

Environmental and Social Credit Standard

Garanti BBVA

Sustainability

İstanbul, March 2024

No.: Version no.: Version date:

Estimated date of next review:

Issuing Area:

Scope of application:

Responsible party:

Tag(s):

Environmental and Social Credit Standard

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1. Introduction

Garanti BBVA has developed a specific Environmental and Social Credit Standard (hereinafter referred to as the “Standard”) as part of its commitment to support the Sustainable Development Goals (hereinafter referred to as the “SDGs”) and human rights, recognizing that some of its clients are in sectors with potential environmental and social impact. Garanti BBVA believes that customers who conduct their activities in a “responsible” manner will be more successful in the long term. For this reason, it has incorporated environmental and social considerations into its decision-making process with this Standard. The implementation of this Standard enables us to better understand our customers' activities, manage our stakeholders' expectations and mitigate environmental/social risks. This Standard has been prepared taking into account Garanti BBVA's General Policy on Sustainability and General Policy on Corporate Social Responsibility and aims to help achieve the SDGs, promote the fight against climate change and strengthen our commitment to human rights.

2.1 Purpose

This document contains the standards of reference, **general non-financed activities** applicable to the **mining, agribusiness, energy, infrastructure and defense sectors**. It also covers best practices for the relevant sectors and sets **forth prohibitions in terms of clients and projects** specific to each of them.

The sectors covered by this have been selected due to their potential impact on nature and communities. The Framework is one of the main tools to identify clients and projects exposed to potential social or environmental controversies and to accompany them in their transition

2.2 Scope of application

This framework¹ is applicable to new clients and new projects (or to extensions of existing ones) from its publication date². For the sake of clarity, when necessary in order

¹ With the exception of section 12 “Decarbonization objectives: thermal coal sector provisions”, whose scope is defined therein.

² Although this Framework is applicable to new clients and new projects from its publication date, and not to existing ones as they refer to pre existing contractual relations, it is intended that the process of reviewing existing customer stock (in accordance with the scope set out in this document) is carried out on a best effort basis.

not to compromise the viability of a pre-existing project or pre-existing client or their ability to repay their debt, their restructurings and/or refinancings will be allowed.

The **norms for the mining, agriculture, energy, infrastructure sectors** apply to all legal clients in the **Corporate and Commercial segment** actively managed with financing products³ at Garanti BBVA. The norms for **General Non-Financed Activities & Customers, Decarbonization Targets - Coal Exit and Defense Industry sectors** apply to Garanti BBVA's **legal clients in all segments, including SMEs**.

For the purposes of this Standard, general non-financed activities & clients and non-financed activities for mining, agriculture, energy, infrastructure and defense industry sectors have been identified and evaluated **under two separate sub-headings as clients and projects**. In this scope:

■ **Clients:**

Financing will not be provided to prohibited clients in the defense industry sector. In the mining, agriculture, energy and infrastructure sectors, a due diligence process will be applied, which includes a commitment/monitoring plan with measures to understand and improve the current situation of the client or the points at which the relationship with the customer should not be initiated.

For coal operations in the mining and energy sectors, the norms in section 4.8 of this Standard shall be followed.

■ **Projects⁴:** If Garanti BBVA concludes that any of the circumstances described in the sectoral norms or general non-financed activities and customers apply to a project, it will not take part in that project.

3. General Principles

3.1 The Policy underlying this Standard takes into account the following principles:

■ Integrity

³ This Framework covers the following products and service: corporate loans, structured finance, including project finance, acquisition finance, bridge financing and bond underwriting.

⁴ For the purposes of this Framework, projects will be understood as project finance transactions or other financing transactions with a specific purpose in any of the affected sectors.

- Prudence in risk management
- Transparency
- Achieving a profitable and sustainable long-term business
- Creating long-term value for all stakeholders.
- Compliance with applicable law at any given time.

4. Standard Provisions

4.1 International Standards of Reference

Garanti BBVA considers it as its most fundamental responsibility to ensure that the activities it finances are in compliance with national legislation and international conventions to which Turkey is a party. In this context, Garanti BBVA does not take part in the financing of activities that are prohibited or restricted by national legislation and international conventions to which Turkey is a party, without any additional evaluation and regardless of the amount limit.

