

Welcome to your CDP Climate Change Questionnaire 2020

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Established in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets of more than TL 429 bn (USD 72.4 bn) as of December 31, 2019. Garanti has been adding value to the Turkish economy with the synergy created with its majority shareholder BBVA since 2010. As of June 2019, the Bank continues its operations as Garanti BBVA.

Garanti BBVA is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

As of December 31, 2019, Garanti BBVA provides a wide range of financial services to its close to 16.7 million customers with 18,784 employees through an extensive distribution network of 914 domestic branches, foreign branches in Cyprus and one in Malta, and 2 international representative offices in Düsseldorf and Shanghai. Garanti BBVA offers an omni-channel convenience with seamless experience across all channels with 5,260 ATMs, an award winning Call Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Moving forward to maintain sustainable growth by creating value for all its stakeholders, Garanti BBVA builds its strategy on the principles of always approaching its customers in a "transparent", "clear" and "responsible" manner, improving customer experience continuously by offering products and services that are tailored to their needs. Its competent and dynamic human resources, uninterrupted investments in technology, innovative products and services offered with strict adherence to quality and customer satisfaction carry Garanti BBVA to a leading position in the Turkish banking sector. Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti BBVA has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, Garanti BBVA has an actual free float of 50.07% in Borsa Istanbul as of December 31, 2019.

Garanti BBVA's constantly improving business model is driven by its strategic priorities focused on financial health, sustainability, reaching more customers, operational excellence, the best and most engaged team and finally data and technology. Its custom-tailored solutions and wide product variety play a key role in reaching TL 322 bn (USD 54.4 bn) cash loans and non-cash loans. Garanti BBVA's capital generative, disciplined and



sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Since 2014, the Bank has been qualified for BIST Sustainability Index and BIST Corporate Governance Index and continues to be the only bank from Turkey listed in the Dow Jones Sustainability TM Emerging Markets Index, after being qualified in 2015. Last year (2019) marks the fifth consecutive year of index inclusion with valuation on topics such as ethics, governance, financing activities, E&S performance throughout the value chain, risk management, climate change mitigation, transparency, supply chain, human and employee rights.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2019	December 31, 2019	No

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Turkey

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

TRY

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control



C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Director on board	Board Member Dr. Cüneyt Sezgin is the Chair of Sustainability Committee(SC) and a member of Responsible Business Committee(RBC). The SC and RBC formally review and approve the activities related to sustainable and responsible banking and meet regularly to monitor the progress to provide input to all sustainability efforts. SC and RBC are deliberately structured to integrate sustainability concerns (i.e.climate change) and opportunities into all operations, products and services. SC meets to review and take decisions on recommendations raised by the Sustainability Team and Representatives, whereas RBC meets to oversee the progress on the implementation of the Bank's Responsible Business Plan;covering sustainability-ESG efforts, community investment programs, reputation, TCR (transparent,clear,responsible) principles in customer experience, etc. To date, under the leadership of Dr. Cüneyt Sezgin, The Sustainability Committee approved and initiated several sustainability policies and solutions such as Sustainability Policy & Strategy, Climate Change Action Plan, prioritizing renewable investments, increasing the scope of the Bank's E&S Impact

	<p>Assessment Model, announcing a science-based target, etc. For more information, please see our 2019 Integrated Annual Report, p 155 and 159 (https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf)</p>
<p>Chief Executive Officer (CEO)</p>	<p>The President and CEO, who is also a Board Member, is a member of the Sustainability Committee(SC) and the Responsible Business Committee(RBC). SC and RBC formally review and approve the activities related to sustainable and responsible banking and meet regularly to monitor the progress to provide input to all sust. efforts. SC and RBC are deliberately structured to integrate sust. concerns (i.e.climate change) and opp. into all operations, products and services. SC meets to review and take decisions on recommendations raised by the Sustainability Team and Representatives, whereas RBC meets to oversee the progress on the implementation of the Bank's RB Plan; covering sustainability-ESG efforts, community investment programs, reputation, TCR (transparent,clear,responsible) principles in customer experience, etc. To date, with the contribution of our CEO, The Sustainability Committee approved and initiated several sustainability policies and solutions such as Sustainability Policy & Strategy, Climate Change Action Plan, prioritizing renewable investments, increasing the scope of the Bank's E&S Impact Assessment Model, announcing a science-based target, etc. For more information, please see our 2019 Integrated Annual Report, p 155 and 159 (https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf)</p>
<p>Other, please specify Responsible Business Committee</p>	<p>The Responsible Business Committee (RBC) was established in 2017. The RBC has met 4 times since inception in 2017. There are two Board Members in the RBC one of them is a Director on the Board and the other is the CEO. The RBC ensures that responsible business is integrated into the banking functions and into the strategic priorities of Garanti BBVA, also systematically ensures that stakeholders are at the center of the decision-making. The RBC meets to oversee the progress on the implementation of Garanti BBVA's Responsible Business Plan; covering sustainability-ESG efforts, community investment programs, reputation, TCR (transparent, clear, responsible) principles in customer experience, etc. Garanti BBVA's 2019 Integrated Annual Report, (pages 149 to 162, RB Committee: page 159), presents more information about the committees and their roles and responsibilities: https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf</p>
<p>Other, please specify Sustainability Committee</p>	<p>The Sustainability Committee(SC) chaired by a Board Member was established in 2010 and its composition was amended in 2015. The CEO, who is also Board Member is a permanent member of the SC and Responsible Business Committee(RBC) as well. The SC formally reviews and approves the Bank's activities related to sustainability (including its env. performance and risk assessment) and meets to review and takes decisions on recommendations raised by the Sustainability Team and Representatives. SC has met a total of 25 times since its inception in 2010. In 2018 and 2019, the RBC convened with the attendance of the members of the SC and discussed the related topics. In addition, the SC ensures the integration of all material aspects and E&S factors, to</p>

	<p>products and services as well as decision-making mechanisms. The Sustainability Committee approved and initiated several sustainability policies and solutions such as Sustainability Policy & Strategy, Climate Change Action Plan, prioritizing renewable investments, increasing the scope of the Bank's E&S Impact Assessment Model, announcing a science-based target, etc. 2019 Integrated Annual Report, p 155 and 159 :(https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf)</p>
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C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	<ul style="list-style-type: none"> Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives 	<ul style="list-style-type: none"> Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our other products and services we provide to our clients 	<p>Garanti BBVA believes that the concept of sustainability must be embedded throughout its decision mechanisms and business processes to create value for its stakeholders. The Sustainability Committee (SC), established for this purpose in 2010, which formally reviews and approves the Bank's activities related to sustainability and is chaired by a Board Member and meets regularly in order to monitor the progress of and to provide input to all sustainability efforts. The SC's composition was amended in 2015. The CEO, who is also Board Member is a permanent member of the SC and the Responsible Business Committee (RBC) as well. The RBC ensures that responsible business is integrated into the banking functions and into the strategic priorities of Garanti BBVA, also systematically ensures that stakeholders are at the center of the decision-making. The committees are deliberately structured to integrate sustainability concerns (i.e. climate change) and opportunities into all operations, products and services. Committees' role is to agree on strategic direction and action plans.</p> <p>The SC meets to review and take decisions on recommendations raised by the Sustainable Finance Team and Representatives, whereas the RBC meets to oversee the</p>

	<p>Monitoring implementation and performance of objectives</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of other products and services on the climate</p>	<p>progress on the implementation of Garanti BBVA's Responsible Business Plan; covering sustainability-ESG efforts, community investment programs, reputation, TCR (transparent, clear, responsible) principles in customer experience, etc.</p> <p>Our Sustainability web site presents more information: https://surdurulebilirlik.garantibbva.com.tr/en</p> <p>The current memberships of the SC and the RC are as stated in Section "C1.2a". The SC has met a total of 25 times since its inception in 2010 and the RBC has met a total of 4 times since its inception in 2017. In 2018 and 2019, the RBC convened with the attendance of the members of the SC and discussed the related topics.</p> <p>By the end of 2019, Garanti BBVA has around 1,000 Sustainability Representatives, who are responsible for working in coordination with the Sustainable Finance Team to collect data and support the implementation of the decisions taken by the SC within their own departments, from headquarters, regional directorates and branches.</p> <p>Our 2018 Integrated Annual Report, pages 149 and 162, presents more information about the committees and their roles and responsibilities (https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf).</p>
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C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services	Quarterly

			Risks and opportunities related to our own operations	
Other C-Suite Officer, please specify EVP of Corporate and Investment Banking	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Environment/ Sustainability manager	Investment - CIO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	More frequently than quarterly
Facility manager	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Quarterly
Other, please specify Sustainability Representatives	Corporate Sustainability/CSR reporting line	Managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	Not reported to the board

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

Garanti BBVA believes that the concept of sustainability must be embedded throughout its decision mechanisms and business processes to create value for its stakeholders and, as a consequence, has integrated a Sustainability Committee(SC) structure and a Responsible Business Committee(RBC) with Committee Members representing relevant lines of business and departments throughout its organization and with BoD/CEO level ownership. SC meets to review and take decisions on recommendations raised by the Sustainability Team and Representatives, whereas RBC meets to oversee the progress on the implementation of the Bank's RB Plan; covering sustainability-ESG efforts, community investment programs, reputation, TCR (transparent,clear,responsible) principles in customer experience, etc.

The SC, established in 2010, is chaired by a Board member. Its composition was amended in 2015 and the current membership of the SC is as follows: a Board Member who is the Chair of the SC, the CEO, Executive Vice President(EVP) of Corporate and Investment Banking(CIB), Chief Credit Risk Officer, EVP of Human Resources(HR) and Support Services, EVP of Finance and General Accounting and EVP of SME Banking. SC has met a total of 25 times since its inception in 2010. In 2018, RBC convened with the attendance of the members of SC and discussed the related topics.

