

# Sustainability Policy

September 2021

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# 1. Introduction

## 1.1. Sustainability as a strategic priority

In 2019, Garanti BBVA (hereafter, "Garanti BBVA" or "The Bank") defined six strategic priorities, one of which is "helping our clients transition toward a sustainable future."

The fight against climate change is one of the greatest disruptions in history, with extraordinary economic consequences to which all players in our environment (governments, regulators, businesses, consumers and the whole of society) have to adapt.

Climate change and the transition to a low-carbon economy have significant implications for the value chains of most productive sectors, and may require significant investment in many industries. However, technological advances around energy efficiency, renewable energy, efficient mobility and the circular economy are a source of new opportunities for all.

On the other hand, clients, markets and society as a whole not only expect large companies to create value, but also to contribute positively to society. In particular, they are expected to ensure that their operations' boost to economic development is inclusive.

Garanti BBVA is aware of the outstanding role of banking in this transition to a more sustainable world through its financial activity, has adhered to the Principles for Responsible Banking promoted by the United Nations, and is willing to play a relevant role, as demanded by society, and assist its clients in their transition to that sustainable future.

Also, the Bank will ensure that its activity is carried out in accordance with a set of values, principles, criteria and attitudes aimed at achieving sustained value for shareholders, employees, customers and for the society as a whole, and will promote the implementation and development of ethical principles based on integrity and transparency.

With a view to shaping this aspiration clearly and precisely, this Policy aims to set forth Garanti BBVA's vision and general principles for the approach to sustainability in the Bank (the "**Policy**").

## 1.2. Regulatory framework

This Policy was approved by Garanti BBVA's Board of Directors on September 9, 2021, as provided for in:

The Capital Markets Board of Turkey ("CMB") has made amendments regarding the publicly held companies to fulfill their obligation to make a disclosure to the stakeholders within the framework of the sustainability principles compliance, with the Communiqué numbered II-17.1.a on Amendment of the Communiqué on Corporate Governance numbered II-17.1.<sup>1</sup>

# 2. Definition, purpose and scope of application

## 2.1. Definition and purpose

Garanti BBVA has set itself the priority of "helping our clients transition to a sustainable future," taking inspiration from the Sustainable Development Goals (the "SDGs") adopted by the United Nations, and from other supranational agencies that promote sustainable development and are a global benchmark with a focus on climate change and inclusive and sustainable social development.

This Policy defines and sets out the general principles, and the main management and control objectives and guidelines to be followed by the Bank in sustainable development.

As per United Nations' definition, Garanti BBVA understands sustainable development as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainable development has emerged as the guiding principle for long-term global development, seeking to achieve, in a balanced way, economic development, social development and environmental protection.

Garanti BBVA faces the challenge of sustainable development from a holistic perspective. The Bank is aware that, in line with our purpose of "to bring the age of opportunity to everyone," we aim to generate a positive impact through the activities of our clients, our own activity, as well as our relationship and commitments to society.

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<sup>1</sup> <https://www.spk.gov.tr/Duyuru/Goster/20201002/0>

## 2.2. Scope of application

This Policy will serve as a frame of reference when establishing and developing local or sectoral corporate governance policies and systems within the Bank, which will be consistent and in line with it.

In any case, when applying this Policy, consideration shall be taken of the nature, scale and complexity of the risks inherent in the business model and the operations carried out by each Bank entity, as well as respect for any applicable local and sectoral regulations.

Finally, this Policy will replace the Corporate Social Responsibility Policy in relation to sustainability, in particular regarding environmental and inclusive and sustainable social development matters.

The Bank's activities on community investment and on social matters that are not linked to financial activity will remain regulated under the corporate social responsibility policy approved by the Board of Directors.

## 3. General principles

The Bank will follow the following general principles of action with regard to sustainability:

- It will fully implement all the rules and principles it has committed to, in order to support sustainable development.
- It will support clients in their transition to sustainable business models, acting as a leverage that enhances such behaviors or actions.
- It will incorporate progressively sustainability into the day-to-day activities of its business and operations.
- It will incorporate progressively climate change opportunities and risks into its strategy, processes and risk management, It will ensure to consider the direct and indirect environmental and social impact generated by its operations, in particular as refers to the climate, will progressively align its lending activity with the objectives of the Paris Agreement and the Principles for Responsible Banking promoted by the United Nations.
- It will lead its peers by example, setting renewable energy consumption targets and reducing carbon emissions in the performance of its own activities.
- It will encourage the involvement of all stakeholders, in order to gather information about their expectations and collectively promote a bigger role for the financial industry in sustainable development.

The Bank will also pursue its sustainability goals on the basis of the following general principles, which are already applied in its various management policies:

- Integrity.
- Prudent 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. The Policy's provisions

### 4.1. Sustainability focal points

The Bank's sustainability efforts will have the following two main focal points: (i) climate change and increasing climate awareness, and (ii) inclusive and sustainable social development. Also, the Bank will set priorities in both areas by taking inspiration from the United Nations' 2030 Agenda for Sustainable Development, in particular the SDGs in which it believes it can have the greatest impact.

The Bank's priorities in these areas will initially be as follows:

- With respect to **climate change and increasing climate awareness**:
  - o Energy efficiency.
  - o Circular economy.
  - o Reduction of carbon emissions.
- With regard to **inclusive and sustainable social development**:
  - o Facilitation of access to financial services to people who do not use banking services, offering basic digital solutions.
  - o Inclusive infrastructure, including basic services and transportation systems.
  - o Support for entrepreneurs, and promotion of economic growth and full and productive employment.

