

# Corporate Governance Principles Compliance Report

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## STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "the Bank" or "Garanti BBVA") complies with the corporate governance principles set out by the banking legislation, capital market legislation, as well as the Turkish Commercial Code and other applicable legislation, and pays the utmost attention to implement these principles. Garanti BBVA accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti BBVA Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

In keeping with Garanti BBVA's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report. In addition, disclosures within the scope of Sustainability Principles Compliance Framework as per the Communiqué (no: II.17.1a) amending the Corporate Governance Communiqué (no. II.17.1)" whereby necessary additions were made on 02 October 2020 to Articles 1 and 8 of the Corporate Governance Communiqué are provided under the related headings.

The Corporate Governance Committee was established in February 2013, pursuant to the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation

and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with corporate governance principles and for ensuring that relevant improvement efforts are carried out at the Bank. In 2020, the Committee held 2 meetings with full participation of its members. The Board of Directors deemed that the activities performed by the Corporate Governance Committee in 2020 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti BBVA, during 2020, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

Garanti BBVA received its first Corporate Governance Rating in 2014. With its Corporate Governance Principles compliance rating upgraded from 9.14 in 2014 to 9.77 in 2020, the Bank continues to be included in the Borsa İstanbul Corporate Governance Index as the score is above the threshold score of 7. The outlook for the Bank's rating was assigned as Stable.


## I. GENERAL PRINCIPLES:

### STRATEGY, POLICY AND TARGETS

#### SUSTAINABILITY AND ENVIRONMENT POLICIES

Garanti BBVA set up the Sustainability Committee headed by a Board member in 2010. The Committee verifies that all

decisions made and all projects executed within the frame of the sustainability structure are in conformity with the Bank's other policies and applicable guidelines, and oversees the effectiveness of sustainability-related initiatives. In 2020, the Sustainability Committee merged with the Responsible Business Committee headed by a Board member, which was established in 2017 to integrate "responsible banking" within the banking services and the Bank's strategic priorities, and to systematically ensure that the Bank puts stakeholders at the center of its decision-making. It was resolved that sustainability matters would be addressed and discussed by this resulting committee.

 *Detailed information about the duties and members of the Committees can be found in the Committees and Policies Section of this report.*

Garanti BBVA announced its Sustainability Policy in 2014. As set out in this Policy, the Bank aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives. Furthermore, the Bank believes that an effective organizational structure and solid corporate governance system is essential to capture continuous development and successfully achieve sustainability targets, and 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 & products, and remain a sustainability leader in Turkey. Garanti BBVA also positions itself as an advisor for all of its stakeholders for sustainable business. The Sustainability Principles announced along this line highlight the actions Garanti BBVA will be taking to achieve these targets.

The Bank also disclosed its [Environmental Policy](#) under which the Bank intends to continuously and significantly increase the

value that it creates for all of its stakeholders in environmental matters.

## ENVIRONMENTAL AND SOCIAL LOAN POLICIES

Garanti BBVA developed and enforced [Environmental and Social Loan Policies \(ESLP\)](#) in 2011, in order to manage the environmental and social risks associated with the projects that it finances and to minimize the indirect impacts within this framework. Garanti BBVA believes that informing its stakeholders, particularly its customers and employees, about its ESLP is an important opportunity to raise public awareness with respect to sustainable development.

## STATEMENTS

In October 2015, Garanti BBVA released its [Climate Change Action Plan](#) that focused on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. The Bank considers climate change as a strategic matter that must be embedded within all business processes and decision-making mechanisms. The Bank additionally manages climate change risks associated with its indirect impact such as office buildings and the supply chain. The principles set out in the Climate Change Action Plan makes up the building blocks of how the Bank integrates climate change in the way it does business.

## TARGETS

Each year, Garanti BBVA presents its non-financial performance indicators, targets and related risks and opportunities considered under the relevant performance sections and appendices of the Integrated Annual Report. Additionally, the initiatives the Bank supports and is a signatory of are posted on the [website](#). Accordingly, supported initiatives and those that the Bank is a signatory of and detailed information about the principles are presented in "B. Environmental Principles" and "C. Social Principles" sections of the Statement of Compliance with Corporate Governance Principles.

## EXECUTION\OVERSIGHT



*In Committees and Policies Section of the report, Garanti BBVA covers the committees, which are responsible for the execution and oversight of its Environmental, Social and Governance policies and processes and which are headed by a Board member, together with their purposes and meeting frequencies.*

Every year, the Bank presents its non-financial performance indicators and targets with respect to ESG issues and their comparison by years in the related performance sections and appendices of its Integrated Annual Report. Non-financial performance indicators are also posted in a consolidated manner on the Bank's [Investor Relations website](#). Third party Independent Assurance Report on these indicators is also presented within the Integrated Annual Report every year.



*The Bank talks about all of its innovative products and services presented in keeping with responsible banking and financial health and inclusion concepts and by taking into account the United Nation Sustainable Development Goals, together with how its business processes are shaped according to these concepts in Sections Sustainability and Our Material Topics of the report.*

## REPORTING

Paying the utmost attention to openness, transparency and reporting, Garanti BBVA simultaneously makes the public information available on the [Investor Relations website](#) as well as [Sustainability website](#) both in Turkish and English. The Bank also complies with the corporate governance principles set by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation. It pays maximum attention to implement these principles. Periodically updating its reports and website, the Bank makes them available to all of its stakeholders. The Bank released a Sustainability Report from 2011 through 2016, and has been publishing an Integrated Annual Report every year since 2017.



*Garanti BBVA has been responding to CDP Climate Change since 2010 and CDP Water since 2015. The Bank makes all of its reports public on its website. The Bank's reports can be accessed from this link.*

In the appendices to its Integrated Annual Report, the Bank also discloses its progress with respect to the principles of certain initiatives which it supports or is a signatory of.