RBC, established in 2017 and current membership of the Committee is as follows: a Board Member, the CEO, EVP of CIB, EVP of Digital Banking, Customer Solutions and Experience, EVP of SME Banking, EVP of HR and Support Services, EVP of Finance and General Accounting, EVP of Legal Services and Collection and Directors of Project Finance (PF), Strategic Planning and Resp. Banking, Corporate Brand Management and Marketing Communication, Customer Experience and Satisfaction, Small Enterprise Banking Marketing, Investor Relations and Manager of Resp. Banking Coordination.

Committees are deliberately structured to integrate sustainability concerns (i.e.climate change) and opportunities into all operations, products and services. This structure ensures all efforts are consistent with internal policies and regulations. SC meets to review and take decisions on recommendations raised by the Team and Representatives, whereas RBC meets to oversee the progress on the implementation of the Bank's RB Plan; covering sustainability-ESG efforts, community investment programs, reputation, TCR (transparent,clear,responsible) principles in customer experience, etc.

2019 Integrated Annual Report, p155&159, presents more information about the committees' roles and responsibilities.

In 2012, Garanti BBVA established a full-time Sustainability Team(ST) in order to enhance the efficiency of its organizational structure for sustainability. Consisting of 5 full-time members including the Sustainability Manager, the team included environmental engineers.

ST is responsible for the coordination of all sustainability-related activities at the Bank on a day-to-day basis. The Team reporting to SC on a regular basis, works in cooperation with the Bank's other units during the implementation of the decisions taken by the SC. Monitoring the Bank's sust. targets



and performance on a weekly basis, the team ensures the consolidation of sustainability-related data coming from across the Bank and evaluates such data in line with the Bank’s targets. Sustainability web site presents more information about Sustainability Management (<https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/corporate-sustainability-governance/>). By the end of 2018, the Bank has around 1,000 Sustainability Representatives, who are responsible for working in coordination with the ST to collect data and support the implementation of the decisions taken by the SC within their own departments, from headquarters, regional directorates and branches.

Additionally, Garanti BBVA established its Env.and Social (E/S) Loan Policies (ESLP) in 2011 and its E/S Impact Assessment Process (ESIAP) in 2012. ESIAP allows the Bank to determine and mitigate the potential E/S impacts of its customers. The Bank subjects all loans to its ESLP. Projects’ final risk grades are identified and regularly reported to the SC. ST coordinates with BBVA Sustainable Finance and Reputational Risk Unit in its review of operations. For more information: <https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/environmental-and-social-risk-management/>

Coordination among the Branches, Regional Offices and Departments for the Environmental Management System(EMS) is achieved via the Efficiency Team(ET) of Construction Department. The ET is comprised of 6 members and responsible for the application of the EMS in the bank and ensuring the environmental sustainability of the Bank’s internal activities.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	The Bank provides the climate change-related incentives starting from the upper management level to all employees.

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
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Other C-Suite Officer	Monetary reward	Efficiency target	<p>The KPI given below is an example to environmental KPIs and result in better management of the Bank’s environmental footprint and affects Corporate C-Suite Officer (Executive Vice President) who is entitled to benefit from incentives:</p> <ul style="list-style-type: none"> - Continuity of sustainability efforts and ranking in indices. <p>These indices including leadership index of CDP CC and Water are linked to overall sustainability performance including GHG emissions. Garanti BBVA publicly discloses its emission reduction targets and performance in its 2019 Integrated annual Report (For more detail: https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/climate-change-management/).</p> <p>In 2016 after COP21 and Garanti BBVA’s commitment to Paris-Pledge, the Bank decided to take action and determine a long term target emission intensity reduction target that covers its yearly-basis targets. In line with the global best practices, since 2016 Garanti BBVA committed to Science-Based Target Initiative with a long-term emission reduction target instead of setting a short-term target. Within the framework of our long-term objectives, we set a 50% reduction target for our Scope 1 and 2 emissions per total assets against 2012, which is the year when ISO14001 EMS became operational, by the end of 2020. Currently, we have already achieved this target with 66% reduction. As Garanti BBVA, we are working on a new long term target aligned with SBTI. Additionally, The KPIs given below affect corporate executive team as well as all employees who are entitled to benefit from incentives: Digital sales, mobile target, cost/income ratio. These indicators are linked to resource efficiency and achieved through efficiency measures (e.g. reducing the need for courier services, print-outs) that result in reduction of Scope 1, 2 & 3 emissions. For instance, digitalization decreases the work load of resource-intense delivery channels i.e. conventional branches.</p>
Business unit manager	Monetary reward	Emissions reduction target	<p>The KPIs given below are examples to environmental KPIs and result in better management of the Bank’s environmental footprint and affects business unit managers who is entitled to benefit from incentives: Development of sustainable products and services, playing an advisory role to customers/clients to improve their sustainability</p>

			<p>performance, undertaking internal ISO14001 audits, improvement of ESG risk management frameworks, etc:</p> <p>All these indicators are related to increasing our sustainability/environmental performance both within the Bank and on downstream operations, i.e. customer side. The number of environmental reporting made to international initiatives and indices such as CDP and DJSI. This indicator result in better management of climate change related risks since the reporting systems require the Bank to be more transparent about its climate change performance.</p>
Environment/Sustainability manager	Monetary reward	Emissions reduction target Company performance against a climate-related sustainability index	<p>The KPIs given below are examples to environmental KPIs and result in better management of the Bank's environmental footprint and affects business unit managers who is entitled to benefit from incentives: Development of sustainable products and services, playing an advisory role to customers/clients to improve their sustainability performance, undertaking internal ISO14001 audits, improvement of ESG risk management frameworks, etc: All these indicators are related to increasing our sustainability/environmental performance both within the Bank and on downstream operations, i.e. customer side. The number of environmental reporting made to international initiatives and indices such as CDP and DJSI. This indicator result in better management of climate change related risks since the reporting systems require the Bank to be more transparent about its climate change performance.</p>
Other, please specify Sustainability Supervisor and Associates	Monetary reward	Emissions reduction target Company performance against a climate-related sustainability index	<p>Expanding the scope of E&S Risk Management System (Scope 3 emissions), Launching new credit lines to support environmental investments (Scope 3 emissions), number of environmental reporting, supporting customers to increase their awareness on environmental issues including new developments on climate change (i.e. TCFD work, etc.), organizing awareness raising events to support real& financial sectors' knowledge on climate-related issues (e.g. organizing CDP CC report launching event with CDP Turkey), receiving third party assurance on both the implementation and data quality related to environmental factors, improvements in environmental data management, which result in the management of Scope 1&2 emissions.</p>

<p>Other, please specify Energy Efficiency and Environmental Management</p>	<p>Monetary reward</p>	<p>Emissions reduction target</p>	<p>The KPIs given below are examples to environmental KPIs and result in better management of the Bank's environmental footprint and affects energy efficiency and the Efficiency Team who is entitled to benefit from incentives:</p> <ul style="list-style-type: none"> - Implementation and coordination of ISO14001 Environmental Management System at the Bank in order to provide improvements of environmental sustainability of the Bank's activities - Monitoring and reporting of energy consumption data related to environmental factors in all locations (buildings, offices, branches, ATMs etc.) in order to calculate GHG emissions.
<p>Other, please specify Sustainability Representatives</p>	<p>Monetary reward</p>	<p>Other (please specify) Spot Awards</p>	<p>As of 2016, The bank recognizes the branches that undergo ISO14001 audit by the certification body, TÜVSÜD and gives SPOT Awards (an internal award system at Garanti BBVA for outstanding employees) as a recognition to the Sustainability Representative of those branches. In 2019, 23 people received the award, which comes together with monetary award. Spot Award is granted to those who undertake the relevant work associated to the following KPIs:</p> <ul style="list-style-type: none"> - Implementation and monitoring of ISO14001 Environmental Management System, - Improvement and monitoring of environmental performance of the location (branches and buildings), where representative is based and - Data quality related to environmental factors, which result in the management of Scope 1 and 2 emissions.
<p>All employees</p>	<p>Monetary reward</p>	<p>Efficiency target</p>	<p>The KPIs given below affect corporate executive team as well as all employees who are entitled to benefit from incentives: Digital sales, mobile target, cost/income ratio. These indicators are linked to resource efficiency and achieved through efficiency measures (e.g. reducing the need for courier services, print-outs) that result in reduction of Scope 1, 2 & 3 emissions. For instance, digitalization decreases the work load of resource-intense delivery channels i.e. conventional branches.</p>

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	The main short term risks and opportunities associated to climate change are (1) the current and (2) emerging regulations and (3) compliance to legal framework (GHG Monitoring and Reporting, Emission Trading Scheme (ETS), carbon and fuel/energy taxes), and (4) market. One of the potential impacts of the potential regulatory changes could be an increase in the cost of energy or energy intensive materials, which will lead to an increase in the Bank's energy procurement which makes up for ~4% of total procurement spending (Direct Operations). Another regulatory-related impact may occur due to failure to comply with legal framework may result in environmental fines would impact the borrowers' operating conditions and licenses. Both changes may influence the borrowers' EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and ultimately impact their repayment capacity to lenders (Downstream). Reputation management in the

