and strategy about emerging new risks and issues

CUSTOMERS

Issue	Material Topic Relevancy	What Does Garanti BBVA do About it?
<ul style="list-style-type: none"> Expectation for secure customer experience against increased and evolving cyber threats Anticipation for responsible use of customer data whilst developing solutions for customer experience through increased use of artificial intelligence The need for provision of services giving underbanked individuals with disabilities greater access to financial services The need for supporting customers to build on their financial planning skills to help them be prepared against contingencies and plan their future Regularly seek customer opinions and improve services based on an approach aligned with business ethics and protecting customers against risks Develop consumer products that will support customers' transition to a low-carbon economy Resuming communication uninterrupted through various channels following reduced face-to-face interactions; while doing that, promote usage of more effective AI for better understanding customers 	<p>CYBERSECURITY</p> <p>HUMAN RIGHTS</p> <p>RESPONSIBLE USE OF PERSONAL DATA (DATA PRIVACY, RESPONSIBLE AI)</p> <p>BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION</p>	<p>Investments in security infrastructure continued uninterruptedly to deliver a more secure customer experience. Through deployment of the new technologies acquired in the field, their integration with other technologies, and inputting the information resulting from these developments in cyber incident management processes, existing preventive security capabilities were further upgraded. Automation capabilities in existing security infrastructure and processes were increased, thus increasing the efficiency of operations.</p> <hr/> <p>Making it a principle to adhere to human rights when developing solutions for improved customer experience and using data in relation to Big Data and AI, the Bank embraced Responsible AI principles in 2021. Garanti BBVA pledges not to discriminate through its adherence to human rights and Garanti BBVA Code of Conduct. No gender, color, ethnic origin, disability, religion, sexual orientation or political affiliation data is used in any analytical solution employed in customer acquisition, pricing, employee recruitment and remuneration, and controls are developed which will pursue responsible AI principles.</p> <hr/> <p>In 2021, Garanti BBVA continued with its initiatives facilitating access of customers with disabilities to service from branches and Garanti BBVA ATMs, which contribute to their physical and financial freedom. Delighted that over 10 thousand employees completed the web-based Sign Language training developed to provide better service to disabled customers, Garanti BBVA expanded its service network to 5,381 disabled-friendly ATMs in 2021, broken down as 5,156 ATMs accessible by visually impaired individuals and 225 ATMs accessible by individuals with orthopedic and visual disabilities.</p> <hr/> <p>Under the partnership established with BlindLook in 2021, Garanti BBVA enabled visually impaired customers to freely perform their transactions with the help of voice instructions through Garanti BBVA Mobile and Internet banking. Visually impaired customers can easily perform many transactions including account opening, money transfers and bill payments with the help of voice instructions without needing anyone else's help. This collaboration also made Garanti BBVA a part of BlindLook's EyeBrand (in Turkish: Görme Engelsiz Marka) network.</p> <hr/> <p>Through the Financial Health program launched within the mobile app, the Bank offers completely personalized insights to help its customers better monitor their finances and be prepared against unexpected situations, and assist them in improving their financial planning skills by acquiring saving-up capability, besides planning today. In 2021, Garanti BBVA devised more than 95 financial insights and presented action plans raising awareness, getting them ready in advance for major expenses, and steering them to save up easily and perform controlled spending. On the back of all these initiatives, My Status section was visited by 3.5 million customers on average per month.</p> <hr/> <p>In 2021, Garanti BBVA launched two new shopping loans set up to propagate awareness of renewable energy and efficient energy consumption for retail customers. Customers can quickly get a loan at advantageous interest rates with Türkiye's first Retail Rooftop Solar Power System (SPS) Shopping Loan for making use of solar power in their buildings and Environment-Friendly Building Insulation Loan for supporting efficient energy consumption in buildings and promote insulation investment. With these formats introduced in 2021, the Bank seeks to promote renewable energy and efficiency notions before retail customers and to support Türkiye's transition to a low-carbon economy.</p> <hr/> <p>In 2021, the Bank initiated the pilot run of the structure predicting the reason of customer calls placed to the Customer Contact Center. The Bank rapidly and securely fulfilled customer needs and facilitated interpretation of the demands by customer agents at the same time.</p>