With the goal of bringing the age of opportunity to everyone, the Bank, last year, reviewed and redefined its strategic priorities in line with the BBVA Group and in the light of the main trends that have made an impact in the world and the finance sector. Along this line, the Bank renewed its Materiality Analysis formulated with the opinions of all of its internal and external key stakeholders. The Bank sets its goals with a focus on its strategic priorities and the topics prioritized in the materiality analysis. The Bank discusses its materiality analysis and material topics in the Our Material Topics section of the report, and its activities during the reporting period and its projections for the year ahead in the other related performance sections every year.

Year after year, Garanti BBVA maintains its dialogue with all of its internal and external key stakeholders via various channels. In this context, the Bank groups its stakeholders according to three criteria as directly impacting the Bank, indirectly impacting the Bank, and bringing in new opportunities, insights and approaches. The Bank's dialogue with the main stakeholder groups identified is carried on with a focus on Material Topics.



*Detailed information about the subject can be found in the Stakeholder Engagement section of the report.*



*The connection of the efforts the Bank undertakes to address material topics with the United Nations Sustainable Development Goals is dealt with in the Our Material Topics Section, while related explanations are presented in the Sustainability Section of the report.*

The Bank discloses the lawsuits filed against it, which may affect the financial status and operations of the Bank and their potential results in the section that discusses the important developments in its operations in the reporting period within the Integrated Annual Report every year.



*At the same time, they are referenced in the Report Appendix as set out by the GRI disclosures.*

## VERIFICATION

Every year, Garanti BBVA obtains reasonable assurance for the financial data covered in its Integrated Annual Report, and limited assurance from third parties for selected non-financial data as defined in detail in the auditor's report. The Bank shares the independent assurance reports within its Integrated Annual Report.

## II. ENVIRONMENTAL PRINCIPLES

Garanti BBVA believes that sustainability topics must be integrated in decision-making and business processes for long-term value creation. As stated in the "General Principles Section", the Sustainability Committee headed by a Board member was set up in 2010 for this purpose. Upon the establishment of this committee, the Bank's sustainability-related matters began to be addressed as a separate heading also by the senior management. In 2020, the Sustainability Committee was merged with the Responsible Business Committee, which is also headed by a Board member. Sustainability matters began to be discussed by this committee starting from 2020.

[The Climate Change Action Plan](#) announced by the Bank in 2015 clearly reveals the Bank's strategy for combating the climate crisis.

The Bank pays attention to taking action quickly for aligning itself with environmental laws and other regulatory framework impacting it directly and/or indirectly. For example, the Regulation on the Monitoring of Greenhouse Gas Emissions published by the T.R. Ministry of Environment and Urbanization in the Official Gazette dated 17 May 2014 did not directly impact the Bank, but gave rise to a situation that required the

Bank to take action indirectly. Garanti BBVA was not affected negatively by the situation since it was already encompassing future carbon taxes within its financial models and was making projections that would ensure power plant projects to keep fulfilling their financial obligations. Similar examples can be found on pages 23 & 24 of the [Garanti BBVA 2020 CDP Climate Change Report](#). In its Integrated Annual Report, the Bank discloses the environmental reporting boundary, reporting period, reporting date, data collection process and restrictions regarding reporting conditions.

In 2012, Garanti BBVA established the Environmental Management System (EMS) which is endorsed with ISO 14001 certification, in order to systematically manage its direct and indirect environmental impact. Currently, the Bank possesses ISO 14001 Certification for all of its service locations in Turkey. Related information can be found on the [website](#), under the Environmental Management System section. Thanks to its efforts in this vein, the Bank's carbon intensity reduced by 92% since 2012.




*Detailed information can be found on Environmental Performance Indicators Section of the Annex of the 2020 Integrated Annual Report and Garanti BBVA Environmental and Social Risk Management webpage.*

The Bank discloses its GHG emissions (Scope-1, Scope-2 and Scope-3) resulting from its operations in the reporting period, its energy consumption, water and wastewater management, waste management in comparison with other years in the Appendices to its Integrated Annual Report every year. Additionally, the same information can be found in the [2020 CDP Climate Report](#), pages 91-106, and [CDP Water Report](#), pages 7-11.


The Bank clearly explains the methodology it employs to collect and calculate the disclosed data every year in the Reporting Guidelines for Non-Financial Disclosures. The explanations can be found in 2020 Integrated Annual Report, Annex A.1 and [Garanti BBVA 2020 CDP Climate Report](#), pages 89-91.

The Bank sees its proactive management of environmental and social risks not only as critical to successful risk management, but also as one of its most essential duties to its stakeholders. Through its effective approach placed at the center of all its operations, Garanti BBVA monitors its consumption of natural resources, takes steps to decrease the same, and collaborates with suppliers. Furthermore, in order to scale up its efforts, Garanti BBVA implements an Environmental and Social Impact Assessment Process (ESIAP) that also incorporates an Environmental and Social Impact Assessment Model (ESIAM) within the scope of Environmental and Social Loan Policies in its loan book.

 **Every year, the Bank lists the projects that it assesses by subjecting them to this model in the Appendix to the Integrated Annual Report.**

Garanti BBVA monitors the changes in its business strategy resulting from climate change, associated risks and opportunities every year regularly and develops its strategy planning accordingly. Along this line, the Bank determines its products and services, supply chain management, R&D investments, operations, financial parameters and corporate policies according to the course of environmental and social crises. All of the Bank's activities in this scope and the incentives offered internally and to its customers for the management of environmental matters can be found in the Integrated Annual Report, Sustainability Section, and [2020 CDP Climate Change Report](#), pages 60-69.

Garanti BBVA regularly shares the developments related to sustainability and sustainable finance, particularly the fight against climate change and other environmental issues with its external and internal stakeholders, pays attention to their ideas and feedbacks. Value drivers are shaped around proximity, dependency, influence, representation, responsibility, policy and strategic intent.