			Market is also relevant for short term and would increase over the medium and long term as the level of awareness and expectations on climate change from Banks among material stakeholders such as international financial institutions, retail customers and investors would increase. We consider short-term risks and opportunities up to 3 years. Details on how Garanti BBVA identifies, assesses and manages short term risks and opportunities are explained in the following sections.
Medium-term	3	10	The main medium term risks and opportunities associated to climate change are (1) emerging regulations (both local and international) which further increase the pressure on fossil fuel-dependent industry and change the competition landscape for those who export products to developed markets (We do believe that such regulations could result in an additional carbon tax cost for a fossil-fuel power plant), (2) The impact of upstream market transition and the need for keeping up with the latest ESG developments to capture the stakeholders' expectations on climate change issues (Failure to meet these expectations could damage reputation resulting in a loss of investor support and customer loyalty, among other challenges), (3) The loss of market share due to lack of proactive investments on capacity building and risks associated to the vulnerability of the loan portfolio to climate change in terms of both legal, market, sector specific (e.g. tourism, energy, agriculture, real estate, etc.) and (4) physical led impacts and opportunities, which are grasped when the right products and services are offered in the right time, (5) chronic physical impacts such as a mean increase in temperature may increase the direct operational cost and water scarcity and drought which has a direct impact on Hydro-Electrical Power Plant projects (The impacts due to water scarcity and drought on hydro-power industry are considered in both medium-term and long-term).
Long-term	10	30	The main long-term risks and opportunities associated to climate change are (1) Physical impacts on existing settlements which could accelerate the demand for the financing of new infrastructure projects (Regional migration (e.g. from southern and northern cities to western cities), which might be a result of deterioration in people's livelihood due to climate effects and acute physical changes. This would ultimately affect the Bank's branch distribution and delivery channel strategy. The overall aggregate impact of climate change on economic growth would also be negative in the long run and impact every company operating in Turkey with varying levels. For instance increased food prices and the cost of energy would increase the inflation and interest rates, therefore decreasing the Banking sector's profitability), (2) Water scarcity and drought which has a direct impact on Hydro-Electrical Power Plant projects, and (3) Reducing direct energy costs by formalizing the Bank's approach to GHG emissions management to provide green transition in our direct operation, resource efficiency and savings in consumption costs in long-term. We consider long-term risks and opportunities as 10 years and over. Details on how Garanti BBVA identifies, assesses and manages short term risks and opportunities are explained in the following sections.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

The basis of identifying and assessing climate-related risks and opportunities (R&O) on both transaction and portfolio level is the Materiality Analysis explained on p42 of our 2019 Integrated Annual Report. In the assessment, Garanti BBVA ranked each R&O according to the magnitude, likelihood and time frame of their impact in terms of; (i)direct financial impact and risk, (ii)legal, regulatory and policy drivers, (iii)opp. for innovation, (iv)industry norms, practices and competitive advantage. This ranking constitutes the basis for what the Bank assumes as “substantial”. Based on this definition, the quantifiable indicators used to define substantive financial or strategic impact include but not limited to: % of carbon-related assets of the portfolio, % of greenfield coal power projects in project finance, % of renewable energy financing in project finance, % of renewable energy consumption, % of projects subjected to ESIAM, etc.

In line with our strategic priorities, climate-related substantial R&O are grouped under 4 different clusters of material issues; (1)customer experience, (2)digital transformation, (3)investing in human capital, (4)responsible and sustainable development.

(1)Efforts under Customer Experience enable effective management of current and emerging regulation, legal, market, reputation, downstream, acute and chronic physical R&O. The market and reputation R&O are usually portfolio level, whereas the rest can be both on transaction and portfolio level. Informing the customers on environmental and social trends will stay as an important topic in the Bank’s agenda especially with respect to corp. and commercial customers.

(2)Efforts under Digital Transformation enable effective management of technology, acute and chronic physical risks, downstream, upstream and market R&O. Technology and market R&O are usually portfolio level, whereas the others can be both transaction and portfolio level.

(3)Efforts under Investing in Human Capital enable effective management of current/emerging regulation, technology, market, reputation, acute and chronic physical, upstream and downstream R&O. The market, technology, reputation R&O are usually portfolio level, whereas the rest can be both on transaction and portfolio level.

(4)Efforts under Responsible and Sustainable Development enable effective management of current/emerging regulation, market, reputation, acute/chronic physical, downstream risks/opp. The market and reputation risks/opp. are usually portfolio level, whereas the rest can be both on transaction and portfolio level.

A good example for climate related substantive financial impacts on our portfolio would be this: As of December 2019, the total hydroelectric power plant exposure (HEPP) exposure in our Project Finance portfolio was 12%. In 2019, drought led to a revenue loss of USD 4 mn (TRY 23 mn) in cash flows of our HEPP portfolio. This means 12% of our PF portfolio is prone to climate-related risks, especially the drought-related ones. This is a substantive financial risk for the Bank. In order to better manage this risk, we apply our E&S Impacts Assessment Model in line with strictest

international standards, and for HEPP projects we have further set of questions and criteria to also analyze the cumulative effects in the basin. We define financial impacts' magnitude up to TRY 1 million as Low, TRY 5-20 million as Medium, and TRY 50 million and over as High impact.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Upstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

Garanti BBVA's track record on the management of E&S risks, as well as its capability to tailor existing products according to the UN SDGs and having qualified for 9 different sustainability indices including DJSI play an important role in accessing low cost funding. This low cost funding enables us to offer more favorable loans with innovative products and services to our customers. In 2019, Garanti BBVA secured funds worth USD 182.75 mn (TRY 1.1 billion) in this scope from international finance institutions. This amount accounts for 8.3% of the total financing the Bank secured in 2019. We aim to reinforce our pioneering position in the sector by continuing to issue Green/Social/SDG Bonds.

(i) In Dec 2019, we issued a USD 50 mn inaugural Green Bond with a 5 year maturity. The net proceeds from the issue of the Notes will be applied by the Issuer for financing or refinancing, in part or in full, new and/or existing Green Projects as defined under the BBVA SDGs Bond Framework including energy efficiency, sustainable transport, water, waste management and renewable energy.

(ii) Another milestone in 2019 was achieved in the inclusive capital area. In Dec 2019, a loan agreement was executed with IFC, OeEB and GGF in order to obtain a loan with an amount of USD 132.75 mn and a maturity of 6 years. This loan will be used to support small enterprises located in 22 Turkish provinces which are lesser developed and most impacted by population under temporary protection, women entrepreneurs and energy efficiency & renewable energy projects.

A reputational damage due to controversial issues or uncertain ESG related risks in lending book may result in disruption of the borrowings and security products entailing ESG criteria which accounts for 8.3% of the total financing the Bank secured in 2019. This ratio was 5.8% the previous year. Over the years, we have seen a significant increase trend in the share of ESG criteria related funding within the Bank's total borrowings. Disruption of such low-cost borrowings could have a substantive financial or strategic impact on the Bank in short, medium and long-term. However, the Bank can exceed stakeholder expectations and enhance its reputation by proactively addressing climate change and other E&S concerns. Ability to meet these expectations could result in an increased level of collaboration with international financial institutions as well as increased investor support and customer loyalty.

In order to prevent such potential upstream damage/risks and to respond stakeholder demand on climate change action, Garanti BBVA adopts and manages the risks in three aspects:

(1) Management of E&S Risks:

(i) Garanti BBVA initially set up its E&S Loan Policies (ESLP) in order to minimize the indirect impacts of loans granted by the Bank and put them into practice in 2011. These policies constitute the environmental and social principles governing the extension of loans at Garanti BBVA Bank through which the Bank runs the "E&S Impact Assessment Process" (ESIAP). Within the scope of ESIAP, the Bank ensures that the projects financed by the Bank satisfy the social and environmental standards required by legislation and the Bank's policies.

(ii) Garanti BBVA's majority shareholder BBVA released stricter sector norms for energy, mining, agriculture, and infrastructure sectors in 2018. As a member of the BBVA Group, Garanti BBVA adopts the Norms for E&S due diligence. Sector Norms were updated in 2019 and new updates are added in each year which means there will be another one in 2020.

(iii) The Bank published its Climate Change Action Plan Statement in 2015

(iv) The Bank focuses its activities on combating climate change on four main areas which are putting a price on carbon and prioritization of renewable energy investments, reducing deforestation, managing water-related risks and establishing green office standards.

(2) Collaboration with Initiatives (Memberships and Policy Dialogues):

Garanti BBVA works with peers to enhance the business practices on sustainable banking. As the Chair of Sustainable Banking and Finance Working Group of UNGC Network Turkey, we led the efforts to develop the Declaration on Sustainable Finance. The signatory banks commit to a set of criteria for E&S risk management in their lending activities. The Declaration was launched in 2017 during the V. Sustainable Finance Forum organized by BCSD Turkey, of which the Bank is also one of the main sponsors.

We became the first bank in Turkey to sign the UNGC's Business Leadership Criterion Carbon Pricing in 2015 as well as becoming the first

bank in Turkey to ratify the Caring for Climate statement, an initiative aimed at advancing the role of business in addressing climate change. In March 2018, the Bank became a member of UNEP FI Banking Principles Core Group. The core group developed the principles and framework that will redefine and affirm the banking industry's key role in shaping and financing a sust. future, in alignment with internationally agreed targets detailed in the Paris Agreement and the UN SDGs. <http://www.unepfi.org/news/industries/banking/principles-coregroupannouncement/>

Additionally, Garanti BBVA's majority shareholder BBVA released its Pledge 2025 for climate change and sustainable development. According to this pledge BBVA will mobilize EUR 100 billion by 2025 to fight climate change and drive sustainable development and Garanti BBVA will be one of the contributions as all other geographies where BBVA Group operates.

