Garanti BBVA’s Sustainability Approach
01. Sustainability as a Business Opportunity
Sustainability is the challenge of the century

At the top of world leaders agendas

Under clear worldwide roadmaps:
- The Paris Agreement
- The 2030 Agenda for Sustainable Development with the 17 SDGs\(^1\) at heart

Sense of climate urgency

+3.0\(^\circ\)C* Current climate trend

+1.5\(^\circ\)C* Global warming target for 2100

*Versus pre-industrial levels

Society calling for action

72\(^%\)^2 of companies mention SDGs\(^{(1)}\) in their reporting

Private and public sector on board

Sustainable finance policies are widespread and the pace is increasing

\(^{(1)}\) Sustainable Development Goals  \(^{(2)}\) “From promise to reality: Does business really care about the SDGs?”: PWC SDG Reporting Challenge 2018
Recent Policy Developments in Turkey to set a ground for Sustainable Growth

**Climate Change Problems Observed**
- Mucilage in Marmara Sea still observed 20-30 m deep from the surface
- Floods in North where 72 people lost their lives
- Wildfires in 53 Cities and 270 locations

**Ratification of the Paris Agreement**
- with 2053 target of Net-Zero

**Garanti BBVA Actions**
- Collaboration with TURMEPA to clean mucilage in the surface
- Trainings organized to Industrial Zones to support the transformation of water waste management
- Collaboration with TEMA to donate 1 mn plants

**Green Deal Action Plan**
- 32 objectives
- 81 actions
- 9 categories
Our Sustainability Journey

Milestones
Garanti BBVA’s long standing trajectory in sustainability

- **2010**
  - 1st Sustainability Report
  - Sustainability Committee

- **2011**
  - E&S Risk Management
  - Sustainability Team

- **2012**
  - Dow Jones Sustainability Index
  - Climate Change Action Plan

- **2013**
  - Dow Jones Sustainability Indices
  - LEED Platinum certificate - Headquarters

- **2014**
  - Sustainability Policy
  - 1st bank to adopt WEPs
  - 1st bank to receive a Green Office Diploma
  - Sponsor of CDP Water Program in Turkey

- **2015**
  - 1st Gender Loan
  - Declaration on Sustainable Finance
  - First Integrated Annual Report

- **2016**
  - CDP Climate & Water Leadership Award

- **2017**
  - Declared support to TCFD
  - Listed FTSE4Good & Bloomberg Equality Index

- **2018**
  - Declaration on Sustainable Finance
  - BBVA Group Sustainable Finance Pledge
  - Turkey’s 1st, World’s 5th Green Loan
  - Turkey’s 1st Green Project Finance Loan
  - CEE’s Best Bank for Sustainable Finance by

- **2019**
  - Founding member of
  - World’s 1st Gender Loan
  - LEED Platinum certificate - Headquarters

- **2020**
  - World’s 1st ESG-linked Syndication Loan
  - World’s 1st Green Bond in TRY
  - Most Innovative Environmental, Social & Governance Loan
  - 1st bank in Science Based Target initiative
  - Became carbon-neutral Bank

- **2021**
  - BBVA Coal Phase Out Commitment
  - Net Zero Emissions by 2050 commitment – 1st in Turkey

- **2021**
  - World’s 1st ESG-linked Syndication Loan
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03. 
Our Sustainability Strategy
Sustainability, at the core of Garanti BBVA's strategy

**OUR PURPOSE**

"To bring the age of opportunity to everyone"

**OUR LEAD STRATEGIC AREAS**

- Helping our clients’ transition towards a sustainable future with our advisory role
- Increase the diversity and the use of our sustainable products
- Observe and manage climate-change related risks of our portfolio and our direct impact
- Increase public awareness and responsibility on sustainability and inclusive growth
Our transition to low-carbon economy

- Prioritizing Renewable Energy & Putting a Shadow Price on Carbon
- Reducing Deforestation
- Environmental & Social Loan Policies
- Environmental & Social Impact Assessment System
- Innovative financing mechanisms such as Green Loan, Sustainability Loan, etc.
- Decarbonizing our portfolio
- Establishing Green Office Standards
- Managing Water-related Risks
- Sector Norms
- Updated Policies & PACTA
- Raising awareness & building capacity
- Transforming the sector

