

Environmental and Social Loan Standard

Garanti BBVA

Sustainability

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1. Introduction

At Garanti BBVA, we identify climate risk as a source of financial risk that we integrate into our management. Consequently, we incorporate portfolio alignment management into our risk and business processes through medium-term sector plans, alignment plans with annual reviews, and the inclusion of alignment in the individualized client review and transaction origination processes.

Garanti BBVA recognizes its impact on the environment and society. Therefore, it seeks to contribute to sustainable development, both directly, through the responsible use of natural resources and relationships with stakeholders; and indirectly, through the projects it finances.

For this reason, this standard, known as the Environmental and Social Loan Standard (hereafter, "the Standard") has been established to identify activities and sectors that, while contributing to economic growth and social progress, can also have significant environmental and/or social impacts.

2. Purpose

The Standard derives from Garanti BBVA's General Sustainability Policy, which sets forth the primary principles, objectives, and guidelines for sustainable development management and control.

The Standard aims to establish criteria for identifying, evaluating, and monitoring activities with environmental and/or social impacts common to **all sectors**, as well as activities with high environmental and/or social impacts specific to the **mining, agribusiness, energy, infrastructure, and defence** sectors. These criteria include restrictions specific to sectors identified due to their high potential for environmental and social impacts, as well as restrictions common to all sectors, such as **prohibited activities** or **activities requiring special attention**. In the event of a conflict or inconsistency between this Standard and the applicable laws or regulations of a given jurisdiction, the latter shall govern to the extent necessary to resolve the conflict or inconsistency.

3. Identification of Activities and Sectors

During the creation of the Standard across the BBVA Group, the identification of high-impact environmental and social activities and sectors is based on a risk approach that considers their financial relevance to BBVA, their connection to environmental and social risks, and their potential to concentrate material controversies. It also takes into account the priorities of stakeholders.

BBVA conducts periodic reviews to identify emerging environmental and social risks, analyse sector dynamics and adjust the Standard based on international standards (see Annex I), good sectoral practices, and a structured dialogue with stakeholders. Garanti BBVA also takes this Standard as a reference and applies it directly, as does the rest of the Group.

3.1 Dialogue with Stakeholders

BBVA engages with various stakeholders, including sustainability analysts, institutional investors, and civil society organizations, to understand their expectations regarding high environmental and/or social impact activities.

BBVA also monitors expectations expressed by regulatory and supervisory entities concerning environmental and social risk management. BBVA has adopted an inclusive working approach across the Group, including Garanti BBVA.

3.2 Thermal Coal Phase-Out Target

Garanti BBVA has set itself the goal¹ of eliminating its exposure to coal clients under the terms described in section 5.3 of this document. This objective underpins the identification of specific prohibited activities in the mining and energy sectors.

In addition to this thermal coal phase-out target, Garanti BBVA is setting progressive decarbonization targets² for its credit portfolio in certain emission-intensive sectors, although these targets are currently outside the scope of this Standard.

¹ The achievement and progressive advancement of decarbonization targets may be materially affected by the actions of third parties and other factors external to BBVA (such as regulatory changes or armed conflicts). Consequently, these targets may be subject to future revisions.

² The decarbonization targets also cover Garanti BBVA and its relevant financial subsidiaries.

4. Scope of Application

4.1. Subjective Scope of Application

The Standard applies to all business units within Garanti BBVA and its financial subsidiaries³.

4.2. Objective Scope of Application

(A) Defence Sector: Prohibited activities in this sector apply to the financing of defence operations and dual-use material (as this term is defined in the agreements and treaties indicated in Annex I). Defence and security companies will be considered those companies involved in the manufacture, distribution, maintenance, and/or services associated with materials for military or war use.

(B) Mining, Agribusiness, Energy and Infrastructure Sectors: The restrictions in sections **5.Prohibited Activities** and **6.Activities Requiring Special Attention** of the Standard apply to all legal entity clients within Garanti BBVA, where applicable, jointly across all sectors and/or in a manner specific to the relevant sector⁴. Specifically:

■ **Mining:** Clients with mining assets whose primary activities include exploration, development, or exploitation of those assets.

■ **Agribusiness:** Clients whose primary activity is soil cultivation, forest management, livestock farming and fishing. Activities not covered for the purposes of this Standard include the manufacture or distribution of agricultural machinery, pesticides and fertilizers, the manufacture of processed food and beverages and the distribution of food and beverages.

■ **Energy:** Clients who own energy assets and whose primary activity is the exploration, development or exploitation of these assets. Energy assets include the exploration, production, transportation and refining of oil and gas, renewable energy projects (wind, solar, hydroelectric, biomass and biofuels), thermal power generation plants (combined gas cycles and coal plants) and the transmission and distribution of electricity.