Driven in large part to ensure that Garanti BBVA retains a reputation for excellence and leadership in the Turkish market, the Bank has and will continue to institute comprehensive efforts to address climate change under the following 4 clusters: (i)Customer Experience, (ii)Digital Transformation, (iii)Investing in Human Capital, (iv)Responsible and Sustainable Development.

(3) Supply Chain Management: The Bank includes climate concerns in the decision making mechanisms for its supply chain. We released our Code of Conduct for Suppliers to regulate supplier behavior in line with the Bank's commitment to env. and ethical values. Code of Conduct for Suppliers includes provisions on ISO14001 as well as other env. initiatives the Bank has committed to. Full commitment and compliance is expected from each supplier. A clear example of climate-centered decision-making in supply chain would be our preference for environmentally-friendly utilities which accounts for ~4% of our entire procurement spending. We signed agreements with utilities that generate electricity from only renewable energy. As RE power plants, they have minimum env. impact. We hope that this exemplary practice would be adopted by the other players in the sector as well.

Value chain stage(s) covered

Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

Garanti BBVA believes that the main CC related risks lie with the downstream impacts arising from financing activities. Downstream risks are mostly associated to the vulnerability of the loan portfolio to CC in terms of both legal, market, sector specific and physical led impacts. The Bank has been investing in internal capacity building on E&S risk management over the past 10 years.

Garanti BBVA identifies and manage E&S risks and opportunities (R&O) including those associated to climate change through the Climate Change Action Plan, E&S Impact Assessment Process (ESIAP), non-financial KYC process and Sector Norms. For instance, the Sector Norms are defined based on a heat-map, i.e. an intersection of most climate-vulnerable sectors and sectors where the Bank has the largest exposure. The Bank has a team of 6, specialized in sustainable finance and management of E&S risks including climate change.

Short-term:

Credit Risk: Potential non-compliance risks associated to our loan portfolio might lead to a growth in NPL. The legal risks associated to climate change vary from environmental sanctions to the uncertainty in the legal framework. The financial impact of non-compliance to environmental permits may lead to suspension of operations. For a large scale power plant, the financial impact of such risks could be as high as TRY 206 million for just one month. This would clearly have a substantive impact on the cash flows in Project Finance segment makes up for 21% of the Bank's entire loan portfolio.

In order to mitigate the non-compliance risk in the projects financed, loan agreements are reviewed by Sustainable Finance Team and the Legal Department through our ESIAP. The Bank also requests an E&S Action Plan (ESAP) in order to assess and monitor the customer's legal liabilities due to env. regulations. This plan is also included in the loan agreement. As of Dec 2019, we assessed 73 projects through ESIAP and supported our customers to realize their investments in line with the legal framework on environmental issues and even beyond, i.e. international standards. Our requirement on compliance to international best standards also ensures borrowers to get prepared for stricter legal framework and eliminates the future non-compliance risks.

Medium term:

Credit Risk due to Emerging Regulatory: Turkey seeks to establish its own emissions trading scheme (ETS) within the World Bank's PMR Project. The regulatory framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 17.05.2014. The regulation requires companies from energy-intensive sectors to monitor, report and verify their CO2 emissions. While ETS would not apply directly to Garanti BBVA, it could indirectly impact the company in at least two ways: (1) by imposing new demands on borrowers, especially for project finance (21% of entire loan portfolio), which could impact project performance and ability to repay.

and (2) by leading to an increase in the cost of energy or energy intensive materials .

To insulate from price increases, Garanti BBVA shifted towards a low-carbon portfolio through implementing a shadow price on carbon in cash flow projections of thermal power plants. Since 2014, 100% of the project finance loans the Bank provided for greenfield power plants have been allocated to renewable energy projects as we publicly disclose in our Integrated Annual Reports.

Market R&O: We proactively invested in our human capital for renewable energy in mid-2000s and therefore hold the market leader position for wind power projects with 27.5% market share. The Bank's investment in human capital on env. issues through trainings also resulted in better management of loan portfolio-related climate risks or developing innovative products/services. We provided USD 5.2 bn of financing to renewable energy investments thanks to our internal capacity building efforts in this sector. Also, such efforts enabled us to secure favored lending from international financial institutions to support low-carbon investments. Garanti BBVA is expected to have ~10-15% market share from future renewable pipeline over the next 3-4 years. The cost of not proactively investing on capacity building might result in a loss of this potential market share. To secure its share in the renewable market, the Bank invests in employees focusing on their development and form teams acting with climate change responsibility. This helps the Bank to build internal capacity on low-carbon technologies and better assist customers in their investments. The Bank currently has a team of 7 people specialized in energy sector, especially renewables.

Long term:

Credit Risk due to Acute Physical: Water scarcity and drought caused by climate change has a direct impact on Hydro-Electrical Power Plant projects financed by Garanti BBVA in terms of operation and financial return. This might affect the borrower's ability to repay the loan. An example for the substantive risk and impact in our downstream can be portfolio level risks related to CC issues such as drought. In 2019, drought led to a revenue loss of USD 4 mn (TRY 23 mn) in cash flows of our HEPP portfolio (12% share in PF exposures).

The Bank expects from its customers to examine impacts of CC on hydro-electrical power plant (HEPP) projects thoroughly. Water-related criteria in the assessment process includes; selection of project area, current characteristics of water prior to the project, impact on ground&surface waters, water quality&quantity after the project, alternative water supply sources. For instance, we helped one of our strategic clients to understand the E&S risks in their HEPP project during the feasibility assessment. During our risk assessment, we identified 8% decrease in expected precipitation, 1 degree increase in temperature as well as ~15% flow decrease in the dam basin, leading to ~15% decrease in the production, which was a major shift in the initial cash flow models. The client decided to move on with a geothermal investment instead of the hydro project. It is also important to highlight that the Bank favors wind&solar projects since HEPP projects are more vulnerable to such risks and have more negative impact on the environment and also they have higher construction risks compared to wind&solar projects. Additionally, our E&S experts conduct regular site visits to monitor the implementation of the ESAP items including water management risks. In 2019, 29 site visits were conducted. Besides, the Bank organize workshops on Sustainability&Risk Management, where stakeholders including customers and non-governmental organizations are informed on recent topics related to sustainable business models, such as innovative ESG

practices, green financing options, risks stemming from digitalization, new trends in relation to transparency and non-financial reporting and env. risk perception in the insurance industry.

Value chain stage(s) covered

Direct operations

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

Garanti BBVA has secured significant reduction in carbon intensity over the years as a result of the long-standing efforts in relation to carbon footprint. Resource consumption and carbon emissions of the Bank by years have been presented in its Integrated Annual Reports on a yearly basis. Garanti BBVA will carry on and further expand its environmentally-sensitive and pioneering initiatives in the years ahead, thus continuing to contribute to social and environmental benefits.

Short term:

Operational Risk due to Emerging Regulation: As mentioned above, Turkey is in the process of establishing its national ETS as a member of The World Bank's PMR Project. One of the potential impacts of ETS could be an increase in the cost of energy or energy intensive materials, which will lead to an increase to the Bank's energy procurement which makes up for ~4% of total procurement spending. As an EU Member Candidate, we take the model applied in Germany, where there is a 21% renewable energy surcharge. Based on our current energy consumption, it is estimated that such practice could lead to TRY 18 million increase in our energy bills. In order to mitigate these risks, we invest in energy efficiency projects and switch to renewable energy consumption in our service locations.

Medium term:

Operational Risk due to chronic physical risk: Lack of investment in energy efficient technologies might result in increased vulnerability to physical climate impacts such as a mean increase in temperature (the approximate annual temperature increase is around 2.7% in 2019), resulting in increased operational costs. Such fluctuations in temperature could significantly increase the yearly electricity consumption of the Bank. This would result in an additional cost (around TRY 2.4 mn) at Garanti BBVA taking into consideration the electricity consumption in 2019. To insulate from price increases, Garanti BBVA has invested in energy efficiency across its operations since 2017. The total amount of investment has reached to TRY 64.5 mn as of end of 2019. These investments include LED and AC replacements (To date, replacement of lighting systems in 804 branches and AC in 575 branches have been completed and the estimated life-time of the LED and AC devices is assumed to be more than 20 years), installations of roof type solar panels with the operational installed capacity of 6 to 50 kW for our service points at 3 locations and trigeneration unit at the Bank's Zincirlikuyu HQ Office.

Regarding the increase in the electricity unit price for the last 10 years (From 2009 to 2019), the estimated annual increase rate is around 15.5%.

Garanti BBVA has considered all these variables and estimated life-time of energy efficiency investments and taken to prevent additional operational cost increase.

Long term:

By formalizing Garanti BBVA's approach to GHG emissions management, the Bank enhance its ability to strategically reduce energy costs. In 2019, Garanti BBVA continued to put further efforts to minimize its direct impacts. In 2019, Zincirlikuyu Head Office building earned Platinum certificate in LEED Platinum certificate, becoming the first bank to have received such recognition in Turkey. Besides Zincirlikuyu Head Office building, we have 4 more buildings with LEED certificate (1 Platinum, 3 Gold).

Due to emissions reduction activities such as energy efficiency implementations mentioned above, Garanti BBVA has saved in terms of electricity consumption since 2017. In 2020, savings will be 12,882,575 kWh corresponding to TRY 10,306,060.

One of the important milestones is establishing ISO 14001 Environmental Management System (EMS) in order to manage our direct and indirect environmental impacts in an effective and systematic way. To ensure compliance with the EMS requirements in all stages of its banking activities, Garanti BBVA began providing training to its employees. These training sessions aim to keep the Bank's employees informed of the latest legal developments, voluntary initiatives and customer feedback regarding the environmental and social issues. The EMS is managed by the Efficiency Team in collaboration with the Sustainable Finance Team under the leadership provided by the Sustainability Committee.