Garanti BBVA acts with the expectation that its customers conduct business within the framework of industry-leading standards and best practices, especially in environmental and social issues, and takes the following declarations, conventions and initiatives as reference within its responsible banking framework:

Universal Declaration of Human Rights	International Labor Organization (ILO) Conventions	United Nations 2030 Agenda for Sustainable Development Goals (SDG)
UNEP FI Statement on Sustainable Development and Positive Impact Initiative	Çok Uluslu Şirketler için OECD Kılavuzları	IFC Performance Standards and Environmental, Health and Safety Guidelines
Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	Science-Based Targets Initiative	UNEP-FI Principles for Responsible Banking
United Nations Manifesto for a Global Economic Ethic	Equator Principles	United Nations Global Compact (UNGC)
Global Reporting Initiative	Paris Agreement of the United Nations Framework Convention on Climate Change	Collective Commitment to Climate Action in the financial sector
Carbon Disclosure Project (CDP)	UN Guiding Principles on Business and Human Rights	Principles for Responsible Investment (PRI)

4.2. General Non-Financed Activities and Clients

The provisions of section 2.2 of this Standard shall apply when Garanti BBVA has sufficient evidence that one of the following cases applies:

- Clients for whom Garanti BBVA has sufficient evidence that they incur in material violations of applicable human rights laws and regulations, or that are involved in human rights abuses, regardless of whether such involvement violates local legislation in each country.
- Clients for whom Garanti BBVA has sufficient evidence that child⁵ or forced labor⁶—as these concepts are defined in the ILO Conventions—are being used.
- Projects involving resettlement or violation of the rights of indigenous⁷ or vulnerable groups⁸ without their free, prior and informed consent (FPIC).
- Projects that put UNESCO World Heritage sites⁹, RAMSAR-listed wetlands of international importance¹⁰, Zero Extinction Alliance sites¹¹ and International Union for Conservation of Nature (IUCN) category I-IV sites¹² at risk.
- Clients subject to financial sanctions by the EU, the US and the United Nations¹³.

⁵ Prohibited child labor is defined in international instruments as a form of exploitation that constitutes a violation of human rights. These instruments set a minimum age for admission to employment or work, which must not be less than the age of completion of compulsory education and in any case not less than 15 years (except for light work in addition to compulsory education). For more information, please visit the links below:

- https://www.ilo.org/ankara/conventions-ratified-by-turkey/WCMS_377287/lang--tr/index.htm
- https://www.ilo.org/ankara/conventions-ratified-by-turkey/WCMS_377311/lang--tr/index.htm
- <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/child-labour/lang--en/index.htm>
- <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=5457&MevzuatTur=7&MevzuatTertip=5>

⁶ Forced labor is defined as any work or service that is demanded of any person under threat of any penalty and that is forced upon that person against his or her full will. For more information, please visit the links below:

- https://www.ilo.org/ankara/conventions-ratified-by-turkey/WCMS_377244/lang--tr/index.htm
- https://www.ilo.org/ankara/conventions-ratified-by-turkey/WCMS_377271/lang--tr/index.htm
- <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/forced-labour/lang--en/index.htm>

⁷ Indigenous Peoples are heirs and practitioners of unique cultures and ways of relating to people and the environment. They have retained social, cultural, economic and political characteristics that differ from those of the dominant societies in which they live. For more information please visit the following link: <https://www.un.org/development/desa/indigenouspeoples/about-us.html>

⁸ Vulnerable group: represents vulnerable groups that are more susceptible to harm due to their living conditions or personal characteristics (low-income people, elderly people, people living in rural areas, etc.).

⁹ For the list of UNESCO World Heritage Sites please visit: <https://whc.unesco.org/en/statesparties/tr>

¹⁰ For RAMSAR (wetlands of international importance) list please visit: <https://www.ramsar.org/country-profile/turkiye>

¹¹ For the list of Zero Extinction Alliance areas please visit: <https://zeroextinction.org/site-identification/2023-global-aze-map/>

¹² International Union for Conservation of Nature (IUCN) protected area category definitions I-IV: (Ia: Absolute Conservation Reserve Ib: Wilderness Area II: National Park III: Natural Monument IV: Habitat/Species Management Area). For protected areas identified according to IUCN please visit: <https://www.protectedplanet.net/country/TUR>

¹³ International financial sanctions are coercive measures against States, entities or individuals that pose a threat to international peace and security. Chapter VII of the United Nations Charter provides the legal basis for the imposition of coercive measures within the United Nations. At EU level, restrictive measures are defined as a key tool of the Common Foreign and Security Policy (CFSP). The U.S. Treasury Department, and in particular the Office of Foreign Assets Control (OFAC), enforces and administers economic and commercial sanctions in order to protect national security and U.S. foreign policy.