Coal Risk Phase Out
Plan by 2040

Net Zero Emission
Target by 2050
Our Sustainability Accomplishments

- Carbon Neutral Bank as of 2020
- First Turkish signatory
  UN Net Zero Banking Association (NZBA)
- 100% Renewable Energy
  in new Project Finance Loans since 2014
Limiting direct impact of the Bank:

- Purchased carbon credit for the emissions in 2021 and became a carbon-neutral bank.
- Used 100% renewable energy for its electricity consumption (proven by IREC certificate).
- Remote Eye System for limiting electricity consumption at 100 locations saved 15% from electricity consumption.
- Offering not to obtain paper receipts after ATM transactions for all customers.
- Producing environmentally-friendly cards from recyclable plastic: Green Bonus Cards.
- 1.8 mnTL annual saving thanks to significant energy reduction by innovative technologies in data center.
- Making a commitment to reduce single-plastic usage by 318 tons between 2021-23.
- Replacing Bank's own service cars with hybrid models.

Graph:

- Renewable energy (%): 0% (2015), >1% (2019), >80% (2020), 100% (2021).
- CO2 emissions (ktCO2e): 75.6 in 2015, 70.1 in 2019, 22.4 in 2020, 18.6 in 2021.

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Renewable Energy Financing

- **HYDROPOWER**
  - 43%
  - US$ 2.48 billion
  - 3,677 MW current installed capacity

- **SOLAR ENERGY**
  - 4%
  - US$ 2.396 billion
  - 575 MW total installed capacity*

- **WIND POWER**
  - 47%
  - US$ 2.74 billion
  - 2,801 MW current installed capacity
  - 2,907 MW total installed capacity*

- **BIOMASS**
  - 1%
  - US$ 124 million
  - 134 MW total installed capacity*

- **GEOTHERMAL**
  - 5%
  - US$ 263 million
  - 337 MW total installed capacity*

- **WIND POWER**
  - 47%
  - US$ 2.74 billion
  - 2,801 MW current installed capacity
  - 2,907 MW total installed capacity*

As of 31.12.2021

*once fully operational

100% Renewable Energy
in new Project Finance Loans since 2014

US$6 billion
financing to renewable energy to date

Market Leader
in wind PP financing with 22.5% market share

8.5 million tCO2e
avoided in 2021
Progressive alignment of our portfolio with the goals of the Paris Agreement

Ambitious Targets to reduce environmental footprint

- Carbon neutral since 2020 in Scope 1 and 2 emissions, leveraging carbon offsetting.
- %100 renewable energy by 2030 in line with SBTi.

Summary of E&S Framework

- Control of Unfunded Activities and Customers
- Determination of Non-Financial Performance and Potential Risks
- Management of Non-Financial Performance

<table>
<thead>
<tr>
<th>Industry</th>
<th>Emission Metrics</th>
<th>BBVA Baseline (2020)</th>
<th>Benchmark Scenario</th>
<th>BBVA 2030 Target</th>
<th>Absolute Effort</th>
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<tbody>
<tr>
<td>Power</td>
<td>kg Co2/ MWh</td>
<td>249</td>
<td>IEA Net Zero 2050</td>
<td>120</td>
<td>(52%)</td>
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<tr>
<td>Automotive</td>
<td>g Co2/ km</td>
<td>220</td>
<td>IEA Net Zero 2050</td>
<td>118</td>
<td>(46%)</td>
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<tr>
<td>Steel</td>
<td>kg Co2/ tonne steel</td>
<td>665</td>
<td>IEA Net Zero 2050</td>
<td>515</td>
<td>(23%)</td>
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<tr>
<td>Cement</td>
<td>kg Co2/ tonne cement</td>
<td>695</td>
<td>IEA Net Zero 2050</td>
<td>575</td>
<td>(17%)</td>
</tr>
</tbody>
</table>

Phase out plan already announced in March 2021
- 2030 for developed countries
- 2040 globally
Garanti’s 2018-25 Target: ~150 bn TL

From the beginning of this year, the bank provided 19.9 bn TL in sustainable finance, including 3.9 bn TL green financing in CIB segment*.