Following its ISO 14001 accreditation in 2012, the Bank started to determine targets for energy consumption and other environmental impacts in order to improve its environmental performance in 2012. Currently Garanti BBVA maintained its 100% coverage for ISO14001 certification at all service points, following the audits conducted by an independent consultant on an early basis. As a result, Garanti BBVA is still the first and only bank that operates an EMS in such a large area and context in Turkey.

As another milestone, Garanti BBVA published its Climate Change Action Plan Statement in 2015. The statement focuses on combating climate change on four main areas: (1) putting a price on carbon and prioritization of renewable energy investments, (2) reducing deforestation, (3) management of water risks related to climate change, and (4) establishing green office standards. Under the 4th pillar, the Bank has undertaken numerous efforts aimed at reducing energy use at new and existing facilities. For existing facilities, these include changes in lighting, mechanical systems, air-conditioning, information technology and more. For new facilities, the Bank intends to build to industry leading standards for energy efficiency.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	<p>The Regulatory Framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 17.05.2014. A revision was released on 31.05.2017. The regulation required companies from energy-intensive sectors to monitor, report and verify their CO2 emissions until 31.10.2017. While this regulation wouldn't apply directly to Garanti BBVA, it could indirectly impact the company in at least two ways:(1) by imposing new demands on borrowers, especially for project finance, which could impact project performance and ability to repay; (2) by leading to an increase in the cost of energy or energy intensive materials (estimated cost could be as high as TRY 18 mn). In anticipation of such climate-related regulations, Garanti BBVA already includes potential future carbon taxes in financial modeling and projections of power plant projects to ensure that they would still fulfill their financial obligations.</p> <p>Regulation on Energy Performance in Buildings came into force in 2008. As of Jan 2011, all qualifying new buildings must meet minimum design requirements for energy efficiency. This regulation was expected to apply to new office buildings, for example Garanti BBVA's Pendik Tech Campus. As the Bank already builds new facilities to achieve energy savings, it would expect this regulation to impose negligible additional costs. Energy efficiency requirements typically impose a maximum 2% increase in traditional building costs.</p> <p>In 2017, the Ministry of Energy and Natural Resources (MENR) and its General Directorate for Renewable Energy implemented a unique procedure for the solar and wind energy resource areas with the Regulation for Renewable Energy Resource Areas (RERA). It requires that locally manufactured products will be used in the generation facility to be built in the RERA; either through manufacture by the applicant itself or through supply from other local manufacturers, depending on the</p>

		<p>case. As an opportunity, RERA will help to development the market of the manufacturing of local products and will motivate the investors as RERA is the priority of the government. In the energy sector, renewable energy projects will be prominent as they were in 2019 and “Renewable Energy Resources Area” (YEKA) projects will be at the forefront in our pipeline in 2020. The projected RERA pipeline (~%10-15 market share) will create an opportunity over the next 3-4 years.</p>
Emerging regulation	Relevant, always included	<p>The main emerging regulatory risk associated to climate change is a possible future carbon tax scheme, or an Emission Trading System (ETS). Turkey seeks to form its own emissions trading scheme (ETS). In preparation for this, the regulatory framework on ‘Monitoring GHGs Emissions’ was published by the Ministry of Environment and Urbanization in the official gazette on 17.05.2014. The regulation requires companies from energy intensive sectors to monitor, report and verify their CO2 emissions.</p> <p>Recent researches point out the necessity of improving the existing regulatory framework through the utilization of a mixture of different market tools such as carbon tax or an ETS moving forward. In line with such researches, a study called “Analytical Report of Preparation for Carbon Markets Partnership in Turkey” was prepared by Ministry of Environment and Urbanization under Partnership for Market Readiness (PMR) Program and published in May 2017. According to the report, the “Regulation on Increasing the Efficiency of Energy Sources and Energy Use” defined the rules of support mechanisms, certification and precautionary measures to improve energy efficiency and energy management. The report also aims to reduce energy costs and prevent energy losses. It is stated that the a potential carbon tax implementation will support the objectives of the this regulation and promote more efficient use of energy. In order to mitigate these risks on the projects financed, Garanti BBVA includes potential future carbon taxes in financial modeling and projections of carbon-intensive projects financed to ensure that they would still fulfill their financial obligations. Garanti BBVA also joined Carbon Pricing Leadership Coalition (CPLC) Steering Committee and was presented as a case study for its practices on carbon pricing through a webinar organized in collaboration with Yale University, World Economic Forum and Carbon Pricing Leadership Coalition. For details please refer to: https://cbey.yale.edu/events/integrating-an-internal-price-on-carbon-lessons-from-garanti-bank.</p>
Technology	Relevant, always included	<p>Lack of investment in energy efficient technologies might result in increased vulnerability to physical climate impacts such as a mean increase in temperature, resulting in increased operational costs. Such an increase can be as high as TRY 2.4 mn per year, assuming an increase in average temperature during summer.</p> <p>We also have an Emergency Action Plan in order to secure uninterrupted service in emergency cases including extreme weather events and electricity cuts (i.e. in the event of physical damage on transmission lines due to extreme weather conditions).</p>

		Finally, Garanti BBVA is developing internal capacity to integrate technological risks in our environmental and social risk management system, especially for electricity transmission lines.
Legal	Relevant, always included	The legal risks associated to climate change vary from environmental sanctions to the uncertainty in the legal framework. Garanti BBVA has developed a comprehensive approach to analyze each project against specific environmental and social (E&S) criteria. The Bank runs its E&S Impact Assessment (ESIA) Process and requests an E&S Action Plan in order to assess and monitor the customer's legal liabilities due to environmental regulations. This plan is also included in the loan agreement. By the end of 2019, Garanti BBVA assessed 73 projects within the scope of its ESIA Process and supported its customers to realize their investments in line with the legal framework on environmental issues and even beyond, i.e. international standards. In order to mitigate the non-compliance risk in the projects financed, loan agreements are reviewed by Sustainable Finance Team and the Legal Department. Our requirement on compliance to international best standards also makes the Bank's borrowers to get prepared for stricter legal framework and eliminates the future non-compliance risks. The financial impact of non-compliance to environmental permits and licenses may lead to partly or fully suspension of operations. Such an event would cost to a large scale power plant (7,500 GWh annual production) as high as TRY 206 mn of revenue loss in case of a one-month suspension of operations.
Market	Relevant, always included	Climate impacts increasingly confront companies with unplanned and abrupt changes or disruptions to businesses or assets. In addition, companies face transition risk to a low-carbon economy. All these factors are changing the competition landscape and turn out to be a survival issue for the private sector. Such market conditions force companies to be flexible and proactive enough to gain the ability to transform their businesses according to emerging trends. For instance we have provided nearly USD 5.2 bn of financing to renewable investments so far thanks to our internal capacity building efforts on this sector. Also, capacity building efforts enabled us to secure favored lending from international Financial institutions for supporting low-carbon investments. In 2019, Garanti BBVA turned towards sustainable deals, which are increasingly attracting interest also in the global market, and issued a 5-year Green Bond of USD 50 mn under the GMTN program and a loan agreement which was another important milestone achieved in the inclusive capital area, was executed with IFC, OeEB and GGF in order to obtain a loan with an amount of USD 132.75 mn. The part of this loan is used to support energy efficiency & renewable energy projects. A reputational damage due to controversial issues or uncertain ESG related risks in lending book may result in disruption of the borrowings and security products entailing ESG criteria which accounts for 8.3% of the total financing the Bank secured in 2019. This ratio was 5.8% the previous year. For instance, Garanti BBVA issued the first residential mortgage covered bond ever, which is IFC has invested the first time Turkey as well. Beginning from 2014, 100% of the total amount of financing to greenfield electricity production investments in project finance activities has been provided to

		<p>renewable investments. Garanti BBVA is expected to have ~%10-15 market share from future renewable pipeline over the next 3-4 years. The cost of not proactively investing on capacity building might result in a loss of market share worth to as high as USD 0.2 bn.</p>
<p>Reputation</p>	<p>Relevant, always included</p>	<p>Failure to meet stakeholder expectations on climate issues could damage reputation resulting in a loss of investor support and customer loyalty, among other challenges. The scale of financial impact related to reputational damage due to controversial issues could result in disruption of the borrowings entailing ESG criteria. In 2019 Garanti BBVA secured funds worth USD 182.75 mn in this scope from international finance institutions. This amount accounts for 8.3% of the total financing the Bank secured in 2019. Garanti BBVA implements an E&S Impact Assessment Process as stated in the 'Legal' Section to help drive improvement across its loan portfolio.</p> <p>In order to respond stakeholder demand on climate change action, Garanti BBVA published its Climate Change Action Plan Statement in 2015. The Bank focuses its activities on combating climate change on four main areas: carbon pricing and prioritization of renewable energy, reducing deforestation, management of water risks, and establishing green office standards.</p> <p>Besides the company level efforts, Garanti BBVA works with peers to enhance the business practices on sustainable banking. As the Chair of Sustainable Banking and Finance Working Group of UNGC Network Turkey, Garanti BBVA led the efforts to develop the Declaration on Sustainable Finance. The signatory banks commit to a set of criteria for E&S risk management in their lending activities. In 2018 and 2019, we expanded the scope of Declaration to include a larger portion of the Banks' portfolios and some provisions to ensure better control of Banks on the impact of projects financed. Please also see: https://surdurulebilirlik.garantibbva.com.tr/sustainability-blog/global-compact-turkey-s-declaration-on-sustainable-finance-has-been-updated/</p> <p>Garanti BBVA, being the only founding member bank from Turkey in the UNEP FI's Principles for Responsible Banking Core Group, became a signatory of the Principles in 2019. The Principles, aimed at aligning the banking sector with the UN SDGs, will provide substantial contribution to these goals along with the Paris Agreement by setting the roadmap for the banking sector.</p> <p>For more information: http://www.unepfi.org/news/industries/banking/principles-coregroupannouncement/ .</p> <p>The Bank became the first bank from Turkey to sign the UNGC's Business Leadership Criterion Carbon Pricing in 2015 as well as becoming the first bank in Turkey to ratify the Caring for Climate statement.</p>