4.3 Mining Sector Provisions

4.3.1 Objective Scope: Mining

4.3.2 Subjective Scope:

Clients: Companies or groups that hold mining assets that represent a significant part of their total assets and which explore, develop or exploit such assets.

Projects: New mine developments (greenfield) and/or expansion of existing projects (brownfield), covering the phases of mine planning and development, operation, in situ processing of extracted minerals, mine closure and restoration.

4.3.3 Sector Background

The mining sector is one of the most important industries as it produces resources and raw materials that can be used to develop the economy and communities. It also accounts for a large fraction of several countries' income. Exploration of mineral resources is expanding into new areas as the world's population and economy grow, increasing the likelihood of impacts on the environment and local communities. Mining is also a key sector for the transition to a low-carbon economy, as it can provide the mineral resources needed for innovation and renewable energy storage systems.

4.3.4 Client Best Practices

Garanti BBVA expects its clients to be able to:

- Maintain health and safety records of their employees and/or areas of influence
- Disseminate or provide information on their performance related to water use, waste and greenhouse gas emissions
- Make sufficient commitments to manage environmental and social aspects under the best industry practices and standards
- Have a transition policy toward sustainability and have a plan to decrease coal revenues by 2023, aligned with BBVA coal phase-out calendar
- Develop tailing storage plans according to industry best practices such as Global Industry Standard on Tailings Management

- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans
- Implement a responsible sourcing policy

4.3.5 Mining Standards and Industry Best Practices

At the time this Standard was issued, Garanti BBVA considers industry best practices, international standards and treaties such as:

- International Finance Corporation (IFC) environmental, health and safety guidelines specific to the sector
- Principles of the International Council on Mining and Metals (ICMM)
- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights (Voluntary Principles)
- International Labor Organization (ILO) in the C 176 Safety and Health in Mines Convention (1995)
- OECD Due Diligence Guidance for Responsible Supply Chains of minerals from Conflict Affected and High Risk Areas relative to tin, tantalum, tungsten, their ores and mineral derivatives and gold
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposals
- Kimberley Process Certification Scheme
- World Nuclear Association Sustaining Global Best Practices in Uranium Mining and Processing
- Minamata Convention on Mercury
- International Cyanide Management Code
- Initiative for Responsible Mining Assurance (IRMA)

4.3.6 Non-Financed Activities:

The provisions of section 2.2 of this Standard shall apply when Garanti BBVA has sufficient evidence that one of the following cases applies:

4.3.6.1 Clients:

- Clients producers for whom there is evidence of controversies related to Mountaintop Removal mining (hereinafter MTR)

- Coal clients¹⁴ with more than 25% of revenues coming from thermal coal mining for power generation.

- Clients for whom there is evidence of controversies related to artisanal or small-scale mining

4.3.6.2 Projects:

- New coal mines or expansion of coal mines

- Mountaintop Removal (MTR) extraction methods

- Artisanal or informal mining

- Extraction, processing and marketing of asbestos

- Mines without site closure and recovery plans

- Mines without occupational health and safety management plan

- Mines with tailings dams not managed according to industry best practices

- Projects that dispose of tailings in coastal or shallow waters

- Seabed mines

- Mines in areas of armed conflict

¹⁴ According to the coal customer definition provided for in section 4.8 of this Standard

4.4 Agribusiness Sector Provisions

4.4.1 Objective Scope: Agriculture, livestock and fisheries

4.4.2 Subjective Scope:

Clients: companies or groups whose main activity is the cultivation and production of agricultural, forestry, livestock and fishing products, in particular high-impact products such as palm oil, soy, cocoa, coffee, cotton, tobacco, beef, rubber, intensive aquaculture and forest products.

Projects: new developments and/or expansion or existing projects which include the production and/or processing phases of agricultural, forestry, livestock and fisheries products.

This Standard includes activities related to land cultivation, forest management, livestock and fisheries. Agricultural products may be food-related (cereals, fruits, fish, etc.) or not food-related (cotton, wool, wood, etc.).