EMPLOYEES

Issue	Material Topic Relevancy	What Does Garanti BBVA do About it?
<ul style="list-style-type: none"> Build on our employees' knowledge and skills about Personal Data Protection Law through awareness activities Cybersecurity investments attuning remote access infrastructures with current needs and security principles, secure teleworking for employees Physical and administrative Covid-19 measures in work areas, developments in digital aspects, supporting employee awareness Raising increased awareness of gender equality among employees 	<p>RESPONSIBLE USE OF PERSONAL DATA (DATA PRIVACY, RESPONSIBLE AI)</p> <p>CYBERSECURITY</p> <p>COVID-19</p> <p>INCLUSIVE GROWTH (CONTRIBUTION TO SOCIETY, ENTREPRENEURSHIP, FINANCIAL INCLUSION, FINANCIAL EDUCATION)</p>	<p>The Bank elaborated the work for alignment with the Personal Data Protection Law, and introduced new projects to further upgrade data security practices. It carried on with initiatives targeted at best practices in activities aimed at raising increased awareness of employees and customers, data classification and data leakage prevention methods, in addition to efforts spent for regulatory compliance.</p> <p>While quickly updating its remote access infrastructures according to current needs, the Bank also upgraded them to capture the general security principles. Thanks to the pioneering investments in earlier years against the risk of connectivity loss of teleworking employees due to DDoS attacks, the Bank was able to manage these risks successfully also in 2021.</p> <p>In 2021, as it did in 2020, the Bank kept managing the COVID-19 pandemic dynamically with data-driven decisions using daily data analyses. The Bank made its employees feel that it stands by them also through this rough patch with the high rate of vaccination among employees, physical and administrative measures implemented in work spaces, promotion of employee awareness regarding health and safety risks during work-at-home periods, extremely precise supplier management processes, and digital developments such as the integration of the Ministry of Health database and the Bank's own COVID-19 database.</p> <p>The Bank added 141 new digital training programs to its catalogue in 2021 to let employees reach the training for any need in a modular fashion as digital learning came to the forefront after the COVID-19 outbreak.</p> <p>The Bank launched a compulsory training for all employees on the basis of an awareness planning in relation to Gender Equality that it focuses on within the scope of its Community Investment Programs, and initiated a long-term investment program with the EsitBiz Gender Equality training, aiming to reach first its employees, followed by teachers who have a critical role in the community in this respect.</p> <p>Within the framework of the Domestic Violence Platform established in 2016 to extend support to employees suffering from domestic violence whenever they need it and to provide guidance to managers about the effects of domestic violence on the workplace, the Bank continued to offer the support service 24/7 exclusively to Bank employees and their next of kin through the Domestic Violence Hotline in 2021. During the pandemic, awareness communication initiatives were carried out as a reminder of the scope of the existing policy and the support hotline for the employees.</p>

SOCIETY (INCLUDING NGOS, ASSOCIATIONS AND INTERNATIONAL ORGANIZATIONS)

Issue	Material Topic Relevancy	What Does Garanti BBVA do About it?
<ul style="list-style-type: none"> Expectation for sharing the know-how and in-depth experience in ESG Management and Sustainable Finance Expectation for alignment of portfolios with low carbon pathways The need for the development of community investment programs supporting inclusive growth Expectation for adherence to Human Rights and having specific reports and targets for diversity and inclusion 	<p>CLIMATE CHANGE: OPPORTUNITIES & RISKS</p> <p>INCLUSIVE GROWTH (CONTRIBUTION TO SOCIETY, ENTREPRENEURSHIP, FINANCIAL INCLUSION, FINANCIAL EDUCATION)</p> <p>HUMAN RIGHTS</p> <p>COVID-19</p>	<p>Garanti BBVA kept leading the sustainable transformation of the sustainable finance sector in Türkiye. In this framework, the Bank serves as the co-leader of Global Compact Network Türkiye's Banking and Finance Working Group with the aim of advancing the existing practices in the financial services sector in Türkiye further. In 2017, with seven other banks from Türkiye, the Bank signed the Declaration on Sustainable Finance, which stipulates consideration of environmental and social risks in loan processes in Türkiye and their integration into associated policies. In its 2021 update, the scope and sphere of influence of the Declaration were broadened through incorporation of innovative sustainable finance principles as well as consideration of environmental and social impact in credit evaluation processes.</p> <p>Garanti BBVA took another crucial step in the Turkish banking sector in line with its undertakings to combat climate change and joined the United Nations Net-Zero Banking Alliance (NZBA) launched in April 2021. The Bank has been the first and only Turkish signatory to the NZBA, which supports the mobilization of the entire financial system to achieve the targets set by the Paris Agreement. The UN-convened alliance of banks worldwide, NZBA brings together 98 banks representing 43% of global banking assets and committed to aligning their lending and investment portfolios with net-zero emissions by 2050 or sooner.</p> <p>Garanti BBVA keeps working towards managing its risks and emissions arising from its portfolio in keeping with its commitment to align its portfolio with net-zero emissions by becoming a signatory of NZBA.</p> <p>In 2021, Garanti BBVA has announced its concrete goal within the scope of the Business Initiative for Plastic led by BCSD Türkiye, Global Compact Network Türkiye and Turkish Industry and Business Association (TUSIAD) that it has become a signatory of in 2019. With its declared commitment for 318.6 tonnes of plastic reduction and avoidance by 2023, the Bank tangibly pledged its support to the business world's fight against plastic pollution.</p> <p>Having launched a compulsory training for all employees on the basis of an awareness planning in relation to Gender Equality that it focuses on within the scope of its Community Investment Programs, the Bank initiated a long-term investment program with the EsitBiz Gender Equality training, aiming to reach first its employees, followed by teachers who have a critical role in the community in this respect.</p> <p>Owing to the importance it attaches to gender equality and diversity and the steps it takes in this area, Garanti BBVA qualified for inclusion in the Bloomberg Gender Equality Index once again in 2021. The Bank continued to communicate its initiatives and experiences in this area to all its stakeholders via the associations it chairs or belongs to also in 2021.</p>