<p>Acute physical</p>	<p>Relevant, always included</p>	<p>In 2019 Global Risks Report by the World Economic Forum, environmental risks due to climate change take the first spot within the top ten major risks in terms of both impact and likelihood. Natural disasters that claimed lives and destroyed property globally dominated the news throughout the year. Many people died in devastating floods, typhoons, heatwaves, etc. Climate change amplified 15 extreme weather disasters in 2019 that caused at least a billion dollars in damage in each case, and seven of the events on the list cost over USD 10 bn each.</p> <p>In 2019, a total of 935 extreme weather events were recorded in Turkey. Heavy rainfalls (35%), storms (27%) and hails (18%) were top 3 in 935 events in 2019. The record breaking hail in July 2017 which only lasted 20 minutes was estimated to cost TRY 1.2 bn in damages. The extraordinary tornado in November 2017 in Antalya damaged 1.8 million square meters of greenhouse area, which will cause a major blow in the region’s agriculture sector and ultimately our country’s annual food supply.</p> <p>By the end of 2019, Garanti BBVA assessed 73 projects within the scope of its E&S Impact Assessment Process and supported its customers to make their business more resilient to impacts of climate change including acute physical impacts. For instance, we assess whether the borrowers include natural disaster risk in their emergency response plan in line with the regulations and international standards.</p> <p>We also provide trainings to our customers in collaboration with other stakeholders to raise the awareness on such risks. For instance enhance the climate-related risk management of our corporate customers through trainings organized with CDP. Garanti BBVA also has an Emergency Action Plan to mitigate such risks in its own operations as described under “Technology” section. This Plan allows us to ensure business continuity in case of an emergency situation.</p>
<p>Chronic physical</p>	<p>Relevant, always included</p>	<p>The main chronic physical risks can be considered as increase in mean temperature, changing precipitation regime, chronic heat waves, floods and drought. According to the 2019 Annual Climate Report of General Directorate of Meteorology (GDM), annual mean temperature of 2019 was 1.2oC higher than normal mean temperature recorded between 1981-2010 and a total of 935 extreme weather events were observed. The reports also presents that the mean seasonal temperatures were recorded as 1.3oC higher in winter; 0.7oC higher in spring; 1.0oC higher in summer and 1.9oC higher in autumn in 2019 when compared to the mean temperature of 1981-2010.</p> <p>An increase in average temperature during the summer could meaningfully increase our cooling costs, especially AC need for our IT equipment, compared to the previous years. This would result in an additional annual cost of TRY 2.4 mn. In 2019, Garanti BBVA invested TRY 2 mn (incl. TRY 1.6 mn for AC replacements) in energy efficiency efforts, which could insulate the company from energy costs. The total cumulative amount of our investments on eeneegy efficiency equipment has reached to TRY 59 mn by the end of 2019. For new facilities, Garanti BBVA intends to build to industry leading standards. For</p>

		<p>example, we invested in three rooftop solar power plants with the operational installed capacity of 6 to 50 kW for our service points in three cities and our Pendik Tech Campus was built to meet LEED-certification. Additionally our Zincirlikuyu HQ has been awarded the LEED Platinum certificate in 2019.</p> <p>According to World Resource Institute, Turkey is among the countries that will be extremely water-stressed by 2040. Water scarcity and drought caused by climate change have a direct impact on hydro-electric power plant (HEPP) projects financed by Garanti BBVA in terms of operation and financial return. For instance, drought in 2019 led to a revenue loss of USD 4 mn (TRY 23 mn) in cash flows of our HEPP portfolio.</p>
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C-FS2.2b

(C-FS2.2b) Do you assess your portfolio’s exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	<p>Garanti BBVA identifies and assesses its portfolio exposure to climate-related risks and opportunities in 3 levels: (1)Transaction Level; (2)Sector Level; (3)Portfolio Level.</p> <p>Efforts under Customer Experience enable effective management of current and emerging regulation, legal, market, reputation, downstream, acute and chronic physical risks/opp. The market and reputation risks/opportunities are usually seen at sector and portfolio levels, whereas the rest can be both at transaction and portfolio level.</p> <p>For all levels mentioned above the main mechanisms that constitute the basis of R&O assessment are as follows:</p> <p>Risks:</p> <ul style="list-style-type: none"> •E&S Loan Policies: Policies with E&S criteria that applies to all loans(100%) •E&S Impact Assessment Model: More comprehensive and detailed impact assessment model applied to loans that fall under the limits defined in Equator Principles on a minimum •CC Action Plan: 4 focus points to support Turkey’s transition to a low-carbon economy: prioritizing RE investments and putting a shadow price on carbon, reducing deforestation, water management for climate adaptation, establishing green office standards •Sector Norms: Stricter E&S criteria on carbon-intense sectors, such as energy, mining, agriculture and transportation, for corporate loans.



		<ul style="list-style-type: none"> •Know-Your-Customer (KYC): Customer analysis forms that also includes E&S questions <p>Opportunities:</p> <ul style="list-style-type: none"> •Renewable Energy Financing •Green/Social/Sustainability Loans •Green/Social/SDGs Bonds •ESG-Linked Syndicated Loan •Green Mortgage •Green Auto-Loan <p>As a financial institution, we are fully aware of our key role in transition to a low-carbon economy. We believe proactive ESG management, such as those arising from CC, not only critical to our success but also among our most essential duties to our stakeholders. Being one of the first-movers in the sector, the Bank embedded its ESG management practices across the entire organization.</p> <p>Informing customers on climate related risks, offering innovative solutions for green transition opportunities for carbon intensive sectors and ESG trends will stay on top of our agenda.</p> <p>We were among the first supporters of TCFD and published our 2nd TCFD Report in our 2019 Integrated Annual Report. We play an active role in building capacity among our stakeholders through several platforms such as UNEP FI, UNGC and BCSD Turkey.</p>
Other products and services, please specify		