Activities not covered by this Standard:

- manufacture or distribution of agricultural machinery, pesticides and fertilizers;
- manufacture of processed food and beverages
- food and beverage distribution

4.4.3 Sector Background

Agriculture, forestry, livestock and fisheries cover people's primary needs, are an important source of income and provide a livelihood for millions of people. Investing in agriculture is one of the most effective strategies for improving food security and promoting sustainability. This industry is also a vital source of food, and is of increasing importance for other sectors such as the production of consumer goods (palm oil), the textile industry (cotton) and construction (wood).

However, strong and growing demand for such products, exacerbated by population growth, puts pressure on the environment and local communities, and this is a phenomenon that requires careful consideration.

4.4.4 Client Best Practices

Garanti Garanti BBVA expects its clients to be able to:

- Implement recognized sustainability certification standards and processes in their industry
- Make sufficient commitments to manage environmental and social aspects under the best industry practices and standards
- Adopt sustainable agriculture techniques that promote soil fertility and minimize erosion impact, GHG emissions and water usage
- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans
- Implement a responsible sourcing policy (including commodities traders & processors)
- Have a policy and strategy towards zero deforestation in their production and supply chains that contains commodity-specific commitments and comply with No-Deforestation, No-Peat and No-Exploitation (NDPE) requirements.

4.4.5 Agricultural Standards and Industry Best Practices

At the time this Standard was issued, Garanti BBVA considers industry best practices, international standards and treaties such as:

- International Finance Corporation (IFC) environmental, health and safety guidelines specific to the sector
- Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (FAO, IFAD, UNCTAD and World Bank)
- The WWF 2050 Key Performance Criteria
- Convention on Biological Diversity (1992) and the Nagoya protocol (2010)
- Cartagena Protocol on Biosafety
- Stockholm Convention on Persistent Organic Pollutants (POPs)

- FAO-OECD Guidance for Responsible Agricultural Supply Chains
- Assured Food Standards (AFS)
- Global Good Agricultural Practice (GAP)
- Sustainable Agriculture Practice Standard and Sustainable Agriculture Initiative Platform

PALM OIL

- Roundtable on Sustainable Palm Oil (RSPO)
- RSPO Principles and Criteria for Responsible Palm Oil Production

SOYBEANS

- Roundtable on Responsible Soy Association (RTRS)
- Basel Criteria for Responsible Soy Production
- CGF Sustainable Soy Sourcing Guidelines

COFFEE, TEA, COCOA, SUGAR, COTTON

- Common Code for the Coffee Community (4C)
- Tropical Commodities Coalition for Sustainable Tea Coffee and Cocoa (TCC)
- Ethical Tea Partnership (ETP)
- World Cocoa Foundation (WCF)
- Rainforest Alliance Sustainable Agriculture Standard (SAN)
- UTZ Certified
- Bonsucro
- Better Cotton Initiative

AQUACULTURE AND FISHERIES

- The FAO's Code of Conduct for Responsible Fisheries and Fisheries Management: The Ecosystem Approach to Fisheries, Technical Guidelines for Responsible Fisheries
- The Aquaculture Stewardship Council

- Voluntary guidelines on responsible governance of tenure of land, fisheries and forests (FAO, 2012)
- Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas (FAO)
- The UN Resolutions pertaining to sustainable fisheries (including ban of driftnets)
- Marine Stewardship Council (MSC) certifications

TIMBER

- Forest Stewardship Council (FSC) Certification
- Program for the Endorsement of Forest Certification (PEFC)
- FSC Chain of Custody Certification

BEEF PRODUCTION

- The Global Roundtable for Sustainable Beef (GRSB)
- Standards Cattle Production System (SCPS)

TOBACCO

- World Health Organization (WHO) Framework Convention on Tobacco Control

4.4.6 Non-Financed Activities:

Garanti BBVA provides services to the productive and commercial agents that form part of the agricultural, livestock and fishing production chain, but the provisions of section 2.2 of this Standard shall apply when Garanti BBVA has sufficient evidence that clients and/or projects are involved in the following activities:

4.4.6.1 Clients:

- Clients for whom there is evidence of controversies related to the production or trade of substances subject to international prohibitions

■ Clients engaged in the production, processing and marketing of palm oil through companies that are not members or are not in the process of becoming members of the Roundtable for Sustainable Palm Oil (RSPO)¹⁵