SHAREHOLDERS AND INVESTORS

Issue	Material Topic Relevancy	What Does Garanti BBVA do About it?
<ul style="list-style-type: none"> Communication of macroeconomic indicators with increased volatility during the pandemic. Expecting greater transparency on the following issues: Actions taken by the Bank during the pandemic and their operational and financial impact Extent of asset quality deterioration due to rapidly changing market conditions and specific sectors New regulatory framework affecting the banking sector and their implications Currency Volatility Interest Rates Expectation for comparable and easily accessible data in Environmental, Social and Governance areas Expectations regarding the financing of low carbon transition Expectation for ensuring information security and creating an evolving corporate governance structure against cybersecurity threats 	<p>SOLVENCY AND FINANCIAL PERFORMANCE</p> <p>CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS</p> <p>CLIMATE CHANGE: OPPORTUNITIES & RISKS</p> <p>CYBERSECURITY (CYBER ATTACKS, DATA THEFT, FRAUD...)/RESPONSIBLE USE OF PERSONAL DATA (DATA PRIVACY, RESPONSIBLE AI)</p>	<p>In keeping with the sustainability strategic priority, content, performance and target were added to operating guidance plans and were disclosed transparently.</p> <hr/> <p>During 2021 characterized by rapidly changing post-pandemic market dynamics, the investor relations team kept getting together with the investors by way of videoconference and teleconferences.</p> <hr/> <p>Regular information was provided about the high margin and profitability that the Bank was able to preserve over the years despite volatile macroeconomic indicators and retention of robust capital buffers.</p> <hr/> <p>Information was shared regarding the Bank's action plans in view of the implications of actual and potential regulatory framework.</p> <hr/> <p>The Bank increased its overall Corporate Governance Rating from 9.77 to 9.79 owing to the informative content added to the Investor Relations Website which improved its compliance in Public Disclosure and Transparency.</p> <hr/> <p>The Bank issued the Board of Directors Diversity and Sustainability Policy on 8 July 2021. The Policy sets out the principles and criteria for adequate composition of Garanti BBVA Board of Directors, and adequacy and diversity of its members. The Policy has set the a target for female directors to constitute 25% of the Board of Directors by the end of 2025.</p> <hr/> <p>The Bank periodically reports information about its environmental impact in the light of environmental indicators (GHG emissions (Scope 1 (direct), Scope 2 (energy indirect), Scope 3 (other direct)), air quality, energy management, water and wastewater management, waste management, biodiversity impacts) in a comparable format. This report can be found under the ESG Analyst Data tab under Environment, Social and Governance section on the Investor Relations website.</p> <hr/> <p>Taking its pioneering position in renewable energy finance one step further, Garanti BBVA authored another sector-steering first in Türkiye and declared its pledge to exit coal in March 2021. Having updated its Environmental and Social Loan Policies, the Bank committed that it will not finance new investments in coal-fired power plants and coal mines and that it will zero its coal exposure in its portfolio by 2040 at the latest. Garanti BBVA proved its pioneering stance in the sector and its sustainable development vision by being the first bank to declare this commitment in Türkiye.</p> <hr/> <p>Data Governance and Protection Committee was set up. The committee holds three meetings in a year. The security organization was restructured to conform to the new BRSA information systems regulation. An Enterprise Information Security team is formed, which reports to the CEO. The Information Security Committee was reorganized and is headed by the CEO.</p>

GOVERNMENT AGENCIES AND REGULATORY AUTHORITIES

Issue	Material Topic Relevancy	What Does Garanti BBVA do About it?
<ul style="list-style-type: none"> Active participation in TBB's (The Banks Association of Türkiye) Sustainability Working Group and coordinate evaluation of climate-related opportunities and risks between banks and regulatory authorities Offer products and services aligned with the Draft Debt Instruments and Green Lease Certificates Guide prepared by the CMB to encourage financing of investments that will positively contribute to environmental sustainability within the framework of the priorities and actions set in the Paris Agreement Launching Garanti BBVA Climate Index in cooperation with CDP Türkiye and Borsa İstanbul to stir to action the local sustainable finance market The first-ever Green IPO Alignment with the National Artificial Intelligence Strategy (NAIS) of the Presidency of the Republic of Türkiye Digital Transformation Office 	<p>CLIMATE CHANGE: OPPORTUNITIES & RISKS</p> <p>RESPONSIBLE USE OF PERSONAL DATA (DATA PRIVACY, RESPONSIBLE AI)</p> <p>INCLUSIVE GROWTH (CONTRIBUTION TO SOCIETY, ENTREPRENEURSHIP, FINANCIAL INCLUSION, FINANCIAL EDUCATION)</p>	<p>For many years, Garanti BBVA has been participating in local and international platforms, which allowed for widespread, high-level engagement with the business community, governments and policymakers, and numerous national and international organizations. In this context, Garanti BBVA actively participates in or chairs the meetings of the UN Net-Zero Banking Alliance (NZBA), Principles for Responsible Banking Working Group, Global Compact Network Türkiye, the Turkish Business Council for Sustainable Development (BCSD Türkiye), the Banks Association of Türkiye Sustainability Working Group and the Turkish Industry and Business Association (TUSIAD) Environment and Climate Change Working Group meetings.</p> <hr/> <p>The Bank prepared the draft Debt Instruments and Green Lease Certificates Guide to regulate the selection of projects eligible for green finance, and utilization, management and reporting of revenues from debt instruments with the aim of reinforcing sustainable finance framework based on CMB's initiatives. The draft guide is also anticipated to serve as an important starting point for sustainable finance taxonomy studies. With the determination of the types of green projects under the draft guide, it is intended to raise awareness of all stakeholders and improve the market. In parallel with these developments, Garanti BBVA will keep diversifying its products and services with sustainable debt instruments and green/sustainable loan options that it pioneers in Türkiye with the purpose of supporting its customers in this area.</p> <hr/> <p>In an effort to mobilize the local sustainable finance market, Garanti BBVA launched the Garanti BBVA Climate Index in cooperation with CDP Türkiye and Borsa İstanbul in 2021. The index aims to put the spotlight on companies displaying a high performance in CDP Climate Change reporting to which companies traded on Borsa İstanbul respond with respect to the fight against climate change. The index measures the price and return performance of the portfolio consisting of the stocks of companies that are traded on Borsa İstanbul and transparently declare their risks and opportunities regarding climate change according to the CDP methodology.</p> <hr/> <p>The Bank carried out Türkiye's first Green IPO with Galata Wind. In addition to the sustainability rating audit received from an international rating agency for the IPO process, environmental and social commitments were added to the prospectus submitted to the CMB.</p> <hr/> <p>Garanti BBVA takes a stance aligned with the National Artificial Intelligence Strategy (NAIS) published in 2021 by the Presidency of the Republic of Türkiye Digital Transformation Office. The Bank continues to train AI experts and to create employment in this field in a manner that caters to this vision, while attaching importance to making a difference with its innovative character, increasing national and international partnerships, and producing high quality solutions by bolstering its technical infrastructure.</p>