■ **Infrastructure:** New construction projects for transport infrastructure (highways, ports, terminals, airports, metro, tram and railway), environmental (waste and water management -treatment, management and distribution-), social (educational and health) and telecommunications (communication cables and networks and data centres).

³ Garanti BBVA Factoring, Garanti BBVA Romania, Garanti BBVA Asset Management, Garanti BBVA International, Garanti BBVA Securities, Garanti BBVA Leasing, Garanti BBVA Pension and Life, Garanti BBVA Fleet.

⁴ Restrictions on the financing of new projects apply particularly to transactions assessed under the Equator Principles. This scope also includes project-specific financing structures and project-related transaction-based financings, such as loans provided under the "use of proceeds" financing model.

5. Prohibited Activities

5.1 Activities Common to All Sectors Covered by the Standard

If there is sufficient evidence⁵ that a new client or new project subject to this Standard engages in any of the following “prohibited activities”, such new client or new project will not be financed. If any of the activities described in this section are detected in existing clients, the entity will activate proposals for managing the relationship with the client that could even lead to discontinuing the financing.

Garanti BBVA establishes the following prohibited activities, common to all sectors covered by the Standard:

- Clients of whom Garanti BBVA has sufficient evidence that they are using child or forced labour, or participating in human trafficking, as these concepts are defined in the ILO Conventions.
- New projects that involve the resettlement or violation of the rights of indigenous or vulnerable groups without their free, prior and informed consent (FPIC).
- New projects that put UNESCO World Heritage sites, RAMSAR wetlands, Alliance for Zero Extinction sites, and International Union for Conservation of Nature Category I-IV areas at risk.
- New projects in critical habitats in the Brazilian Cerrado and Amazon biomes that do not have biodiversity management in line with international good practices.

⁵ For these purposes, Garanti BBVA relies on the assessment of an independent expert, which is complemented, in certain cases, with an internal analysis by expert teams.

5.2 Defence Activities

Garanti BBVA recognizes the right of countries to defend themselves and protect their citizens in a manner consistent with legitimate defence strategies and national security. However, considering the particularities of the sector, it carries out enhanced due diligence which will consist of the evaluation of compliance with the international conventions and treaties listed in Annex I, as well as an assessment, when there are no conventions that regulate the use of the weaponry in question, of the principles of necessity, distinction and proportionality in accordance with International Humanitarian Law:

Regarding **clients**, due diligence will cover ownership, supply chains, end-user and end-use, export authorizations, and international sanctions. If the assessment is negative, the new client will not be accepted. For existing clients, an orderly discontinuation of the relationship will be triggered.

Regarding **transactions**, if Garanti BBVA has sufficient evidence that any of the following prohibited activities are taking place, it will not finance:

- Arms trade operations whose use is prohibited under the Conventions and Treaties listed in Annex I, or that violate the principles of necessity, distinction and proportionality of International Humanitarian Law.
- Arms trade operations to and from countries sanctioned by arms embargoes by the United Nations, the European Union and the United States. In determining the countries sanctioned with an arms embargo, these organizations take into account criteria related to human rights violations.
- Arms trade operations with intermediaries or in which the end user is not a public organization.
- Arms export operations with companies that do not have the relevant export license.
- Export operations of dual-use material to countries sanctioned by the United Nations Security Council, the European Union or the Office of Foreign Assets Control (OFAC).

5.3 Thermal Coal (Mining and Energy Sectors)

Garanti BBVA has set itself the goal of eliminating its exposure⁶ to clients with thermal coal mining activity or electricity generation from thermal coal, in the terms indicated below, by the end of 2040 at the latest, through dialogue with these clients and active monitoring of their portfolio. In any case, Garanti BBVA will continue to support these clients with sustainable solutions⁷ for use of funds in order to help them in their transition.

■ A client with thermal coal mining activity is understood to be: A client with 5% or more of their revenues from the exploration and exploitation of thermal coal mining. Other indirect activities associated with the above are excluded from the calculation of the percentage of revenue, such as trading, transportation or other auxiliary services for mining. For clarification purposes, metallurgical coal mining is not considered as long as it does not come from thermal coal.

■ A client with an activity of generating electricity from thermal coal is understood to be: A client whose main activity is the generation of electricity and which has 5% or more of their installed capacity for the generation of electricity from thermal coal. Electricity generation is considered to be the client's main activity when the income from that activity represents 25% or more of the client's total income.

Thermal Coal Mining

In order to progressively achieve the aim of phasing out its exposure to coal clients, the following restrictions are established for new clients, and Garanti BBVA will not provide financing to:

■ New clients with 25% or more of their revenues from the exploration and exploitation of thermal coal mining dedicated to power generation.