## 4.2. The Bank's sustainability goals

Garanti BBVA considers sustainability in all its day-to-day operations and everything else it does, both in relation to its clients and its internal processes.

As such, **devising and executing the sustainability strategy is an organization-wide effort, and all Bank areas must include it progressively in their strategy agenda and work dynamics.**

Taking into account the two main sustainability focal points of action described in the previous section, the Bank will have specific sustainability goals (the "**Bank's Sustainability Goals**"), which are the following at the date this Policy was drawn up:

1. **To promote the development of sustainable solutions:** Identify opportunities, develop sustainable products and offer advice to individual and business clients.
2. **To integrate sustainability risk into its processes:** Integrate risks associated with climate change (physical or transition) into the Bank's risk management processes.
3. **To establish a single agenda with stakeholders:** Promote transparency about our commitments and performance, protect our direct impact and foster the active involvement with all our stakeholders to promote sustainability in the financial sector.
4. **To develop new skills in sustainability:** Leverage the Bank's data and technology capacities to foster the development of the sustainability strategy within the organization, and to promote related training for employees.

These goals materialize in various lines of work, to be executed by the areas, under the oversight of the local workstream managers, such as Client Solutions, Corporate & Investment Banking, Risk Management etc. These workstream managers also generate knowledge in the field of sustainability within the Bank so as to offer advice to clients and support the areas in developing new sustainability value propositions, integrate climate risks into risk management, draw up a public sustainability agenda and set sustainability standards.

The 12 workstreams working on materializing sustainability goals and their areas are the following:

#	Goal	Workstream	Workstream members
1	Growth	Clients Retail	Consumer Finance SME Banking
2	Growth	Clients Enterprises	Commercial Customer Solutions Commercial Banking
3	Growth	Clients CIB	Sustainable Finance / IB&F Other IB&F managers
4	Growth	Communications & Marketing	Corporate Brand Management and Marketing Communications
5	Growth	Social	Sustainable Finance / IB&F Responsible Business / IB&F TBD
6	Risk	Risk Management	Commercial Loans Risk Projects Sustainable Finance / IB&F Data and Advanced Analytics / Technology
7	Risk	Sustainability Standards	Env. and Social Impact Assessment / IB&F
8	Stakeholders	Reporting & Transparency	Sustainable Finance / IB&F Integrated Reporting / IB&F
9	Stakeholders	Direct Impact	Real Estate Responsible Business / IB&F
10	Stakeholders	Public Engagement	Responsible Business / IB&F
11	Capabilities	Data & Technology	Sustainable Finance / IB&F Data and Advanced Analytics / Technology Organization and Process Development
12	Capabilities	Talent	Talent & Culture Sustainable Finance / IB&F Training

The Sustainable Finance Team, working within the Investment Banking and Finance Department, is responsible for promoting and coordinating the Bank's sustainability initiatives. The Responsible Banking and Sustainability Committee, composed of all relevant members of Top Leadership, along with relevant Heads of Departments, the CEO and a Board Member, discusses strategic priorities regarding sustainability, environmental, social and governance issues by managing efficiency of sustainable activities, and reviews sustainable finance activities on a regular basis.

## 5. Governance and oversight model for the Policy

### 5.1. Approval and responsibility for the Policy

As mentioned in paragraph 1.2, this Policy was approved by Garanti BBVA's Board of Directors on September 9 2021, and enters into force at the time of its approval.

The Executive Vice President responsible for Corporate & Investment Banking will be responsible for this Policy at the executive level. Therefore, he/she will be responsible for submitting the Policy for approval, making sure it is known by the people subject to it and, where appropriate, sharing it with the corresponding subsidiaries within the Garanti BBVA.

This Policy owner will be aware of its degree of application, relying on the information provided by the Heads of the areas to which it applies, and will take the necessary measures if it is not being properly implemented, reporting it as appropriate.

The senior vice presidents of the areas affected by the Policy will guarantee, within their respective areas of responsibility and where appropriate, the provision of sufficient means, systems and organization for its compliance.

### 5.2. Oversight and control

The Board of Directors, as the Bank's highest supervisory body, will oversee the Policy's implementation directly or through the Sustainability and Responsible Business Committee, on the basis of periodic or ad-hoc reports prepared by the Sustainable Finance Team and Responsible Business Team, the Senior Vice President of Investment Banking & Finance, the senior vice presidents of the Bank's areas that will incorporate sustainability into their day-to-day businesses and operations and, where appropriate, the senior vice presidents of Garanti BBVA's control functions.

At a minimum once a year, or in the event of any event requiring changes to this Policy, the Sustainable Finance Team and Responsible Business Team, which are part of the Investment Banking & Finance Department, will revise and submit to the Bank's corporate bodies any updates

and modifications deemed necessary or appropriate at any time.

Control over the degree of compliance with both this Policy and its development will be carried out in accordance with the Bank's control model, aimed at appropriate risk management and set up on the basis of three lines of defense, independent of each other.

All areas will add any aspects required to achieve the principles and goals set in this Policy to their regulations and procedures. Existing processes will be adjusted to include the controls needed to guarantee correct management, in accordance with the mitigation and control frameworks defined by the specialists and the roles and responsibilities of the parties to the process, as per the Bank's control model.

Monitoring and reporting of risk and control aspects will follow the governance system under the Bank's general risk management and control model and the applicable risk-specific policies.