■ Clients engaged in non-health related animal testing unless required by local law

■ Clients for whom there is evidence of controversies related to the production or trade of products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)¹⁶

4.4.6.2 Projects:

■ Burning of natural ecosystems to clear land for the development of agricultural or livestock projects

■ Clearing of High Conservation Value and High Carbon Forests

■ Projects in International Union for Conservation of Nature (IUCN's) Key Biodiversity Areas, Brazilian Amazon and Cerrado

■ Production of first-generation biofuels

■ Use of substances prohibited by the Stockholm Convention, listed in Annex III to the Rotterdam Convention, WHO Class 1A or 1B or listed in the SIN list¹⁷

■ Exploitations of palm oil not certified or not in the process of being certified by the Roundtable on Sustainable Palm Oil (RSPO)¹⁸,

■ Palm oil exploitation in swamps and peat-rich areas

¹⁵ For members of the Roundtable for Sustainable Palm Oil please visit: <https://rspo.org/search-members/>

¹⁶ The requirements of the "Regulation on the Implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora" are taken into account. Please visit the links below for details of the species:

- <http://www.cites.org/eng/app/appendices.php>
- <https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=14747&MevzuatTur=9&MevzuatTertip=5>

¹⁷ For the details of the contract and related clauses please visit:

- <https://onceliklikimyasallar.csb.gov.tr/stockholm-sozlesmesi-i-5175>
- <https://onceliklikimyasallar.csb.gov.tr/rotterdam-sozlesmesi-i-5177>
- <https://sinlist.chemsec.org/>
- <https://iris.who.int/bitstream/handle/10665/332193/9789240005662-eng.pdf?sequence=1>

¹⁸ For the details of the Roundtable for Sustainable Palm Oil please visit: <https://rspo.org/search-members/>

- Fishing activities using drift gillnets longer than 2.5 km or drift gillnets for the catch of species listed in the annexes to EU Regulation 2019/1241¹⁹, which are considered illegal and overfishing
- Deep Sea Bottom trawling (deeper than 600 m below sea level)

4.5 Energy Sector Provisions

4.5.1 Objective Scope:

- Exploration, production, transport and refining of oil and gas
- Renewable energy projects: wind, solar, hydroelectric, biomass and biofuels
- Thermal power generation plants (gas combined cycles and coal plants)
- Transmission and distribution of electricity

4.5.2 Subjective Scope:

Clients: Companies or groups that own energy assets that represent a significant part of their total assets and take part in the exploration, development or exploitation of those assets

Projects: New projects, acquisitions and expansions of energy exploration, development, generation or transmission projects

4.5.3 Sector Background:

The energy sector plays an important role in economic well-being and development. For communities to develop, they must have secure and affordable access to energy. However, some activities can potentially have a negative impact on the environment and local communities. This is why strict regulation, the application of best practices and the transition to a low-emission energy model, which BBVA strongly supports, are necessary.

Oil and Gas: Although their relative weight in the global energy mix is going down, industry continues to explore and develop new assets in an increasingly challenging setting, whether due to applied technology (fracking) or a remote and challenging

¹⁹ For species prohibited to be fished with drift/ entangled nets please visit: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R1241>

operating environment (deep water) or in countries which are institutionally weak or in conflict.

Thermal Power Generation: Thermal generation technologies with fossil fuels contribute to the stability of electrical systems when production from renewable sources is low. However, they have potential environmental and social impacts, particularly their contribution to climate change. While coal-fired power plants are the most emission-intensive, natural gas plants are conceived as a transitional technology to a low-carbon energy mix.

Renewable Energy: This is the cleanest form of energy generation. However, renewable energies also have environmental and social impacts, particularly large-scale water projects, which, despite their important contribution to renewable energy supply, flood control and water supply, can have an adverse environmental impact on their surroundings.