 **Details about the stakeholder group and actions taken for value creation can be found in the Integrated Annual Report, Stakeholder Engagement and Our Value Creation Sections.**

Garanti BBVA emphasizes the importance of cooperation and empathy among all stakeholders from governments to individuals in reaching the 2030 targets of Sustainable Development Goals (SDGs). In this framework, the Bank contributes to a number of national and international initiatives, sits as a member or chairman of their boards of directors.

 **The initiatives the Bank supports or is a signatory of are disclosed on the website.**

In a bid to combat climate crisis, Garanti BBVA acts in collaboration with national and international initiatives and takes care to take concrete steps to reduce the greenhouse gas emissions that it causes directly. Along this line, the Bank takes various actions, including Science Based Targets commitments and electricity generation from 100% renewable energy sources in branches and buildings that are technically fit. Within the frame of the Science Based Target aligned with the goal of limiting global temperature increase to 1.5°C maximum as stipulated by the Paris Climate Agreement, the Bank set itself the target of reducing its carbon emissions by 29% by 2025 and by 71% by 2035, and thus has become the first company to announce such a target in Turkey.

Garanti BBVA supports the financing of the transition to a low-carbon economy. Accordingly, the Bank's entire greenfield energy generation projects in the project finance portfolio consist of renewable investments since 2014. The Bank discloses its share in the installed wind power in operation in Turkey, the amount of cumulative financing provided to renewable energy projects, and avoided GHG emissions (million tons CO<sub>2</sub>e) thanks to renewable energy projects portfolio in its Integrated Annual Report every year.

 **Further details are available in the Sustainability Section of the Report.**

During the reporting period, the Bank included the details of the initiated or purchased project-based carbon credits in its reporting system. In addition, the Bank explains in detail how the internal price set for the carbon is used. Garanti BBVA disclosed its practices in this respect in the [CDP Climate Change Report](#),

pages 30, 66, 122 and 125, and its declaration in the [Climate Change Action Plan](#) posted on its website.

The holistic policy embraced by the Bank in its combat against climate change and transition to low-carbon economy process qualified Garanti BBVA for the CDP Climate Change Global A List once again in 2020 as the only bank to do so from Turkey.

 **Supported initiatives Platforms that the Bank makes compulsory and voluntary reporting in relation to ESG matters can be found on Garanti BBVA Sustainability website, under the library-resources tab.**


#### INTERNATIONAL STANDARDS AND INITIATIVES

Garanti BBVA emphasizes the importance of empathy and cooperation among all stakeholders from governments to individuals in reaching the 2030 targets of Sustainable Development Goals (SDGs). In this framework, the Bank actively contributes to, chairs or is a board member of 27 different initiatives. The initiatives the Bank supports or is a signatory of are disclosed on the [website](#).

In 2020, Garanti BBVA contributed TL 1.5 million in total for information sharing and raising increased awareness of sustainable development among various stakeholder groups such as public programs, policymakers, private sector, academy and NGOs. 78.65% of this amount was spent on lobbying for combating climate change, 15.04% on lobbying for sustainable finance, and 6.31% on other lobbying activities.

Garanti BBVA presents its non-financial performance indicators, targets and services in an integrated fashion with financial matters in its Integrated Annual Report every year. The Bank is also among the first supporters of the TCFD (Task Force on Climate-Related Financial Disclosures) Recommendations, and was part of the core team of the UN Principles for Responsible Banking developed by the UNEP-FI (United Nations Environment Programme - Finance Initiative). It was also one of the founding signatories of these Principles. In the appendices to its Integrated Annual Report, the Bank also discloses its progress with respect to the principles of certain initiatives which it supports or is a signatory of, such as UN Global Compact, WEPs, etc.


As mentioned before, the Bank has been responding to CDP Climate Change since 2010 and CDP Water since 2015, which are also made available on its website.

 **All of the Bank's reports in this context can be accessed via this link.**

The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2020, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones Sustainability Emerging Markets Index (DJSI), after being qualified in 2015.

 **The indices that the Bank is included in can be found on the website.**

When setting its corporate management strategy, Garanti BBVA takes into consideration the sustainability issues, environmental impact of its operations, and associated principles. Sustainability issue takes place also within Garanti BBVA's strategic priorities.

 **Details on the subject can be found in the Strategic Priorities section in the Integrated Annual Report.**

### III. SOCIAL PRINCIPLES

#### DECLARATION OF HUMAN RIGHTS

Within the frame of a responsible and sustainable banking approach, Garanti BBVA aims to create a contemporary working environment fully respectful of human rights and to disseminate this notion across all its stakeholders.

The Bank is focused on fulfilling the requirements of, and achieving compliance with, the regulatory framework governing work life in our country, along with international covenants to which Turkey is a party, specifically:

- ➔ The UN Universal Declaration of Human Rights, and
- ➔ The basic tenets of the International Labor Organization, a

specialized United Nations agency working to promote human rights, social justice and labor rights.

In 2012, Garanti BBVA voluntarily signed the United Nations Global Compact, an international initiative for businesses that are committed to aligning their operations and strategies with ten principles addressing sustainability in all its aspects including human rights, and pledged to abide by these principles. As a signatory to the United Nations Environment Program Finance Initiative's (UNEP FI) Statement of Commitment by Financial Institutions on Sustainable Development, Garanti BBVA has also committed to going beyond achieving compliance with the existing regulatory framework, and to integrating environmental and social factors in all its business processes.

In accordance with Garanti BBVA's Code of Conduct, employees at any level are obliged to conduct their relationships with each other in a way that will not injure the work climate and will not be perceived as harassment, discrimination or mistreatment in or out of the work place.

Garanti BBVA Managers are obliged to take the necessary measures to prevent mistreatment, discrimination or harassment of any type in the work place and to report suspected cases to the Human Resources Department. Employees are urged to report their grievances in this respect to their line managers or directly to the Human Resources Department.