Opportunities and Risks

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Areas Impacted by Mega Trends	Risk Drivers	Opportunity Drivers	Garanti BBVA's Approach
BUSINESS ENVIRONMENT (1)	<ul style="list-style-type: none"> • Competition for Talent • Rapid Alignment • Synthetic Media • Changing Business Norms • Stakeholder Expectations • Occupational Health and Safety 	<ul style="list-style-type: none"> • Next-Gen Workforce • Productivity • Agility • Social Media Management • Transparency • Hybrid Working • Resilience • Remote Working 	<p>Fighting Inequalities Supporting Entrepreneurship Digital Transformation Future of Work</p>
ECONOMY (2)	<ul style="list-style-type: none"> • Global Supply Chain Issues • Increased Global Volatility • Changing Dynamics: from Globalization to Regionalization • Decreased Economic Welfare • New International Regulatory Framework 	<ul style="list-style-type: none"> • Financial Awareness • Diversity and Inclusion • Sustainable Finance • Inclusive Growth • Cyclical Economy • Sharing Economy • Young and Dynamic Population 	<p>Contribution to Sustainable Growth Fighting Inequalities</p>
SOCIETY (3)	<ul style="list-style-type: none"> • 21st Century Skills Gap • Pandemic • Social Alignment and Trust • Food Security • Forced Migration • Growing Inequalities • Gender Inequalities 	<ul style="list-style-type: none"> • Rise of the Individual • Sustainable Development • Entrepreneurship 	<p>Contribution to Sustainable Development Climate Change Adaptation Fighting Inequalities Supporting Entrepreneurship Future of Work Talent Development and Investing in Training</p>
ENVIRONMENT (4)	<ul style="list-style-type: none"> • Climate Action Failure • Extreme Weather and Natural Disasters • Climate Crisis • Biodiversity Loss • Resource Scarcity • Plastic Pollution • Water Scarcity 	<ul style="list-style-type: none"> • Energy Transition • Eco-friendly Business Growth • Green Recovery • Low Carbon Transition • Environmental Awareness 	<p>Contribution to Sustainable Development Climate Change Adaptation Green Transformation</p>
TECHNOLOGY (5)	<ul style="list-style-type: none"> • Cyber Security • Responsible AI • Digital Inequalities • Data Privacy • Crypto Market Anomalies 	<ul style="list-style-type: none"> • Robotic Technologies • Internet of Things • Personalized Solutions • DIY • Automation • Digitalization • Data Analytics 	<p>Digital Transformation Future of Work</p>

The COVID-19 outbreak of 2020 and its social, economic and geopolitical effects that vigorously prevailed throughout 2021 gave rise to **one of the severest global crises** after WW2. While governments, businesses and communities strove to ascertain and remedy the damage from the negative impacts of the extraordinary pandemic circumstances of 2020 and its persistent negative impacts, it has been bared that it had become more important than ever before to develop **strategic projections** for the future. The higher the world's susceptibility to the risk, the greater the need for **calling attention to the risks, defining the risks** and finding more effective ways of **communicating the risks** to the decision-makers. The pandemic has also increased the possibility and inevitability of attracting attention to **progressively increasing social and environmental risks**. In 2021, the **impossibility of achieving sustainable development and growth within the existing order** has been unveiled even more powerfully. The need for businesses, being important actors of the global order, to **comprehensively tackle risk and opportunity management** was revealed once again.

In this period when developing strategic projections through more comprehensive consideration of risks and opportunities has become vital, Garanti BBVA addresses **this year's mega trends** that shaped the environment in which it operates and stakeholder expectations **under eight headings classified into short-, medium- and long-term opportunity and risk drivers, and describes how each one is handled within the frame of its strategy in this section.**

Opportunities and challenges related to the Turkish Economy and the Turkish Banking Sector are discussed in the section titled **"The Environment We Operate In".** **Materiality Analysis and Stakeholder Engagement** sections deal with the impacts of the Bank's material topics upon Garanti BBVA and the impacts of Garanti BBVA's actions in relation to these topics upon its stakeholders in conjunction with the opportunities and risks aspects on the basis of the **Double Materiality Analysis** that the Bank has undertaken for the first time in 2021.