■ New clients with revenues equal to or greater than 5% and less than 25% from the exploration and exploitation of thermal coal mining dedicated to power generation, but who do not have a public commitment to reduce their operations related to thermal coal in line with Garanti BBVA's phase-out objective.

Exceptions: The above restrictions will not apply if the financing is intended for a sustainable purpose⁸ or if it is intended for the dismantling of thermal coal mines.

⁶ In terms of credit exposure: Non-Performing Loans (i.e., exposures classified as Stage 3 under Garanti BBVA's consolidated financial reporting in accordance with IFRS 9) are excluded from the exposure calculation.

⁷ Which are used for sustainable purposes in accordance with existing regulations, internal standards inspired by existing regulations, market standards and/or best practices.

⁸ In accordance with existing regulations, internal standards inspired by existing regulations, market standards and/or best practices.

Restrictions on New Thermal Coal Mining Projects

Additionally, Garanti BBVA will not finance new projects for the exploration or exploitation of new thermal coal mines, or for the expansion of an existing thermal coal mine (regardless of whether the client derives revenue from thermal coal activities, financing will not be provided for new projects within this scope).

Electricity Generation from Thermal Coal

In order to progressively achieve the aim of phasing out its exposure to coal clients, the following restrictions are established for new clients, and Garanti BBVA will not provide financing to:

- New clients with an installed capacity for generating electricity from thermal coal of 25% or more.
- New clients with an installed capacity for generating electricity from thermal coal equal to or greater than 5% and less than 25%, but who do not have a public commitment to reduce their operations related to thermal coal, in line with Garanti BBVA's phase-out objective.

Exceptions: The above restrictions will not apply if the financing is intended for a sustainable purpose⁹ or if it is intended for the dismantling of thermal coal-fired electricity generation plants.

Restrictions on New Electricity Generation from Thermal Coal Projects

Additionally, Garanti BBVA will not finance new projects for the construction of new thermal coal-fired power plants, including new self-consumption plants, or for the expansion of an existing thermal coal-fired power plant (regardless of the client's ratio of installed capacity from thermal coal activities, financing will not be provided for new projects within this scope).

⁹ In accordance with existing regulations, internal standards inspired by existing regulations, market standards and/or best practices.

5.4 Other Sector-Specific Prohibited Activities

If there is sufficient evidence¹⁰ that a project subject to this Standard engages in any of the following prohibited activities, the project will not be directly funded.

5.4.1 Mining

- New artisanal or informal mining projects.
- New asbestos extraction, processing and marketing projects.
- New mine projects with no site closure and reclamation plan or without an occupational health and safety management plan.
- New mining projects with tailings dams not managed according to industry best practices or that dispose of tailings in coastal or shallow waters.
- New seabed mine projects.
- New mining projects in areas of armed conflict.

5.4.2 Agribusiness

- New projects to burn natural ecosystems with the purpose of clearing land for the development of agricultural or livestock projects.
- New projects to clear High Conservation Value and High Carbon Forests.
- New projects for palm oil operations that are not certified or are not in the process of being certified by the Roundtable for Sustainable Palm Oil (RSPO).
- New palm oil projects in swamps and peat-rich areas.
- New deep sea bottom trawling projects (deeper than 600 m below sea level).

¹⁰ For these purposes, Garanti BBVA relies on the assessment of an independent expert, which is complemented in certain cases by an ad hoc internal analysis.

5.4.3 Energy

- New projects or expansion of existing projects¹¹ of exploration, drilling and extraction (upstream) of oil and gas (conventional and unconventional¹²).
- New projects for Arctic¹³ exploration, production and transport of oil and gas.
- New oil sands exploration, production and transportation projects.
- New hydropower plant projects without adequate environmental and social risk management systems in relation to dam safety, environmental impact, labour regulations and population resettlement.

5.4.4 Infrastructure

- New desalination plant projects that lack adequate measures to mitigate the impact of brine removal and/or seawater extraction

¹¹ Developments already considered in the Final Investment Decision (FID) of an existing project will not be considered project extensions.

¹² For these purposes, "unconventional" includes Arctic oil and gas projects, fracking, oil sands and ultra-deep water.

¹³ Arctic has the meaning stated in the ["Arctic Council's Assessment and Monitoring Programme \(AMAP\)"](#)

6. Activities that Require Special Attention

If there is sufficient evidence¹⁴ that a client subject to this Standard engages in any of the "activities that require special attention", Garanti BBVA shall assess the environmental and social impacts derived from the activity to be financed and shall initiate a dialogue and engagement plan with the client (or potential new client), which will include measures aimed at understanding and trying to correct the situation. This shall be followed up on, and may lead to discontinuing financing and/or the relationship with existing clients, or failure to initiate a relationship with potential new clients.