4.5.4 Client Best Practices

Garanti BBVA expects its clients to be able to:

- Maintain health and safety records of their employees and/or areas of influence
- Have standards and processes in place for the cleanup of discharges in high sea operations and spills in offshore operations
- Make sufficient commitments to manage environmental and social issues under the best industry practices and standards
- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans (including a review of impacts in biodiversity from hydroelectric projects as well as an assessment of the life cycle of renewable projects)
- Implement a responsible sourcing policy

4.5.5 Energy Standards and Industry Best Practices

At the time this Standard was issued, Garanti BBVA considers industry best practices, international standards and treaties such as:

- IFC environment, health and safety guidelines specific to the sector

- Extractive Industry Transparency Initiative (EITI)
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Petroleum Governance Initiative
- Global Gas Flaring Reduction Initiative
- International Energy Agency (IEA) Golden Rules
- The International Convention for the Prevention of Pollution from Ships (MARPOL)
- Oil Spill Response Project
- World Commission on Dams (WCD) Framework
- International Hydropower Association Sustainability Assessment Protocol
- Energy and Biodiversity Initiative (EBI)
- The Roundtable on Sustainable Biomaterials (RSB) Principles and Criteria

4.5.6 Non-Financed Activities:

The provisions of section 2.2 of this Standard shall apply when Garanti BBVA has sufficient evidence that one of the following cases applies:

4.5.6.1 Clients

- Coal clients with revenues derived from power generation with more than 25% of installed capacity for the generation of electric power from thermal coal
- Clients involved in the construction and operation of nuclear power plants or uranium enrichment facilities in countries sanctioned for this purpose by the United Nations, the European Union or the United States
- Clients involved in any activity related to tar sands without a diversification strategy and where this activity represents more than 10% of its total production

4.5.6.2. Projects

- New coal-fired power plants and expansion of existing power plants

- New projects or expansion of existing projects of exploration, drilling and extraction of oil and gas (conventional and nonconventional)²⁰
- Arctic²¹ exploration, production and transport of oil and gas projects
- Exploration, production and transport of tar sands
- Single hull oil transport vessels
- Large dams that are not built under the World Commission on Dams framework
- New hydroelectric plants without adequate environmental and social risk Management systems in relation to dam safety, environmental impact, labor regulations and population resettlement.
- Oil and gas extraction operations in areas of armed conflict

4.6. Infrastructure Sector Provisions

4.6.1 Objective Scope:

- Transportation: highways, ports, terminals, airports, metro, tram and rail
- Environmental: waste and water Management (treatment, management and distribution)
- Social: education and health
- Telecommunications: cables and communication networks

4.6.2 Subjective Scope:

Clients: Companies or groups that have infrastructures and/or participate in the construction, operation and exploitation of those infrastructure assets.

Projects: New developments and/or expansion of existing projects, covering the planning, construction, acquisition, operation and maintenance phases of infrastructure assets.

²⁰ For these purposes, "nonconventional" means Arctic oil and gas projects, fracking, tar sands and ultra-deep waters.

²¹ Arctic has the meaning stated in "Arctic Council's Assessment and Monitoring Programme (AMAP)". For details please visit: <https://www.amap.no/>

4.6.3 Sector Background:

As the world's population grows and living standards rise, the world faces an increasing demand for the development and expansion of infrastructure, such as transportation and telecommunications networks or waste management facilities, to support and enable this growth. Infrastructure investments are of great importance in the transition to the smart city model in cities.

Garanti BBVA focuses on aligning the construction and operation of infrastructure with sustainable development and this Standard is aligned with *SDG 9: Build resilient infrastructure, promote sustainable industrialization and innovation*. Therefore, Garanti BBVA aims to finance the development of reliable, sustainable and quality infrastructure to support economic development and human well-being, with special emphasis on affordable and equitable access for all.

Transport: It is an essential sector for trade growth, economic development and the opening up of territories, allowing the efficient movement of people and goods, including goods that are considered hazardous, such as oil or chemicals. At the same time, developing new transport infrastructure assets and the modernization and improvement of existing ones means that in many cases there is less consumption of fossil fuels and a fall in greenhouse gases. Urban transport infrastructure is particularly important when it comes to creating cities with better public transport and a healthier environment.

Environmental: water infrastructure and waste management: Fresh water is a finite and vulnerable resource, essential to sustain life, development and the environment. Demand is increasing due to population growth and urbanization, and to the growing needs of agriculture, industry, energy and households, producing water stress situations and impacts such as desertification, aquifer depletion and droughts. To avoid these situations, the SDGs set the goal of achieving universal access to affordable drinking water and adequate sanitation and hygiene services by 2030.

Recognizing the magnitude of the challenge of water scarcity, we encourage our customers to implement technically and financially feasible measures to reduce water consumption when operations or projects are water-intensive, and to avoid the release of effluents or, when not possible, minimize and manage their impact.