Such complaints are not used against the complainant and are addressed and resolved with due importance. Necessary administrative sanctions are implemented at the Bank against perpetrators of any kind of mistreatment, discrimination or harassment or actions to cover up such behavior. In keeping with the equal opportunity principle, Garanti BBVA does not discriminate against its employees. The fundamental criterion for choosing, promoting, or reassigning a person for a position is suitability. Garanti BBVA possesses the Equal Opportunity Model certificate, which is a voluntary initiative.

Garanti BBVA respects the constitutional right regarding unionization and collective agreements. All employees are free with respect to union membership and act of their own free

will. Garanti BBVA takes utmost care to provide a physically and mentally healthy working environment for its employees. The Bank takes the necessary precautions prescribed in applicable legislation on Occupational Health and Safety (OH&S) and provides training to its employees. In addition to the measures taken and trainings provided to the employees, Garanti BBVA launched the Work Life Integration (İYİ) program in 2012 for enhancing employee satisfaction.

According to Garanti BBVA's Environmental and Social Loan Policies, operations which are prohibited or restricted by national legislation and/or international covenants to which Turkey is a party, as well as the operations or projects of individuals and companies found to employ child labor or violate human rights will not be financed, without carrying out any environmental and social impact assessment and regardless of amount. Garanti BBVA subjects new projects with an investment value of more than USD 10 million to its Environmental and Social Impact Assessment System and requests stakeholder involvement meetings to be held effectively if it deems necessary. Should Garanti BBVA identify any social risks, including those associated with human rights, in the course of its assessment, the Bank demands its customer to take necessary measures, and monitors their implementation throughout the duration of the loan.

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

Within the frame of its Code of Conduct, Garanti BBVA adopts as a basic principle that its employees shall not discriminate on the grounds of language, ethnicity, gender, political affiliation, philosophical belief, religion, sect, or any other similar basis in their working relationships and expects them to respect human rights.

Garanti BBVA is against forced and compulsory labor and expects the same approach from its customers as set forth

## EMPLOYEES

Issues	Measures
<ul style="list-style-type: none"> <li>→ Child labor</li> <li>→ Violation of human rights</li> <li>→ Violation of Code of Conduct</li> <li>→ Occupational Health and Safety</li> <li>→ Health risks</li> <li>→ Economic and social losses due to expropriation</li> </ul>	<ul style="list-style-type: none"> <li>→ Retail, SME, Commercial and Corporate Customers (1) Additional clauses to Banking Service Agreements</li> <li>→ Soft Controls: (5) Environmental and social impact assessment trainings</li> <li>→ Risk-based Assessment for Corporate and Commercial Customers: (2) Environmental and Social Impact Assessment Model for loans with a minimum investment amount of USD 10 million (3) Action Plans (4) Monitoring Plans</li> </ul>

## HUMAN RIGHTS

Issues	Measures
<ul style="list-style-type: none"> <li>→ Diversity</li> <li>→ Discrimination</li> <li>→ Violation of Code of Conduct</li> <li>→ Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>→ Hard Controls: (6) Garanti BBVA Code of Conduct (7) Whistleblowing Channel (8) HR Internal Control Mechanism (9) Integrity Committee (10) Audit Committee</li> <li>→ Soft Controls: (11) Gender Equality Working Group (12) Gender equality trainings (13) Communication strategy (14) Employee Support Line</li> </ul>

## SUPPLY CHAIN

Issues	Measures
<ul style="list-style-type: none"> <li>→ Child labor</li> <li>→ Violation of Code of Conduct</li> <li>→ Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>→ Hard Controls: (15) Garanti BBVA Code of Conduct for Suppliers (16) Garanti BBVA Code of Conduct (17) Garanti BBVA Support Services Risk Assessment Program (18) Audit Committee (19) Additional clauses to service agreements</li> <li>→ Soft Controls: (20) Communication of Code of Conduct</li> </ul>

Measures numbered (1) and (2) include all the criteria indicated in Garanti BBVA's E&S Loan Policies in addition to human rights issues. The measures mentioned are applied to all commercial loans.

Measures numbered (3), (4), (5), and (6) include all the relevant E&S criteria as required in our E&S Impact Assessment Model.



Garanti BBVA Declaration of Human Rights can be found on our Investor Relations website, from the Policies tab under Environment, Social and Governance heading.

in various declarations and policies concerning human rights that it published. The Bank organizes remote trainings for its employees on its Code of Conduct covering its principles in relation to human rights, Environmental and Social Loan Policies, and other policies and procedures of a similar nature. The responsibility for the implementation of these policies rests with all employees of the Bank, and effective control and supervision of their implementation are carried out by related departments. Garanti BBVA supports the activities of national and international initiatives on sustainability, to which it belongs, in order to spread these principles.

The Responsible Business Committee is responsible for approving, amending, improving and enforcing this declaration. The Bank conducts a sophisticated human rights due diligence process for its value chain. Our Human Rights Risk Assessment framework is presented below.

#### **HUMAN RIGHTS RISK ASSESSMENT HUMAN RESOURCES POLICY**

The pillar of Garanti BBVA's human resources policy is investing in human capital. Recognizing that human capital is the driving force behind all progress, providing a working environment that is conducive to demonstration of employees' skills, offering opportunities, recognizing and rewarding their accomplishments make up the building blocks of the entire system. The Human Resources Policy covering the declaration of human rights, equal opportunity and recruitment criteria is posted on the Investor Relations website, under the Policies tab under Environment, Social and Governance heading.

Development is one of the key tools at Garanti BBVA, and career, education and performance activities that will contribute to employees' professional and personal development consist of world-class fair and transparent practices that are equipped to respond to employee needs and are backed by open communication.

The mission of the Human Resources Department is defined as undertaking a strategic role by implementing efficient HR policies to assist the organization in achieving its business objectives. Accordingly, the HR Department operates in

accordance with Garanti BBVA's ethical values and with the "equality principle" (the Bank and our employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership, etc. The Bank and our employees respect human rights.)