Opportunity and risk drivers discussed on this section and extensive studies carried out within the frame of material topics

are disclosed under the headings **Our Governance Structure, Corporate Governance, Internal Systems and Risk Management,** and in the sections titled **Our 2021 Material Topic: COVID-19 and 2021 Performance and Outlook.**

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT (2) (3) (4)

With its effects continuing to hover over 2021 as well, the **COVID-19 pandemic decelerated the progress** of sustainable development all over the world. For the **first time** since the adoption of the Sustainable Development Goals (SDGs) in 2015, global average of **SDG Index score was down as compared to the previous year** in 2020: this was driven mainly by **increased poverty rates and unemployment** following the COVID-19 outbreak. While the report covering year-end 2021 data and the average SDG index in the report have yet to be published, all data indicate that **not enough distance was paved in the sense of recovery** in sustainable development in 2021 either. On another note, the emergence of SARS-CoV-2 Omicron variant one year after the initial vaccinations begins to eliminate restrictive barriers underline the **fragility and inequality of the efforts for taking the virus under control.** It is observed that the progress in **climate action and climate change adaptation, preserving biodiversity and zero hunger** headings that make an important part of the SDGs, which is the United Nations' key plan to end poverty and build a healthier planet by 2030, is not happening at the expected speed.

Despite all the deceleration, 2021 has seen the **finance sector step up its activity** as compared to the previous years to contribute to sustainable development. For instance, **funds focusing on Environmental Social and Governance criteria were less affected by the pandemic as compared to others.** According to Refinitiv data, **sustainable finance bond issuance** totaled **USD 859 billion** in 2021, its **highest ever.**¹

These positive developments underlined once again the **importance of the commitment to achieve the SDGs.** Garanti BBVA recognizes that it has an important role to play as a financial institution in the attainment of these targets. With this

¹ <https://www.reuters.com/markets/commodities/global-markets-esg-2021-12-23/>

awareness, the Bank continues to play an **active part** in Türkiye's sustainable development journey in alignment with the **UNEP-FI (UN Environment Programme Finance Initiative) Principles for Responsible Banking**, in the development of which it was **involved** and of which it is a **signatory**.

As stated in the **Sustainability Policy** adopted in 2014 and revised in 2021, Garanti BBVA intends to implement sustainable banking alongside **technological innovations, management of its environmental footprint** stemming from its operations and an **environmental and social risk assessment** developed within the frame of risk management system. The Bank also recognizes that it needs to **collaborate with its peers and suppliers in the world** to identify **best practices and products** so as to capitalize on new opportunities and to **remain the sustainability leader in Türkiye**. With respect to sustainable business, Garanti BBVA positions itself as an **advisor** for all its stakeholders. During 2021, Garanti BBVA launched **50 different loans and products** to contribute to sustainable development. By reporting on how it tackles sustainable development and which targets of 16 SDGs from out of the existing 17 it has contributed solidly as of 2021, Garanti BBVA aims to reveal its contribution on the basis of more concrete targets.

Further details can be found under the heading Value Creation Process and in the section titled Contribution to Sustainable Development Goals and Targets.

CLIMATE CHANGE ADAPTATION (3) (4)

As stated in The Global Risks Report 2022 of the World Economic Forum, **climate-related environmental risks** ranked first in the **top ten risks** both in terms of impact and likelihood.² As the world struggled with the ongoing COVID-19 pandemic on one hand, it battled with the unremitting **extreme weather events** on the other in 2021. Natural disasters causing loss of lives and property made the headlines of the news throughout the year.

Despite all the negative impacts it bears, the pandemic also presents an **important opportunity** for combating the climate

² <https://www.weforum.org/reports/global-risks-report-2022>

change. There is a worldwide consensus that the post-pandemic **new order** to be established must be focused on sustainability. With the **Green Recovery** approach that entered our lives this year, **eco-friendly solutions** are anticipated to be preferred particularly in the **economy**.

The **26th UN Climate Change Conference of Parties (COP26)**, which has been the scene to the most crucial climate negotiations since the Paris Agreement, was also held in 2021 and set the stage for the signing of **critical conventions** for climate change adaptation and limiting the negative impacts of global warming. Garanti BBVA continued to raise increased awareness of the **measures and commitments** to be undertaken by Türkiye in relation to climate change adaptation, by sustaining its partnerships for the **implementation and promotion of local and global developments in the Turkish market**, besides **monitoring** these developments in climate change adaptation. In the aftermath of COP26, the Bank co-hosted the **Climate Finance Workshop** with the Institute of International Finance (IIF) to tackle the measures and commitments against climate change within the framework of climate finance.

Concrete examples of the efforts in relation to this issue are presented in the section titled Sustainability.

Further details about Garanti BBVA's efforts and initiatives undertaken in relation to Climate Change, Sustainable Finance and Low Carbon Transition can be found in the Sustainability section.

GREEN TRANSFORMATION (4)

As governments and business world begin taking solid steps towards **climate change** and **the society's data privacy**, which impact the whole world, this also gives rise to certain regulatory revisions. One of the most talked-about topics of 2021 was the **European Green Deal**, which includes the **Carbon Border Adjustment** as a mechanism for **reducing carbon emissions**. The purpose of the Carbon Border Adjustment is to **prevent carbon leakage** arising from trade relations with countries

with climate policies that are not aligned with the 1.5 degree target. Besides preventing the relocation of these emissions (or 'carbon leakage'), practices like Carbon Border Adjustment also target to **pressure for strengthened climate policy efforts**. Türkiye will be **significantly** affected by this adjustment given that it ships nearly 41% of its exports to EU, in addition to its close commercial relations with the EU. The Deal also brings along major opportunities for **green transformation**. For harmonization with these stipulations, the Republic of Türkiye Ministry of Trade published the **"Green Deal Action Plan"**³ in July 2021. The action plan incorporates important provisions such as **increasing Türkiye's share in international green finance and green investments, strengthening the green finance ecosystem, and supporting green transformation through sustainable, efficient resource utilization**. In the light of these regulations keenly tackled by public institutions, the Turkish financial market regulators carried out important tasks to define the green finance framework and guidelines.