Waste management is an essential industry to reduce the consumption of raw materials, avoid pollution and progress toward a circular economy model. This is a great opportunity for our planet and humanity, which the SDGs have identified by setting goals for 2030 to encourage businesses to adopt sustainable practices, and to significantly reduce waste generation through prevention, reduction, recycling and reuse activities.

Social: educational and health infrastructure: Achieving quality education is key to improving people's lives and sustainable development. In line with SDG 4 to "ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all", Garanti BBVA supports projects to advance the goal of building and adapting educational facilities that take everyone's needs into account and to offer safe, inclusive and effective learning environments for all.

Ensuring a healthy life and promoting well-being for all at any age is essential to sustainable development. Garanti BBVA is committed to delivering on SDG 3, which is "ensuring a healthy life and promoting well-being for all ages", and it supports projects and businesses that contribute to universal access to essential health services and affordable, quality medicines for all.

An Opportunity for Everyone: The infrastructure sector, especially large transport infrastructures, faces potential environmental and social challenges. Properly managed infrastructure is essential for economic development, environmental protection and social well-being. Garanti BBVA works to identify and support business opportunities in the infrastructure sector to achieve the SDGs in health, education, water, infrastructure and cities.

4.6.4 Client Best Practices

Garanti BBVA expects its clients to be able to:

- Maintain health and safety records of their employees and/or areas of influence.
- Provide information on their performance related to water use, waste and GHG emissions.
- Make sufficient commitments to manage environmental and social issues under the best industry practices and standards.

- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans.

4.6.5 Infrastructure Standards and Industry Best Practices

At the time this Standard was issued, Garanti BBVA considers industry best practices, international standards and treaties such as:

- International Finance Corporation (IFC) environmental, health and safety guidelines specific to the sector
- OECD Framework for Better Governance of Infrastructure
- World Commission on Dams (WCD) Framework
- United Nations Environment Program (UNEP) Dams and Development Project
- Building Research Establishment Environmental Assessment Method (BREEAM)
- Leadership in Energy and Environmental Design (LEED)
- The United Nations Model Recommendations on the Transport of Dangerous Goods

4.6.6 Non-Financed Activities:

The provisions of section 2.2 of this Standard shall apply when Garanti BBVA has sufficient evidence that one of the following cases applies:

4.6.6.1 Projects:

- Dams that are not built under the Framework of the World Commission on Dams (WCD)
- Facilities not complying with the Hong Kong Ship Recycling Convention
- Desalination plants that lack adequate measures to mitigate the impact of brine removal and/or extraction of seawater

4.7. Defense Sector Provisions

4.7.1 Objective Scope: Defense

4.7.2 Subjective Scope: Clients²² and transactions²³ involved in the manufacture, marketing or maintenance of defense material²⁴.

4.7.3 Sector Background

Garanti BBVA recognizes the right of countries to defend themselves and consequently to develop, produce and possess weapons. However, Garanti BBVA considers that certain activities or products related to the defense industry are not aligned with its business principles and standards.

4.7.4 Industry Standards and Best Practices

At the time this Standard was issued, Garanti BBVA considers industry best practices, international standards and treaties such as:

- United Nations Arms Trade Treaty (2014)
- Treaty on the Non-Proliferation of Nuclear Weapons (NPT) (1970)
- Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases and of Bacteriological Methods of Warfare (1925)
- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997)
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (1993)
- Convention on Cluster Munitions (2008)
- Council Common Position 2008/944/CFSP (2008)

²² For the purposes of this Standard, customers shall be deemed to be defense and security companies or any company, institution, government agency or organization engaged in the manufacture, trade or maintenance of defense and security equipment. Private security companies providing services with armed and unarmed personnel in places such as shopping malls and bank buildings are not covered by this Standard.

²³ For the purposes of this Standard, transactions include any transaction involving customers and/or defense material.

²⁴ For the purposes of this Standard, defense material will be understood to be any material defined by the United Nations and the European Commission as a conventional weapon (including components, ammunition, spare parts, operation and maintenance) and dual-use materials (for civilian use that may be applied to military use).