Garanti BBVA establishes the following activities requiring special attention, common to all sectors, as follows:

■ Clients for whom Garanti BBVA has sufficient evidence that they incur in material violations of applicable human rights laws and regulations¹⁵ (not included in the prohibited activities described above) or that are involved in human rights abuses, regardless of whether such involvement violates local legislation in each country.

In addition, Garanti BBVA establishes the following special attention activities depending on the sector to which clients belong:

6.1 Mining

■ Producer clients for whom there is evidence of material controversies related to Mountaintop Removal mining (MTR).

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

¹⁴ For these purposes, Garanti BBVA relies on the assessment of an independent expert, which is complemented in certain cases by an ad hoc internal analysis.

¹⁵ Those laws and regulations that are taken into account at all times by the independent external analyst who supports the execution of due diligence processes.

6.2 Agribusiness

- Clients for whom there is evidence of material controversies related to the production or trade of substances subject to international prohibitions.
- Clients engaged in the production, processing and marketing of palm oil by companies that are not members or are not in the process of becoming members of the Roundtable for Sustainable Palm Oil (RSPO) or equivalent certifications.
- Clients engaged in non-health-related animal testing, unless required by local law.
- Clients for whom there is evidence of material controversies related to the production or trade of products regulated by applicable international conventions according to Annex I.
- New first-generation biofuel production projects.

6.3 Energy

- Clients involved in the construction and operation of nuclear power plants or uranium enrichment facilities with sanctions from the United States Office of Foreign Assets Control (OFAC).
- Clients involved in oil sand exploration, drilling and extraction (upstream) activities.

Annex I- Reference Standards and Best Practices

Standards Applicable to All Sectors:

Garanti BBVA takes into consideration the following international standards and treaties in relation to all sectors covered by this Standard:

In Human Rights:

- [Universal Declaration of Human Rights](#)
- [International Labour Organization \(ILO\) Conventions](#)
- [United Nations Guiding Principles on Business and Human Rights](#)
- [United Nations Declaration on the Rights of Indigenous Peoples](#)
- [OECD Guidelines for Multinational Enterprises](#)

Other General Standards:

- [Paris Agreement of the United Nations Framework Convention on Climate Change](#)
- [United Nations Global Compact](#)
- [United Nations 2030 Agenda for the Sustainable Development Goals \(SDGs\)](#)
- [IFC Performance Standards and Environmental, Health and Safety Guidelines](#)
- [Equator Principles 4](#)
- [Principles for Responsible Banking promoted by UNEP-FI](#)

Mining

Garanti BBVA takes into consideration, as best practices in the mining industry, international standards and treaties such as:

- [Voluntary Principles on Security and Human Rights \(Voluntary Principles\)](#)
- [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](#)
- [Initiative for Responsible Mining Assurance \(IRMA\)](#)

Agribusiness

Garanti BBVA takes into consideration, as best practices of the agriculture industry, international standards and treaties on agriculture such as:

- [Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources \(FAO, IFAD, UNCTAD and World Bank\)](#)
- [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 \(GlobalG.A.P\)](#)
- [Sustainable Agriculture Practice Standard](#) and [Sustainable Agriculture Initiative Platform](#)

Energy

Garanti BBVA takes into consideration, as best practices of the energy industry, international standards and treaties such as:

- [Global Flaring and Methane Reduction Partnership](#)
- [Golden Rules of the International Energy Agency \(IEA\)](#)
- [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 \(EBI\)](#)

Infrastructure

Garanti BBVA takes into consideration, as best practices of the infrastructure industry, international standards and treaties such as:

- [Sector-specific International Finance Corporation \(IFC\) environmental, health and safety guides](#)
- [OECD Framework for better governance of infrastructures](#)
- [Hong Kong Ship Recycling Convention](#)

Defence

Garanti BBVA takes into consideration, as best practices of the defence industry, international standards and treaties such as:

- [Nuclear Non-Proliferation Treaty \(1970\)](#)
- [Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on Their Destruction \(1997\)](#)
- [U.S. Anti-Personnel Landmine Use Policy \(2024\)](#)

- [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 \(2008\)](#)
- [Provisions of the European Union Common Position 2008/944/CFSP on Arms Export Controls \(2008\)](#)
- [Regulation \(EU\) 2021/821 \(2021\)](#)
- [Common Military List of the European Union adopted by the Council on 24 February 2025](#)
- [The International Traffic in Arms Regulations \(ITAR\)](#)
- Although not a convention, but current European regulation, Garanti BBVA takes into consideration Article 12 of [Delegated Regulation 2020/1818](#), exclusion criteria are established for indices labelled as “EU Paris-Aligned Benchmark” or “EU Climate Transition Benchmark”.