Garanti BBVA keeps striving to constantly upgrade its **sustainable finance products** that it has deployed across all Corporate, Commercial, SME and Retail Banking segments to comply with the **Draft Green Debt Instruments and Green Lease Certificate Guidelines**⁴ published by the CMB, and the **Sustainable Banking Strategy Plan**⁵ created by the BRSA within the framework of its responsibilities set within the "Green Deal Action Plan" as a result of all these developments, and preserve its **pioneering and enabler role in green transformation throughout 2021**.

Further details about Garanti BBVA's efforts and initiatives in relation to Green Transformation can be found in the Sustainability section.

FIGHTING INEQUALITIES (1) (3)

Amid the grueling post-pandemic **recovery phase** of a **globalized market economy**, which was a challenging transformation

³ <https://ticaret.gov.tr/data/60f1200013b876eb28421b23/MUTABAKAT%20YE%C5%9E%C4%BOL.pdf>

⁴ <https://www.spk.gov.tr/Sayfa/Dosya/1350>

⁵ <https://www.bddk.org.tr/KurumHakkinda/EkGetir/5?ekId=36>

⁶ <https://www.credit-suisse.com/lu/en/articles/media-releases/global-wealth-report-2021-202106.html>

⁷ <https://data.unwomen.org/publications/whose-time-care-unpaid-care-and-domestic-work-during-covid-19>

worldwide, the **constantly enlarging income gap** between high income-earners and the poor where one side is getting richer and the other side is getting poorer is **damaging the economies**, and leading to **erosion of social cohesion**. Credit Suisse's annual **Global Wealth Report** released in June 2021 estimates that the bottom 50% of adults in the global wealth distribution together accounted for less than 1% of total global wealth at the end of 2020, while, in contrast, **the richest decile** (top 10% of adults) **owns 82% of global wealth**.⁶

On another front, climate change began acting as a major force upon **forced migration**. While it is estimated that **by 2050, 200 million people will be forced to displace** due to a number of social factors such as environmental and social inequalities including climate-related water and food security, soil loss, higher frequency of natural disasters etc., as well as education opportunities and unemployment, it is predicted that **Türkiye will be among the destination countries of climate migrants** and will be extremely affected by this situation due to limited resources. Growing social inequalities give rise to **devastating impacts** economically and socially. **Fighting wealth inequality, and inequalities related to gender, race, ethnicity and social class** will be the **top agenda items** in the years ahead. 2021 has been a year during which the effects of **gender inequality in business** deepened. **Women's jobs are 1.8 times more vulnerable to the impact of crisis** than men's jobs. This is further exacerbated since women do a much higher percentage of household chores such as cooking, cleaning and caregiving. According to the UN, women on average do **three times more unpaid care work** than men.⁷ The Covid-19 post-pandemic period demonstrates that corporations do need to revise their perspectives and approaches in matters such as **talent retention, pursuing work-life balance of employees and employee satisfaction**. At Garanti BBVA, we kept offering support to our women employees by carrying on with our various initiatives against the risks presented by gender inequality, such as our **motherhood experience, domestic violence platform, and women leadership mentoring program, etc.**

The overall ratio of women employees is 58% for the whole Bank and 40% for medium level and senior managers. Its pioneering practices and initiatives in this respect made Garanti BBVA the only company from Türkiye to be included for five consecutive years in the Bloomberg Gender Equality Index. The Bank creates initiatives on female leadership and talent, equal pay and gender pay parity, inclusive culture, and sexual harassment policies, and regularly improves its practices in the light of international metrics.

Additionally, Garanti BBVA keeps promoting gender equality also through its products. With the Gender Loan it has launched as the world's first in 2019, it keeps helping the business world contribute to gender equality. In 2021, the Bank signed a new Gender Loan for the amount of USD 33 million with a leading chemicals company. Gender equality criteria set by the Sustainable Finance Team for this facility are evaluated periodically by an independent third party.

Further details about the products and services Garanti BBVA offers in relation to inclusive growth, sustainable finance and growing social inequalities can be found in the Sustainability section and details about the programs implemented for its employees can be found in The Best and Most Engaged Team section.

SUPPORTING ENTREPRENEURSHIP (1) (3)

As the demographic changes gain speed particularly in emerging countries, high rate of youth unemployment is poised to remain a major global issue. According to an OECD study published in 2021, the share of "youth not in employment, education or training" between the ages 15-29 in Türkiye as a percentage of young people in the corresponding age group, in other words, to the young population, went up to 29% in 2020 with the added effect of the COVID-19 pandemic.⁸ Increasing youth unemployment will presumably keep aggravating various risks in Türkiye and all over the world such as social exclusion, mass migrations, intergenerational conflicts about the policies developed for financial markets and labor markets.