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio’s exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
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<p>Bank lending (Bank)</p>	<p>All of the portfolio</p>	<p>Qualitative and quantitative</p>	<p>(1)Transaction Level: We identify and assess transaction level R&O through (i)E&S Loan Policies, (ii)Know Your Customer (KYC), (iii)carbon pricing strategy and (iv) green loan agreement structure where the margin of the loan is linked to borrower’s ESG performance. The first two are qualitative and the third &fourth are quantitative . One of our priorities is having an effective systematic risk management practice where financial and non-financial issues are assessed in an integrated manner. In that, we continuously update our policies and procedures for stricter criteria. Our E&S Loan Policies will be updated in 2020 with a more comprehensive set of prohibited activities, some of which already applied in 2019. ESLP is applied to all loan portfolio(100%). Compliance to all loan policies including those related to E&S criteria are checked by the loan officers prior to approving a new loan request without applying any limitations in terms of the scope of application. Furthermore, E&S related questions are embedded to our standard KYC process. Currently the updated version is launched in SME banking, and it will be expanded to all lines of business by 2021. For more information please see page 55 in our 2019 Integrated Annual Report: “Where relevant, Garanti BBVA may apply additional Due Diligence (DD) processes, which is also called Know KYC process, to check whether the loan request or the existing loan is in compliance with its specific policies and/or commitments, i.e. sustainable, environmental or social bond issuance guidelines, environmental and social impact assessment procedure, health and safety risk assessment procedure, etc.” Given the difficulty of carbon pricing due to lack of legal regulation, we used to add a fixed "forestation" cost to carbon-intensive projects in order to reflect the cost of carbon. However, we improved our approach to better reflect the climate risks and to further decrease the carbon intensity of our loan portfolio. The Bank applies a shadow carbon price (USD 5) in the cash flow models of all energy investments. This practice automatically makes renewable energy investments much more feasible. Since 2014, 100% of all greenfield energy projects financed are RE projects.</p> <p>(2)Sector Level: Garanti BBVA monitors a variety of E&S indicators, benchmarks itself against worldwide best practices, raises employee awareness and collaborates with peers, financial institutions, customers and business associations. We apply an E&S Impact Assessment Model (ESIAM) and Sector Norms in line with international best practices. ESIAM is applied to loans fall under the limits defined in Equator Principles on a minimum and Sector Norms are applied to all CIB loans. Both procedures have qualitative&quantitative assessments. With these two, we ensure that the projects financed satisfy our E&S standards which is beyond legislation. If necessary, the Bank also</p>
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			<p>ensures that the project owners undertake an impact assessment, take prescribed measures and establish effective control mechanisms. In 2019, the projects with a total loan amount of USD 4.5 bn were subjected to ESIAM. We also monitor the % of lending clients we have engaged with about climate change and ESG related risks and opportunities in our portfolio in each sector. Additionally, we applied climate scenario analyses on project basis in the past years under the scope of ESIAM. Since BBVA Group is participating in UNEP FI TCFD Pilot Project, we will also be taking into consideration the outcomes of this pilot project in order to be in line with the group.</p> <p>(3)Portfolio Level:</p> <p>As a member of the Core Group that developed UNEP FI Principles for Responsible Banking, we also contributed develop a portfolio impact analysis methodology and a tool to calculate impact in the finance sector through a separate working group (WG). We aim to increase positive impacts while reducing the negative impacts on our portfolio. To this end, in 2019, the Bank has started to work on portfolio impact assessment by using the tool developed by the WG, that has both quantitative&qualitative assessment, and also set portfolio level targets accordingly. In 2019, we have analyzed our impact more deeply on each asset class using the portfolio impact identification tool. Currently we are fine tuning the first batch of results. For corporate customers, we've been working closely with the corporate digital banking team to transform and adapt the corporate impact tool into our way of doing business. This way we could analyze the impact of our corporate customers more effectively and advise accordingly with new sustainable finance opportunities. As we disclosed in our Integrated Annual Report, sustainability is one of our top strategic priorities. We aim to increase its sustainable products diversity offered to customers, which are inspired by UN SDGs in its portfolio. In 2019, we provided TRY 38.4 billion lending based on impact investment principles.</p>
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C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
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<p>Bank lending (Bank)</p>	<p>Yes</p>	<p>All of the portfolio</p>	<p>We believe that the main water risks related to the Bank lie with the downstream impacts arising from financing activities, rather than our own facilities. One of our strategic priorities is having an effective systematic risk mngmnt practice where financial and non-financial issues are assessed in an integrated manner. The basis of identifying and assessing CC related risks on both transaction and portfolio level is the Materiality Analysis explained on p42 of our 2019 Integrated Report. In the assessment, the Bank ranked each R&O according to the magnitude, likelihood and timeframe of their impact in terms of; (i)direct financial impact and risk, (ii)legal, regulatory and policy drivers, (iii)opp. for innovation, (iv)industry norms, practices and competitive advantage. This constitutes the basis for what the Bank assumes as substantial. We identify and assess our climate-related risks including water in 3 levels: (1)Transaction L.(2)Sector L.(3)Portfolio L..For a deeper understanding, we define (1)the negative impact of water-related risks on the financial or non-financial perf. (i.e.reputation) of projects which fall under the scope of our E&S risk assessment framework (so far 73 projects in total), and (2)loss of revenues due to service interruption originating from a water-related disaster such as flooding regardless of duration of interruption as substantive changes in our business. We track these risks through metrics such as % of projects prone to water risks in PF portfolio. Our ESLP will be updated in 2020 with more comprehensive set of prohibited activities, some of which already applied in 2019. ESLP is applied to all loan portfolio(100%).</p> <p>Our long term objectives on water-related issues are reflected on our strategic pillars on main pillars:(1)Positively influence customers, decision-makers&other players in the sector being the leading bank in sustainability (2)Observe climate change-related R&O; integrate them into our business processes (3)Increase our sustainable products diversity offered to customers inspired by UNSDGs (4)Constantly improve our bus.model and processes with operational and env.efficiency point of view while pursuing cost and revenue synergies (5)Ensure effective risk mngmnt through world-class integrated mngmnt of financial and non-financial risks.</p>
<p>Other products and services, please specify</p>			

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	<p>Garanti BBVA recognizes that the risks and opportunities of the main climate change arise from its financing activities. Nevertheless, Garanti BBVA also manages the risks associated with climate change related to office buildings and indirect effects such as supply chains. As declared in our Climate Change Action Plan Declaration, "Deforestation" is one of the principles which are the cornerstone of how we integrate climate change into our business practices. Forests are vital for life, home to millions of species, they protect soil from erosion, produce oxygen, store carbon dioxide, and help control climate. Therefore, Garanti BBVA is taking the following measures to help control deforestation:</p> <p>(1)As per its E&S Loan Policies, The Bank is not involved in the financing of forestry activities which cannot be sustainably managed without implementing any monetary limit.</p> <p>(2)Furthermore, when financing greenfield investments above a certain monetary threshold and a risk rating of which the methods are set and reviewed by its Sustainability Committee, the Bank conducts a detailed due diligence about the impacts of the projects on deforestation and ask for measures to minimize the impacts if there are any, where applicable and necessary.</p> <p>(3)Additionally, for projects that are subject to the Bank's E&S Impact Assessment Model; the Bank makes sure that the borrowers make every effort to mitigate deforestation effects. In projects where these effects cannot be avoided, Garanti BBVA asks the borrowers to plant 4 to 5 trees per each tree to be cut.</p> <p>(4)If the Project is a greenfield fossil fuel based power plant, we require the borrowers to plant one tree per 10 MWh annual gross energy production for at least 10 years after commissioning (it should be noted that Garanti BBVA is part of BBVA Group which implements Sector Norms including restrictions on fossil fuel investments).</p>

Other products and services, please specify			
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C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes	<p>Garanti BBVA applies its Environmental and Social Loan Policies to all loans. Compliance to all loan policies including those related to environmental and social criteria are checked by the loan officers prior to approving a new loan request without applying any limitations in terms of the scope of application. As per our ESLP, E&S Impact Assessment Process (ESIAP) and Sector Norms that require us to assess non-financial risks of projects and that list prohibited and excluded activities, we reject financing of forestry activities which cannot be sustainably managed. For more information please visit our web site (https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/environmental-and-social-risk-management/) and see page 55 in our 2019 Integrated Annual Report:</p> <p>Where relevant, Garanti BBVA may apply additional Due Diligence (DD) processes, which is also called Know Your Customer (KYC) process, to check whether the loan request or the existing loan is in compliance with its specific policies and/or commitments, i.e. sustainable, environmental or social bond issuance guidelines, environmental and social impact assessment procedure, health and safety risk assessment procedure, etc.</p> <p>DD might be conducted either;</p> <ul style="list-style-type: none"> - via a DD questionnaire that is embedded in the Company Assessment Reports and answered in accordance with the declaration of the borrower prior to the approval of a new loan request and during the renewal, if there is any change in declared information. - via e mail and/or other means of engagement/communication making use of the Bank’s own rating and due diligence guidelines and assessment tools. Garanti BBVA may also assign an independent party including consultants, rating

		<p>agencies and verifiers to ensure that the client or customer operates and behaves in line with its non-financial risk assessment procedures.</p> <p>Garanti BBVA's due diligence (DD) process on non-financial performance includes a range of different risks including but not limited to the following:</p> <ul style="list-style-type: none"> - Environmental, social and governance (ESG) risk - Impact on United Nations Sustainable Development Goals (UN SDG) - Compliance to exclusion list and sector norms - Climate change related information (GHG emissions etc.) - Waste management practices - Water management practices (Surface and ground water usage, treatment and discharge activities) <p>The DD Process incorporates both the implementation of an exclusion list and the assessment of additional set of criteria. The results of DD process on non-financial criteria may lead to either rejection of loan request or undertaking additional actions.</p>
Other products and services, please specify		

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Carbon pricing mechanisms

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Emerging Regulatory: Turkey seeks to establish its own emissions trading scheme (ETS) as per the PMR project, which is a collective global project called Partnership for Market Readiness (PMR) led by the World Bank Group (WBG). PMR is a multi-stakeholder project where numerous players in the carbon pricing field is brought together to support the preparation and implementation of climate change mitigation policies in order to scale up GHG mitigation such as carbon pricing instruments conducted in collaboration with the WBG. In preparation for this, the regulatory framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 17.05.2014. The regulation requires companies from energy-intensive sectors to monitor, report and verify their CO2 emissions. One of the potential impacts of ETS could be an increase in the cost of energy or energy intensive materials, which will lead to an increase to the Bank's energy procurement which makes up for ~4% of total procurement spending. As an EU Member Candidate, we take the model applied in Germany, where there is a 21% renewable energy surcharge. Based on our current energy consumption, it is estimated that such practice could lead to TRY 18 million increase in our energy bills. In order to mitigate these risks, we invest in energy efficiency projects and switch to renewable energy consumption in our service locations.

Time horizon

Short-term

Likelihood

About as likely as not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

18,051,017

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Such regulation could result in an additional cost of TRY 18,051,017 per year, based on our current energy consumption (107,446,527 kWh) and an assumption of carbon tax as TRY 0.16 per kWh based on the Germany renewable energy surcharge rate (21%) example in 2018.

Calculation detail is as follows:

21% of electricity unit price (TRY 0.8) per kWh=0.168 and

Estimated additional cost of electricity based on the possible carbon tax: $TRY\ 0.168 \times 107,446,527\ kWh = TRY\ 18,051,017$.

Cost of response to risk

1,996,262

Description of response and explanation of cost calculation

To insulate from price increases, Garanti BBVA has invested TRY 1,996,262 in energy efficiency across its operations in 2019. To date the total amount of investments for energy efficiency is roughly TRY 64.5 mn. These investments are; (1)LED and (2)AC replacements, installations of (3)roof type solar panels with the operational installed capacity of 6 to 50 kW for our service points at three locations and (4)trigeneration unit at our HQ (Zincirlikuyu Office).

Comment

This cost (TRY 1.9 mn) includes replacement of AC units in 20 branches with more efficient ones and installation of efficient LED lighting systems in 23 branches in 2019. As of end of 2019, the total investment amount was TRY 59 mn for replacement of lighting systems in 804 branches and AC units in 575 branches.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Legal

Exposure to litigation

Primary potential financial impact

Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

The legal risks associated to climate change vary from environmental sanctions to the uncertainty in the legal framework. The financial impact of non-compliance to environmental permits may lead to suspension of operations. Such an event would cost to a large scale power plant (7,500 GWh annual production) as high as TRY 206,250,000 of revenue loss in case of a one-month (30 days) suspension of operations and would affect the borrower's repayment of loans.