4.7.5 Non-Financed Activities

Garanti BBVA will not support the provision of financial services to clients, subject to section 2.2 of this Standard, when it has sufficient evidence that clients or their transactions are involved in the following activities:

4.7.5.1 Clients

- Companies that sell arms to countries or groups subject to arms embargoes imposed by the United Nations, the European Union or the United States.²⁵
- Companies involved in manufacturing or commercializing nuclear weapons or their components in countries that are not signatories or in breach of the Non-Proliferation Treaty.
- Manufacturers of military assault weapons for civilian use.
- Manufacturers or traders of controversial weapons²⁶ and their key components: anti-personnel mines, biological and chemical weapons, cluster munitions, depleted uranium and White phosphorus munitions and nuclear weapons (in the case of nuclear weapons, it shall only apply for countries that have not signed the Non-Proliferation Treaty or are in breach of it).
- Companies that do not have the relevant export license.

²⁵ It is determined with the consultancy service received by BBVA Group every quarter and communicated to all countries. Defense Industry Checklists (updated every 3 months) published on the Bank's intranet page are taken into consideration.

²⁶ In the definition of controversial weapons (anti-personnel mines, biological weapons, chemical weapons, cluster weapons, nuclear weapons, depleted uranium munitions and white phosphorus munitions), Garanti BBVA applies the criteria of the following international conventions:

- Anti-personnel mines: as defined in the convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997);
- Biological weapons: as defined in the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972);
- Chemical weapons: as defined in the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (1993);
- Cluster weapons: as defined in the Convention on Cluster Munitions (2008);
- Depleted uranium and white phosphorus munitions: In the absence of international conventions or a legal framework regulating their use, Garanti BBVA uses criteria set by an independent consultant who has developed a list of defense articles that should be banned for the bank.

Nuclear weapons: Garanti BBVA will not invest or provide financial services to companies directly involved in the development, production, testing or maintenance of nuclear weapons in countries that have not signed the Non-Proliferation Treaty (NPT) or in countries that do not comply with the NPT. Nuclear weapons are considered controversial because of the potential impact on the civilian population and their indiscriminate nature when used, but are not prohibited by international law. The NPT strictly regulates and oversees the ownership, production, proliferation and use of nuclear weapons. As part of this treaty, it is accepted that China, France, Russia, the United Kingdom and the United States may produce and possess nuclear weapons.

4.7.5.2 Transactions

- Arms trade operations in countries sanctioned with arms embargoes imposed by the United Nations, the European Union and the United States.²⁵
- Arms trade operations in countries at high risk of human rights violations.²⁵
- Trading operations with intermediaries or where the end user is not a public organization (police and armed forces, defense departments, defense companies).
- Production and trade of controversial weapons and their key components: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, nuclear munitions, White phosphorus munitions and depleted uranium munitions.

Specifically in the management of own and client funds, Garanti BBVA will not invest its own funds or those of its clients in any activity related to controversial weapons or directly in bonds issued by countries subject to arms embargoes imposed by the United Nations Security Council, the European Union and the United States. This prohibition also applies to third-party funds marketed by Garanti BBVA.

4.8. Decarbonization Objectives: Coal Exit

Garanti BBVA targets zero exposure²⁷ to coal clients by 2040 through **engaging with them and actively monitoring its portfolio**. Garanti BBVA will however continue to finance sustainable projects²⁸ for these clients in support of their transition.

Coal Client Definition: Coal clients are defined as those, both new and existing, with revenues greater than 5 percent coming from thermal coal mining for power generation or clients with revenues derived from power generation with more than 5% of installed capacity for the generation of electric power from thermal coal.

Except as provided for in the first paragraph of this section, Garanti BBVA will not support the provision of financial services to new coal clients subject to this Standard with more than 25% of revenues coming from thermal coal mining for power generation or more than 25% of the installed capacity for the generation of electrical energy from thermal coal.

²⁷ The Non Performing Loans (Stage 3 exposures for the purposes of Garanti BBVA Group consolidated accounting according to rule IFRS9) are excluded from the calculation. For the sake of clarity, and notwithstanding the time limits for achieving this target, potential restructurings and/or refinancings of coal clients will be allowed, provided that said restructuring or refinancing is necessary in order not to compromise the viability of the project or the client or their ability to repay their debt. However, these restructurings or refinancings may not entail an increase of the total exposure to coal clients in the Garanti BBVA group entities subject to the Standard nor a breach of the time targets mentioned above.

²⁸ Considered sustainable in accordance with existing regulations, internal standards inspired by existing regulations, market standards and/or best practices.