*As of 30.09.2022
Sustainable Finance

Sustainable Finance Mobilization (TL mn)

- **2019**: 1.072
  - Green: 613
  - Social: 460
- **2020**: 4.331
  - Green: 2.058
  - Social: 2.272
- **2021E**: 8.800
  - Green: 2.800
  - Social: 6.000

**+304%** up from 2019

**+103%** from 2020

**Garanti’s 2018-25 Target is ~150 bnTL (current 38 bn TL)**

- **GREEN**: 51%
- **SOCIAL**: 49%

**TL 38 Bn** Originated since 2018*

**TL 150 Bn** Target 2025

*Both Green + Social Loans are included in the Pledge. The figure is provided as of August ’22.
Sustainable Loan Mechanisms

**Sustainable Facilities**

**GREEN PURPOSE FACILITY**
Use of proceeds to finance or refinance "green" investments

**SUSTAINABILITY-LINKED FACILITY**

- ESG-linked
  - Environmental
  - Social
  - Governance

- KPI-linked
  - Environmental
  - Social

**Opinion Report**

**Gender Loan**

**GENDER LOAN FACILITY**

- Garanti BBVA’s Gender Equality Criteria Set
- Governance
- Performance
- Leadership
- International Certification/Recognition by International Indices

**Opinion Report**

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1. Annual ESG Rating assessment should be conducted and reported by a sustainability rating agency.
2. KPIs should be verified by a third party.
3. The structure is derived from the Sustainability-Linked Loan. The KPIs defined should be related to gender diversity practices of the borrower. Garanti BBVA’s Criteria Set and/or international certificates and/or recognition of indices can be accepted as KPI.
4. Annual assessment should be conducted and reported by a social expert.
5. Opinion Report may not be mandatory based on the structure.
A pioneer in innovative sustainable products

- **2018**
  - Turkey’s 1st, World’s 5th Green Loan
  - Turkey’s 1st, Green Project Finance Loan

- **2019**
  - 1st Gender Loan worldwide

- **2020**
  - 1st ESG-linked Syndicated Loan worldwide
  - 100 Roll-over ratio

- **2021**
  - 1st Green IPO in the worldwide
  - Turkey’s 1st, Climate Index
  - Innovative financing for rooftop solar and building insulation
  - Turkey’s 1st, Corporate Green Vehicle Package

New sustainable solutions for all clients

- Energy-efficient linked mortgages
  +102% YoY

- Carbon footprint calculator for corporates & SMEs

- Energy efficiency advisory for enterprise clients

- Hybrid and electric vehicles loans
  +52% YoY

Garanti BBVA offers a sustainable alternative for all its main products
Appendix

Pg. 28-29  Leading Practices, Rewards & Indices
We are a part of major international initiatives

Member
CDP Climate Change
CDP Water Program

Member
Paris Pledge for Action

Member
Net-Zero Banking Alliance Steering Group

Member
Business World and Sustainable Development Association (SKD Turkey)

Supporter
TCFD Recommendations

Member
UNEP FI Banking Principles Core Group

Member
International Integrated Reporting Council (IIRC) - Pilot Program

Member
30% Club Turkey

Signatory
Since 2012

Committed
Since 2016
Rewarded internationally for its sustainability focus

SUSTAINABILITY INDICES ON WHICH GARANTI BBVA IS LISTED

- Dow Jones Sustainability Indices
- CDP A List 2022 Climate
- Bloomberg Gender Equality Index
- FTSE4Good
- Sustainalytics
- Thomson Reuters
- BIST Sustainable Index
- Borsa Istanbul
- IJ Global Awards

Only company from Turkey to be in place for 8 consecutive years
Only bank from Turkey in 2022
Only bank from Turkey in 2020
Only company from Turkey to be in place for 6 consecutive years

SUSTAINABILITY AWARDS

- ESG Deal of the Year (with ESG-linked Syndication Loan) (2021)
- Best Sustainable Finance Bank in Central and Eastern Europe (2020)
- Best Sustainable Finance Bank in Turkey (2020)
- Best Sustainable Finance Bank in Central and Eastern Europe (2020 & 2018)
- UNGC Ukraine Local Network – People Category Partnership (2020)
- Most Innovative Environmental, Social and Governance Loan (2020)

Only company from Turkey to be in place for 6 consecutive years
Only bank from Turkey in 2022
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Thank You