Prevention of harassment and discrimination is an important component of Garanti BBVA's HR policy, and all related measures are shared within the Anti-Discrimination and Harassment Guidelines, which can be found in the intranet, accessible by all employees. The said guidelines has been developed based on the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence, the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and UN Global Compact, as well as the Turkish Constitution, Turkish Criminal Code, Labor Code, Occupational Health and Safety Law, Turkish Code of Obligations, and Garanti BBVA Code of Conduct.

The compensation system of Garanti BBVA is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's compensation policy established within this framework has been approved by the Board of Directors and has been presented for the information of shareholders at the Ordinary General Shareholders' Meeting held in 2013 pursuant to the CMB Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles, which was in force in 2013.

The Company has embraced an employment policy providing for equal opportunities and a succession plan for all key managerial positions. The CEO, who is an Executive Board Member, regularly oversees the succession plan for key managerial positions on an annual basis.

There is an employee stock ownership program for "identified employees", which is described within the Compensation Policy.

As at year-end 2020, there are 27 identified employees serving at the Bank. In variable payments made to identified employees, payment is made in cash and by non-cash means (linked to share certificates) in line with the principles in the "Guidelines on Good Compensation Practices in Banks". In payment practices that rely on non-cash means within the scope of 2020 variable payments of identified employees, Banco Bilbao Vizcaya Argentaria S.A. share will be taken as basis. The Compensation Policy is posted on the Investor Relations website, under the Policies tab under the Environment, Social and Governance heading.

The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti BBVA monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee engagement survey, and the voice of employee platform GONG.

Garanti BBVA conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration, and training & development opportunities. In 2020, Employee Engagement score was 71%.

People Assessment process collects employee's opinions about themselves, colleagues, line managers and team members and aims to spread the culture of receiving and giving feedback.

All relevant procedures, announcements and notices are posted on the internal portal intended to keep the employees informed.

The portal lets instant access to posted information from different locations in the most effective manner. Additionally, senior managers address the employees in live streams, establishing a transparent communication, with the aim of enriching employee experience.

Based on the vision that employees are the best ambassadors, employees are kept informed on a regular basis and implementations that will drive a change of habits are introduced within the frame of the Bank's sustainability initiatives. In this context, employees' setting role models are deemed valuable also for the society and shared on Garanti BBVA's external communication channels as well. In tandem, training programs describing sustainability initiatives in detail were prepared and put into implementation.

The Bank has in place various practices and policies to ensure gender equality and equal representation within the organization. The Bank monitors the ratio of woman versus man employees at different levels of the organization, prepares job announcements in a non-discriminatory way, and implements training and awareness programs, women leadership trainings and mentoring program. The Bank is also a founding member of the 30% Club Turkey for greater representation of women in executive management, launched in March 2017. With the various gender equality initiatives and practices it realizes for human resources, customers and the society, Garanti BBVA is the only Turkish company included for four years in the Bloomberg Gender Equality Index covering 230 companies from 10 industries from 36 countries and regions around the world. The Bank does not have a written policy for increasing the ratio of woman members on the Board of Directors; however, the Bank's efforts and initiatives continue within the frame of its Diversity and Inclusion approach.

Garanti BBVA, which accelerated its work in this field by establishing a special team under Human Resources in 2013 for Occupational Health and Safety (OHS) practices, coordinates the health and safety requirements of all locations with this organization, which was positioned as OHS Management in 2015. Considering the national legislation as the minimum level and taking international standards and good practice examples

as reference, Garanti BBVA continues its activities with a staff of 44 Occupational Safety Specialists, Workplace Physicians and Workplace Nurse, who work nationwide.

This year, Garanti BBVA continues its practices crowned with the International Occupational Safety Award by the British Safety Council, one of the most respected health and safety authorities in the world, with the vision that it accepts the national legislation as minimum and focuses on best practices in the world. In 2020, the sensitive and successful emergency management practices it carries out in both pandemic and earthquake issues bring employee health and welfare to the next level. In accordance with Occupational Health and Safety (OHS) regulations, with the OHS team positioned within the body of Talent and Culture, processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-miss incidents, occupational accidents and corrective and preventive actions are carried out effectively. will continue to coordinate.

Garanti BBVA has been using OHS software in all its locations since 2013, digitizing all OHS processes by breaking new ground among financial service institutions of similar size. Garanti BBVA provides the necessary coordination and follow-up through this software in all processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-misses, occupational accidents, corrective actions, emergency plans and drills.

There was no final court decision rendered against the Company on account of liability for work place accidents in 2020.



*Detailed information about Garanti BBVA's HR practices can be found in the Integrated Annual Report, page 182.*

#### PERSONAL DATA PROTECTION AND PROCESSING POLICY

GarantiBBVA respects and cares for the privacy and confidentiality rights of its clients, employees, suppliers, providers and all other related people. [The Personal Data Protection and Processing Policy](#) developed to address this matter can be found on Garanti

BBVA Investor Relations website, under the Policies tab under Environment, Social and Governance heading.

#### EMPLOYEE COMPENSATION POLICY

Garanti BBVA has embraced an employee compensation policy that is aligned with the provisions of the Labor Law no. 4857 that is in force. Accordingly;

Employees or their inheritors, as the case may be, receive severance pay under the provisions of Article 14 of the Labor Law no. 1475 now annulled pursuant to Provisional Article 6 of the Labor Law no. 4857.

Employees, whose indefinite-term employment contracts are terminated by our Bank without complying with the legal period of notice, receive severance pay under Article 17 of the Labor Law no. 4857.

#### ETHICAL AND SOCIAL RESPONSIBILITY

Prepared in line with the emphasis Garanti BBVA places on corporate governance principles and ethical values and in view of the requirements of today's working life, "Garanti BBVA Code of Conduct" was approved by the Board of Directors and put into force in 2015. "Garanti BBVA Code of Conduct" is made public on the Investor Relations website.