⁸ <https://data.oecd.org/youthinac/youth-not-in-employment-education-or-training-need.htm>

In line with its objective of "bringing the age of opportunity to everyone", Garanti BBVA works towards emphatically supporting its customers and the society to increase youth employment. In order to realize its purpose, Garanti BBVA carries out many initiatives that support entrepreneurship. In 2015, the Bank has launched Garanti BBVA Partners Accelerator Program to help flourish the entrepreneurial ecosystem in Türkiye. Garanti BBVA Partners Accelerator Program helps startups grow with specific support, develops strategies together with the entrepreneurs, assisting them in the preparation of a comprehensive business plan to put their projects into action, and contributes to their sustainable growth. Through Garanti BBVA Partners Accelerator 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. In 2021, Garanti BBVA Partners hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 30 million.

Another important segment that is placed focus on is women entrepreneurs. Women's labor force participation rate is only 34% in Türkiye, whereas the OECD average is 64%. If Türkiye can reach the OECD average by 2025, the GDP will increase by USD 250 billion. Realizing the support that women need in this area, Garanti BBVA launched its Women Entrepreneurship Program in 2006. The Bank's efforts in empowering women entrepreneurs are categorized under four headings: "providing finance", "encouraging", "training" and "accessing new markets". The amount of TL cash loans provided under financing support to women entrepreneurs, categorized as a special customer group, exceeded TL 11 billion by the end of 2021 in all segments combined. Within the frame of the foreign borrowing program, Garanti BBVA, in cooperation with the World Bank-member IFC (International Finance Group), 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 2021.

Further details about Garanti BBVA's activities to support entrepreneurship in Türkiye and to empower women entrepreneurs can be found in the Sustainability section.

DIGITAL TRANSFORMATION (1) (5)

In 2021, digitalization gained a tremendous momentum with the pandemic's ongoing effect driving social transformation. Companies not only shifted their working environments to the digital, but they kept transferring the services and products rendered to the customers to the digital channels to the extent possible.

For Garanti BBVA, digitalization is a material topic given focus by both internal and external stakeholders. Therefore, it is an integral part in the decision-making mechanism, which supports technology and process efficiencies and continuously drives the Bank forward. It is reflected in the way the Bank does business, from CRM applications and segmentation to innovative products and services, and to a paperless banking environment. An example of Garanti BBVA's services rendered to customers using the omni-channel approach in their design and of its digitalization strategy in 2021 is users' being able to become Garanti BBVA customers end-to-end digitally without the need for going to a branch with the "Onboarding" flow developed in line with the BRSA's "Remote Authentication" regulation. Launched on 1 May 2021, the capability blends technologies such as video chat, near field communication (NFC), ID scanning using optic imaging and biometric verification. In addition, "Money Transfer for Onboarding" flow was introduced for users wishing to become a Garanti BBVA customer using their non-NFC devices during 2021.

Dependence on the widening use of digital systems led to a social change as well. Industries underwent rapid digitalization in 2020 and 2021, employees in opportune roles switched to teleworking, and the use of digital platforms and devices facilitating this change increased. In parallel with the transition to digitalized business models, cyber security threats grew as well: according to a study published in 2021, malwares and ransom software attacks surged by 358% and 435%, respectively, in 2020.

The opportunities offered by digitalization also transform issues regarding data protection and security into one of the most significant risks. Taking precautions against all risks, which could prevent secure and uninterrupted service, particularly cyber threats, ensuring information security and informing customers on related issues are among the material topics, both for Garanti BBVA and its stakeholders. Along this line, steps began to be taken for reorganizing Garanti BBVA Cyber Security Center so as to operate 24/7 in view of current threats and technological novelties and for turning it into a structure capable of responding to the future needs now.

Responsible efforts for achieving compliance with the Personal Data Protection Law (PDPL), PDPL Governance function was transferred from the Legal Department to the Compliance Department. Expanded by one person in January 2021 in keeping with the new requirements and the importance Garanti BBVA attaches to the matter, PDPL governance team further enriched the scope of its personal data protection activities and widened them. While personal data exploration activities are carried on in detail using the explorer purchased in 2020, deletion and encryption were initiated for detected personal data of high risk and significance. In an effort to increase the effectiveness of the personal data action plan and to identify improvement areas therein, Garanti BBVA devised action plans in alignment with the outcomes from the consultancy service conducted in 2021. Using the personal data governance tool, the installation of which has been completed, complete detection of all personal data processing was commenced. New functions were set up within the Bank's organization for effective use of the governance tool. It is envisaged that this initiative will contribute to performance of the cost/benefit and risk analysis of the PDPL compliance program more effectively, and thereby, to constitution of the priorities of the PDPL compliance program more efficiently.

Further details about Garanti BBVA's efforts for digitalization of its products and services, its efforts against data and cyber security risks can be found in the sections titled Reaching More Customers and Data and Technology.

Further details about the Compliance Department that carries out its activities within the scope of compliance with the Personal Data Protection Law (PDPL) can be found under the heading Internal Systems Governance.

FUTURE OF WORK (1) (3) (5)

Persisting **pandemic risks** continued to dominate the agenda of the work life throughout 2021 as they did in 2020. While **robust technology and data infrastructures** produced benefits on the one hand, the **effects of the powerful transformation** experienced upon **human behaviors** led to **uncertainties** about the future. The emergence of diverse working methods amid the **"new normal"** concept and **successful and productive** implementation of new working models such as **home-based working** and **hybrid working** brought into the question their permanent implementation in 2021 and beyond. The effects of certain trends affecting the work life perpetuated also in 2021. Be it the **millennials and zoomers** or the **disruptive technological advancements**, this is only a telling sign of a much more serious **paradigm shift** in the ways of doing business and in the workplace.