Garanti BBVA Code of Conduct document defines employees' responsibilities to customers, colleagues, business and the society, and describes the principles to be implemented in this context. Conduct towards customers concentrates on the principles of transparency, non-discrimination and accountability. Conduct among colleagues addresses team values, respectful working environment, objectivity and occupational health. Conduct towards business basically deals with preventing conflicts of interest, confidentiality, data security, media relations, retention of records and investment transactions. Conduct in society is addressed under the headings of anti-money laundering and anti-corruption, respecting human rights and the environment, investment in society, sponsorships within the context of social responsibility initiatives, and political neutrality. In order to set out and build on the principles addressed by

the main headings of the Code of Conduct, the Compliance Department and other related units in the Bank prepared sub-procedures, which are accessible by all our employees. In order to ensure that the Code of Conduct and its implementation principles are embraced by all our employees and awareness of the topic is maintained and enhanced across Garanti BBVA Group, classroom and e-learning programs are assigned to all employees; additional announcements and reminders are also issued about important considerations. Furthermore, an Integrity Committee has been set up, whose mandate is to contribute to preserve the corporate integrity of Garanti BBVA and which is formed of Senior Management, Head of Internal Audit, Compliance Department and Internal Control Center Director. The main functions of this Committee are as follows:

- Encourage and monitor efforts for creating a shared culture of integrity within Garanti BBVA Group;
- Ensure that the Code of Conduct is implemented homogenously across Garanti BBVA; in this context, formulate and disseminate descriptive notes when needed;
- Implement exclusion criteria with regard to compliance with certain provisions of the Code of Conduct; notify matters deemed to be in contradiction to the Bank's disciplinary rules to the Disciplinary Committee, and obtain information about the ongoing examination procedures and actions taken for the issue;
- Report immediately any incidents and circumstances that may pose a material risk against Garanti BBVA to related authorities;
- Encourage adoption of necessary measures for handling suggestions regarding compliance with the Code of Conduct and implementation of the document, and behaviors creating doubts with respect to ethics; ensure effective operation of the Whistleblowing Channel set up for reporting of any noncompliance with the Code of Conduct and take necessary actions regarding updates where appropriate.

Being one of the processes to ensure efficient implementation of the principles, procedures and standards covered in our Code of Conduct, the Whistleblowing Channel (email: EtikBildirim@Garantibbva.com.tr, Tel: 0216 662 5156) has been set up and makes an important part of the compliance system at Garanti

BBVA. The Whistleblowing Channel can be accessed by all employees, customers and suppliers of the Bank. The channel is a resource to assist reporting of transgressions which are observed or reported by team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct and also deals with advisory questions regarding the implementation of policies and procedures concerned with the Code of Conduct. Nobody, who reports through the Whistleblowing Channel in good faith, will be the target of reprisal nor will he/she suffer any other adverse consequence as a result.

Garanti BBVA's Anti-Corruption Policy sets out the actions that need to be taken for Bank-wide prevention and determination of cases posing corruption risk, and to encourage reporting thereof. In this context, basic principles that must be abided by Garanti BBVA and its employees to prevent corruption risks that may arise in relation to our business activities are addressed under the headings of giving or accepting gifts or personal benefits, organizing promotional events, relationships with suppliers and business partners, facilitation payments, recruitment, transaction records and expenses. In addition, awareness activities are being organized within the scope of the "anti-corruption program" conducted at the Bank and its subsidiaries in order to prevent corruption. Classroom and e-learning trainings covering these subjects are assigned to all personnel.

Garanti BBVA firmly believes that the total quality concept can be realized only through strict adherence to an HR policy, code of conduct and ethical values that are erected upon integrity, honesty and respect. In addition to the Garanti BBVA Code of Conduct document, Ethical Sales Principles, Social Media Policy, Anti-Fraud Policy and Compliance Policy documents are posted on the Intranet that is accessible by all employees.

The Anti-Fraud Policy is published with the aim of promoting honest and reliable working environment conditions against any act of misconduct across the Bank, raising awareness of potential fraudulent acts, and communicating the actions that can be taken for early detection.

Current announcements have been published in relation to Garanti BBVA Code of Conduct and Ethical Sales Principles documents. Ethical Sales Principles document emphasizes the "reputation" concept as the Bank's greatest asset, and details the expected code of ethical conduct for employees during sales activities. Social Media Policy sets forth the rules as to how the Bank's employees will represent Garanti BBVA on social media.

Garanti BBVA's policies relating to the core components of the compliance system are documented in the "Compliance Department Policy". The Compliance Department Policy emphasizes the compliance risk and reputation risk concepts, and underlines that employees are expected to comply with the laws, the Bank's Code of Conduct and corporate standards in their behaviors. The Policy defines the concept of integrity and lists the basic tasks and responsibilities within the compliance system.

In this context, it is emphasized that compliance is not the responsibility of senior executives or certain business units only, but of each employee.

Garanti BBVA attaches particular importance to ethical and integrity principles, and aims to maintain constant awareness of the issue through trainings for all employees.

Sense of corporate responsibility is an integral part of the corporate culture of Garanti BBVA. Garanti BBVA molds its community investments, as well as its banking activities, around social, economic and environmental factors, which are components of sustainability. Besides sharing its knowledge in various fields with the society and future generations, the Bank continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's deep-seated establishments. Garanti BBVA aims to regularly measure the benefits it contributes to the society and its impact upon it through social impact analysis to be conducted by an independent research company, the findings from which will then be used for improvement efforts. Garanti BBVA focuses on contributing to the society in cultural and educational arenas. Keeping a close eye on the needs of our country and

society when setting its future strategy, Garanti BBVA aims at introducing or supporting value adding and sustainable projects. When devising its future strategies, Garanti BBVA targets to move forward within the frame of the needs of the society and its stakeholders, which the Bank identifies with the help of a Materiality Analysis conducted by an independent research company.



*Details about the Community Investment Programs can be found in the Integrated Annual Report, Sustainability section.*



*Details about Financial Health and Inclusion can be found in the Integrated Annual Report, Sustainability section.*



*Details about Partnering with Financial Institutions can be found in the Integrated Annual Report, Sustainability and Stakeholders Engagement sections.*

#### STAKEHOLDERS, INTERNATIONAL STANDARDS AND INITIATIVES STAKEHOLDER COMMUNICATION

Because of the great importance attached to them, regular communication with its stakeholders and hearing their opinions give Garanti BBVA the opportunity to be a more inclusive bank in every aspect. Continuous feedback from stakeholders allows the Bank not only to understand stakeholder expectations and meet their needs more sensitively, but also presents the Bank with a great opportunity to identify risks and opportunities, and set priorities and strategy more comprehensively. Year after year, Garanti BBVA maintains its dialogue with all its internal and external key stakeholders via various channels.

With the goal of bringing the age of opportunity to everyone, Garanti BBVA, in 2019, reviewed and redefined its strategic priorities in line with the BBVA Group and in the light of the main trends that have made an impact in the world and the finance sector. Along this line, the Bank renewed its Materiality Analysis formulated with the opinions of all of its internal and external key stakeholders in 2020. Details about the topic can be found in

the Our Material Topics and Stakeholder Engagement sections of the Report.

#### GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meeting is held in accordance with the resolution adopted by the Board of Directors. For reaching the highest number of shareholders possible, the General Meeting announcement including the meeting date, venue, agenda and similar information is duly announced at least three weeks prior to the meeting date as per the provisions stipulated in the Communiqué via the Turkish Trade Registry Gazette, Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)), e-Governance Corporate Governance and Investor Relations ([www.mkk.com.tr](http://www.mkk.com.tr)), e-Company Companies Information Portal ([www.mkk.com.tr](http://www.mkk.com.tr)), e-General Meeting Electronic General Meeting System ([www.mkk.com.tr](http://www.mkk.com.tr)), the Bank's websites and two national newspapers. The Bank invites all stakeholders to the General Shareholders' Meeting, who will be voiceless during such meetings. Before the meeting, balance sheets, income statements and annual reports are made available for review by shareholders within the timeframe determined in the applicable legislation on the Garanti BBVA Investor Relations website, at the Head Office and at all branches. In General Shareholders' Meeting, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code. Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meeting are posted on the Public Disclosure Platform (KAP), e-Company Companies Information Portal, e-General Meeting Electronic General Meeting System, and Garanti BBVA Investor Relations website on the same day, and is published in the Trade Registry Gazette following its registration.

Resolutions adopted in the General Shareholders' Meeting are carried out in accordance with the legal procedures within

due time. Pursuant to the provisions of the Regulation on Electronic General Meeting at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to, and voting at, the General Shareholders' Meeting by electronic means is permissible. In addition, holders of depositary receipts have the right to vote and can do so at the General Shareholders' Meeting. The minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti BBVA Investor Relations websites. These documents can also be obtained from the Subsidiaries and Shareholders Service.

Garanti BBVA held its Ordinary General Shareholders' Meeting for the period 01 January 2019-31 December 2019 on 17 July 2020 and the meeting quorum realized at 74.76%. Media representatives did not attend the General Shareholders' Meeting. At the meeting, one shareholder lodged a statement of opposition, and expressed demands; in response, necessary information has been given within the frame of the CMB regulations and the principles and procedures set out in the Turkish Commercial Code.

There were no transactions in the reporting period for which the decision was left to the General Assembly of Shareholders by reason of dissenting votes cast by independent board members.

#### INFORMATION ON DONATIONS AND GRANTS IN 2020

The total amount of donations and grants made by the Bank in the reporting period is TL 64,289,408. Based on its commitment to add value to the society, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

Amounts and beneficiaries of the donations made in 2020 are as follows:

Beneficiaries	Total
Ministry of Health	29,708,391
Teachers Academy Foundation (ÖĞRETMEN AKADEMİSİ VAKFI)	9,596,320
VARIOUS FOUNDATIONS, SOCIETIES, INDIVIDUALS AND INSTITUTIONS	7,489,703
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	6,484,995
Ministry of Education	3,610,000
CERRAHPAŞA TIP FAKÜLTESİ VAKFI (Cerrahpaşa Medical Faculty Foundation)	2,500,000
İSTANBUL TIP FAKÜLTESİ VAKFI (Istanbul Medical Faculty Foundation)	2,500,000
İSTANBUL KÜLTÜR VE SANAT VAKFI (Istanbul foundation for culture and arts)	2,400,000
TOTAL	64,289,408

#### VOTING RIGHTS

Shareholders' voting rights and exercise of these rights are set out in Article 38 of Garanti BBVA Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti BBVA. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

#### DIVIDEND RIGHT

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy are specified in articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to distribute dividend in cash or capitalize the dividends and distribute the bonus shares which are to be issued by the Bank, or implement both methods together, and execute the dividend distribution within the time period specified in the relevant legislation. Following the affirmative opinion of the Banking Regulation and Supervision Agency, the Bank's dividend distribution policy is in the manner to distribute up to % 30 of the distributable profit in cash or bonus shares, provided that there is no unfavorable situation in the local and/or global economic conditions and the standard rates, which are specified by the protective measures in the Banking Law no.5411 and its sub-regulations, are at the targeted level. Following the set aside of the legal reserves and the funds which have to be saved by

the Bank, the remaining net profit amount which has not been distributed to the shareholders should be transferred to the Extraordinary Reserve Account. Dividend distribution shall start within 3 months after the date of distribution decision at the latest, that it is started at the end of the accounting period in which decision of the distribution is given by general assembly meeting. There is no dividend advance payment in the Bank. In accordance with Article 46 of the Articles of the Association, the dividend distribution proposals shall be submitted for approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth target and the legal regulations applicable to the Bank. The dividend distribution resolution becomes effective when adopted in the General Assembly Meeting and resolutions shall be published via Public Disclosure Platform on the same day the resolution becomes effective."