On another note, this transformation also bears some other risks for companies. For instance, it is hard to **reach and attract** top talent in the market. The most significant reason is **competition**, which is not only among the banks within the banking sector, but also among other various sectors. Competition among new trending areas related to data, artificial intelligence, digital marketing, robotics, etc. diminished the attractiveness of the banking sector. **New generation talents** tend to have short tenure, which leads to low engagement scores. Every company must find new ways to **strengthen employee engagement**. Along with **digital transformations**, businesses' **needs** and the required skills for the **roles** are **changing rapidly**.

Furthermore, reaching and attracting the top talent in the market and retaining them in the company as engaged employees entail increased **inclusion and diversity anticipations** as compared to before. As a matter of fact, inclusion and diversity are the Bank's inherent values. Garanti BBVA's approach to its employees are in parallel with its **ethical values** and **"equality principle"**. In addition to those, Garanti BBVA undertakes numerous initiatives to establish diversity and inclusion at the **heart of its talent management approach**.

Socially and economically empowering **women, increasing their role in decision-making mechanisms**, and **creating diversity and inclusive culture by ensuring gender equality** both in professional and community life lie at the heart of Garanti BBVA's approach to talent management. **At Garanti BBVA, women employees comprise 58% of all employees and 40% of senior/middle level management**. As a result of the importance it attaches to gender equality and women's empowerment, Garanti BBVA was **one of the first to implement the Equal Opportunities Model** (in Turkish: FEM). Also, Garanti BBVA is **one of the first signatories of the Women's Empowerment Principles (WEPs)** and **is the first bank in Türkiye to sign them**.

Having launched a compulsory training for all employees on the basis of an awareness planning in relation to Gender Equality that it focuses on within the scope of its **Community Investment Programs**, the Bank initiated a long-term investment program with the **EşitBiz Gender Equality training**, aiming to reach first its **employees**, followed by **teachers** who have a **critical role** in the community in this respect. Thanks to its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti BBVA is the only company from Türkiye to be **included for five consecutive years** in the **Bloomberg Gender Equality Index** that covers 232 companies from 10 industries from 36 countries and regions across the world.

Aimed at empowering women leaders and increasing their recognition in internal networks, **Women Leadership Mentorship Program** continued for executives in 2021. To date, more than

50 women executives received mentorship and **more than 30 mentors** furnished mentoring under the program.

Not restricting inclusion only to gender-focused inclusion, Garanti BBVA took a series of actions to increase its **inclusion in terms of age and seniority**: during 2021, the **Young Committee** started activities in an effort to **better hear the young employees' voices**, to **conceive ideas collectively**, and to **improve employee experience**. Numerous projects are intended to be put into life as a result of the work of project groups under the Committee.

Further details about the development and future of work life at Garanti BBVA and supporting women employees can be found in the section titled The Best and Most Engaged Team.

TALENT DEVELOPMENT AND INVESTING IN TRAINING (3)

Quality education, which makes the foundation of **equal opportunities**, is still one of the greatest challenges worldwide, and remains important within the scope of UN Sustainable Development Goals. According to the UN Sustainable Development Goals reports, the quality and quantity of education vary widely within and across countries.⁹ **Accessing the education that will pave the way for the skills and competencies** required by the 21st century has become a luxury in many countries, attainable only by a specific socioeconomic status class.

On the other hand, the continuously **advancing technology** constantly modifies **job contents, ways of working** and the **competencies required** of the workforce. As of **2020, global workforce** is made up of by **millennials by 35%, zoomers by 24%; by 2025**, it is forecasted that **75% of the global workforce** will be composed of **employees under 35**. In this context, **skill and competency development of new generations** becomes critical in order to adapt to the change mentioned before. Companies establish close collaborations with public institutions, educational institutions, NGOs and individuals as they must **plan** and take **action** now according to the future **economic benefits** and potential effects of **social changes** that will result

from technological developments. While companies' support to close the skills gap means **bringing the age of opportunity**, it also contributes to the **sustainable future** of the world.

Constantly advancing technology, increased automation of the workforce and the change in required competencies give rise to the need for companies to offer **opportunities to prepare today for the competencies of the future** to their own employees. Garanti BBVA considers **upskilling and reskilling**, which refers to **development of employees' skills** according to the evolving needs of the future as a key **building block** of its training approach. In **2021, 95% of employees** attended the upskilling and reskilling programs that were born out of this approach and that will provide the employees with opportunities to do their current jobs better and to prepare now for the competencies of the future.

In addition, societies have a greater need for quality education and training in required talents that change in parallel with the technological developments in the world. Based on its commitment to create shared value, Garanti BBVA has been conducting community investment programs in the field of quality education for many years. The Bank's initiatives in this context are **Teachers Academy Foundation (ÖRAV)** founded by Garanti BBVA in 2008, **5 Pebbles: Social and Financial Leadership Program**, and **Teachers Without Distance** web seminar series, which are carried out in cooperation with ÖRAV. To date, ÖRAV reached nearly **230,040 teachers** in Türkiye. The 5 Pebbles Program reached **9,000 students** and **564 teachers in 2021**, and the web seminar series **Teachers Without Distance** launched in 2021 reached **13,786 teachers**.

Garanti BBVA's talent management activities targeted at its employees can be found in The Best and Most Engaged Team section, and its initiatives for widening quality education in the society under the Community Investment Programs heading in the Sustainability section.

⁹ <https://www.forbes.com/sites/chuckbrooks/2021/10/24/more-alarming-cybersecurity-stats-for-2021-/?sh=4a6b5c894a36>