At the General Shareholders' Meeting held on 17 July 2020, it was resolved not to distribute the Bank's after-tax net distributable profit for the period for 2019 and to transfer the same to the Extraordinary Reserve Account after the relevant provisions are set aside considering the Bank's growth targets, its long-term strategy, along with the domestic and international economic developments, in accordance with the Banking Law, Capital Market Law and related legislation, as well as Article 45 of the Bank's Articles of Association and the Dividend Distribution Policy.

#### IV. BOARD OF DIRECTORS

##### STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

Süleyman Sözen is the Chairman of the Board of Directors. The Chairman has no executive functions and the executive member of the Board is Chief Executive Officer Recep Baştuğ, who is a natural member of the Board.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Since the Board members assigned as members of the Audit Committee are deemed as independent Board members according to CMB regulations,

Jorge Saenz-Azcunaga Carranza, who currently serves as the Head of the Audit Committee, and Sema Yurdum and Avni Aydın Düren, who currently serve as the Audit Committee members, are independent Board members.

On the other hand, at the Ordinary General Shareholders' Meeting held in 2019, it was resolved to increase the number of the board members from nine to ten excluding the CEO pursuant to Article 18 of the Articles of Association; to elect Sema Yurdum to the newly established membership to fill the remaining term of office of other Board Members, who was elected as an independent board member to serve for the remaining term of office specified under the independence criteria within the scope of clause 4.3.6. of the Corporate Governance Principles stipulating "Not to have served as a member on the company's board of directors for more than six years in the past ten years" and whose term of office as an independent board member expired. It was further resolved to elect Mevhibe Canan Özsoy as an independent board member to fill the remaining term of office of other Board Members, for whom the Capital Markets Board of Turkey did not express an adverse opinion regarding her independent board membership candidature in accordance with the Corporate Governance Principles of the CMB. On the other hand, Sema Yurdum is deemed an independent member since her duty as a member of the Bank's Audit Committee continues.

The Corporate Governance Committee report dated 22 January 2019 stating that Mevhibe Canan Özsoy satisfies the independence criteria has been submitted to the Board of Directors and the Board of Directors resolved to notify her independent board membership candidature to CMB.

Quoted below is the declaration of independence by Mevhibe Canan Özsoy, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2019:

##### TO TÜRKİYE GARANTİ BANKASI A.Ş. CORPORATE GOVERNANCE COMMITTEE,

I hereby declare that I stand for serving as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of

Turkey. In this context, I hereby declare as follows:

- I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,
- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,
- I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,
- I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,
- I am not a full-time employee of public institutions and establishments as at the date of nomination,
- I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,
- I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,
- I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,
- I am not serving as an independent board member in any company, which is controlled by the Bank or by shareholders



having management control over the Bank,

j) I will be serving on the Bank's Board of Directors as a real person and in this context, I have not been registered and promulgated in the name of any corporate entity elected as a board member."

On the other hand, no circumstances arose in 2020 fiscal year, which prejudiced the independence of independent Board members. The Board of Directors of Garanti BBVA is formed of 11 members, and the Board of Directors with its resolution dated 17 June 2020, accepted the resignation of Board Member Ricardo Gomez Barredo, and to appoint Avni Aydın Düren as real person Board member to fill the remaining term of office of the board membership position vacated as a result of the resignation of Board Member Ricardo Gomez Barredo and to submit for approval of his Board membership to the following General Assembly meeting. The said appointment was approved at the General Assembly Meeting held on 17 July 2020.

In addition, as a result of the resignation of Ali Fuat Erbil from his office as CEO as of 1 September 2019, Recep Baştuğ was appointed as CEO of the Bank on the date of 6 September 2019, after necessary notifications were made and the required legal approvals were obtained. Since the CEO is a natural member of the Board of Directors pursuant to the Banking Law No. 5411 which the Bank is subject to, the shareholders have been informed on this matter at the General Assembly Meeting held on 17 July 2020.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti BBVA to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.

*Résumés, terms of office and positions of the Board members can be found on page 42 of the Integrated Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.*

## WORKING PRINCIPLES AND PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank, as the highest body of representation, direction, management and oversight of the Bank, operates in order to fulfill the roles and responsibilities appointed to it by the Articles of Association and related legislation. In 2020, the Board of Directors resolved 26 decisions by satisfying the required quorums for meeting and decision.

 *Garanti BBVA's Internal Directive on the Working Principles and Procedures of the Board of Directors can be found at [www.garantibbvainvestorrelations.com](http://www.garantibbvainvestorrelations.com), under Corporate Governance > Policies section.*

## RELATED PARTY TRANSACTIONS

As of 31 December 2020, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is 0.2% of the Group's total operating income. In addition, the shares representing the share capital in its related parties owned by the Group and cash and non-cash loans and other receivables provided to related parties by the Group add up to around 2.5% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the sum of cash portions of such risks accounts for 0.2% of total consolidated assets in the financial statements drawn up in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

## REMUNERATION

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors. Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the Talent and Culture Unit authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Shareholders' Meeting. As of 31 December 2020, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 76 million 902 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2020 that payments to be made to those Board members who assume a specific position in the Bank and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 20,000,000 net for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2021.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior

Executives receive performance-based payments in addition to their monthly salaries, which payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

At the Ordinary General Shareholders' Meeting held in 2020, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created. Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement the policies it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented. The portion of 8.29% of the total personnel expenses figure for the benefits provided in 2020 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments. Subject to the restrictions imposed by the banking legislation, the Bank may extend loans to Board members and executives. On the other hand, the loans to be disbursed by Garanti BBVA to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the above mentioned framework."