Time horizon

Short-term

Likelihood

About as likely as not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

206,250,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Potential non-compliance risks associated to our loan portfolio might lead to a growth in NPL. It is not possible to estimate the direct financial impact on the Bank, however we are able to estimate the revenue loss of a single borrower (i.e. TRY 206 mn).

Cost of response to risk

326,546

Description of response and explanation of cost calculation

Garanti BBVA has developed a comprehensive approach to analyze each project against specific environmental and social (E&S) criteria. The Bank runs its E&S Impact Assessment Process (ESIAP) and requests an E&S Action Plan (ESAP) in order to assess and monitor the customer's legal liabilities due to environmental regulations. This plan is also included in the loan agreement. By the end of 2019, Garanti BBVA assessed 73 projects within the scope of its ESIAP and supported its customers to realize their investments in line with the legal framework on environmental issues and even beyond, i.e. international standards. In order to mitigate the non-compliance risk in the projects financed, loan

agreements are reviewed by Sustainability Team and the Legal Department. Our requirement on compliance to international best standards also makes the Bank's borrowers to get prepared for stricter legal framework and eliminates the future non-compliance risks.

Comment

The Bank has invested roughly TRY 285,000 on formation and implementation of ESIA Model by cooperating with external experts and consultants. Additionally, our E&S experts have conducted regular site visits to monitor the implementation of the E&S Action Plan items within the scope of our E&S Risk Assessment Process. In 2019, site visits and client meetings; and desktop studies within the scope of project management were conducted by our E&S experts for 8 power plants and it costed around TRY 41,546. Therefore the total cost of management was TRY 326,546. These 2 efforts are mitigating significantly the risk of financing controversial projects.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical

Rising mean temperatures

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Lack of investment in energy efficient technologies might result in increased vulnerability to physical climate impacts such as a mean increase in temperature, resulting in increased operational costs. Such fluctuations in temperature could meaningfully increase (as high as 2.8% based on

the Annual Report of Turkish State Meteorological Service in 2019) the yearly electricity consumption. This would result in an additional cost of TRY 2.4 mn at Garanti BBVA, taking into consideration the electricity consumption in 2019.

Time horizon

Medium-term

Likelihood

Virtually certain

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2,404,398

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

It is not possible to establish a direct link between higher temperatures during summer time and electricity consumption due to lack of researches done in Turkey. Our estimation only assumes an average global temperature increase stated in the 2019 Annual Report of Turkish State Meteorological Service and a %2.8 increase in electricity consumption. This would result in an additional cost of TRY 2,404,398, taking into consideration the electricity consumption (kWh) in 2019.

Cost of response to risk

1,996,262

Description of response and explanation of cost calculation

To insulate from price increases, Garanti BBVA has invested TRY 1,996,262 in energy efficiency across its operations in 2019. The investments were started in 2017 and the total amount of investment has reached to TRY 64.5 mn as of end of 2019 (TRY 59 mn of TRY 64.5 mn is for LED and AC). These investments are; (1)LED and (2)AC replacements, installations of (3)roof type solar panels with the operational installed capacity of 6 to 50 kW for our service points at three locations and (4)trigeneration unit at our HQ (Zincirlikuyu Office).

Comment

This management cost (TRY 1.9 mn) includes replacement of AC units in 20 branches with more efficient ones and installation of efficient LED lighting systems in 23 branches during the reporting year (2019). Since the beginning year (2017) of investments, the total investment amount has reached to TRY 64.5 mn as of end of 2019. To date, replacement of lighting systems in 804 branches and AC in 575 branches have been completed.

The life-time of the LED and AC devices is assumed to be more than 20 years. Regarding the increase in the electricity unit price for the last 10 years (From 2009 to 2019), the estimated annual increase rate is around 15.5%. Furthermore, as mentioned above, the approximate annual temperature increase is around 2.7% in 2019 . When we consider all these variables and the estimated life-time of LED and AC devices (20 years), the potential financial impact calculated for the next 20 years is around TRY 302 mn. For the reporting year (2019), the potential financial impact is estimated as TRY 2.4 mn as mentioned above.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Inability to attract co-financiers and/or investors due to uncertain risks related to the climate

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

Market risk

Company-specific description

Garanti BBVA proactively invested in its human capital on renewable energy in mid-2000s and therefore hold the market leader position for wind power projects with 27.5% market share. The Bank's investment in human capital on environmental issues through trainings also resulted in better management of loan portfolio-related climate risks or developing innovative products/services (e.g. As of 31.12.2019, Garanti BBVA provided USD 5.2 bn of financing to renewable investments so far thanks to its internal capacity building efforts on this sector). Also, such efforts enabled to secure favored lending from international financial institutions for supporting low-carbon investments. Garanti BBVA is expected to have ~%10-15 market share from future renewable pipeline over the next 3-4 years.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,304,376,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The cost of not proactively investing on capacity building might result in a loss of market share (~10%) worth to as high as USD 0.2 bn (TRY 1.3 bn based on average USD/TRY in 2019) in volume.

Cost of response to risk

71,153

Description of response and explanation of cost calculation

Garanti BBVA invests in employees focusing on their development and form teams acting with social responsibility. This helps the Bank to build internal capacity on low-carbon technologies and better assist customers in their investments. The Bank has a energy team specialized in energy sector, especially renewables by the end of 2019. The Bank's investment in human capital on renewable technologies started in mid-2000s. The amount of TRY 71 thousand resulting from at least two weeks effort of the energy experts of the Bank.

Comment

There are no additional costs associated to the investment in human capital in terms of capacity building on infrastructure, since the current team has already a certain level of expertise on such issues. However, Garanti BBVA's energy sector experts attended workshops and conferences, where corporate customers from energy and infrastructure industries were informed on Turkey's renewable energy pipeline and investment risks and opportunities. The amount of TRY 71 thousand resulting from at least two weeks effort of the energy experts of the Bank.

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Water scarcity and drought caused by climate change has a direct impact on Hydro-Electrical Power Plant projects financed by Garanti BBVA in terms of operation and financial return. This might affect the borrower's ability to repay the loan.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

23,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

For instance, drought in 2019 led to a revenue loss of TRY 23 mn in cash flows of our HEPP portfolio (More details can be found in our CDP Water response).

Cost of response to risk

305,329

Description of response and explanation of cost calculation

Garanti BBVA expects from its customers to examine impacts of CC on HEPP projects thoroughly. Water-related criteria in the assessment process includes; selection of project area, current characteristics of water prior to the project, impact on ground&surface water, water quality&quantity after the project, alternative water supply sources. For instance, we helped one of our strategic clients to understand the environmental and social risks in their hydro power project during the planning stage. During our E&S risk assessment, we identified 8% decrease in expected precipitation, 1 degree increase in temperature as well as ~15% flow decrease in the dam basin. Finally, we identified that this means nearly 15% decrease in the electricity production, which was a major shift in the initial cash flow calculation of our client. At the end, the client decided to move on with a geothermal investment rather than the hydro project. It is also important to highlight that the Bank favors wind&solar projects since HEPP projects are more vulnerable to such risks and have more negative impact on the environment and also they have higher construction risks compared to wind&solar projects. Our efforts (Implementation of E&S Impact Assessment Model (ESIAM), site visits, meetings and project management studies) to respond the risk cost TRY 305 thousand.

Comment

Garanti BBVA has invested roughly TRY 285 thousand on formation and implementation of ESIA Model by cooperating with consultants. Additionally, our E&S experts have conducted regular site visits to monitor the implementation of the ESAP items including water management risks. In 2019, site visits and client meetings; and desktop studies within the scope of project management were conducted by our E&S experts for three hydro-electrical power plants and it costed around TRY 20,329. Therefore total cost of management was TRY 305 thousand. These efforts are mitigating significantly the risk of financing controversial projects.

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Market

Inability to attract co-financiers and/or investors due to uncertain risks related to the climate

Primary potential financial impact

Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification

Liquidity risk

Company-specific description

Stakeholders increasingly expect companies, especially banks, to proactively address climate change issues. Failure to meet these expectations could damage reputation resulting in a loss of investor support and customer loyalty, among other challenges. Garanti BBVA implements an E&S Impact Assessment Process and exclusion list under its ESLP in line with international best practices to help drive improvement across its loan portfolio. In order to respond stakeholder demand on climate change action, the Bank published its Climate Change Action Plan Statement in 2015. The Bank focuses its activities on combating climate change on four main areas: putting a price on carbon and prioritization of renewable energy investments, reducing deforestation, management of water risks related to climate change, and establishing green office standards. Additionally, Garanti BBVA's majority shareholder BBVA released its Pledge 2025 for climate change and sustainable development. According to this pledge BBVA will mobilize EUR 100 billion by 2025 to fight climate change and drive sustainable development and Garanti BBVA is one of the contributors of this Pledge like in all other geographies that BBVA Group operates. BBVA also released stricter sector norms for energy, mining, agriculture, and infrastructure sectors with this Pledge. As part of the BBVA Group, the Bank will continue to contribute to BBVA Group's Sustainable Finance Pledge released in 2018 with the aim of supporting the fight against climate change and financing sustainable development. Reputational damage due to controversial issues could result in disruption of the borrowings and security products entailing ESG criteria.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,086,512,713

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Reputational damage due to controversial issues could result in disruption of the borrowings and security products entailing ESG criteria. During 2019, Garanti BBVA secured funds worth USD 182,75 mn (TRY 1,086,512,713) in this scope from international finance institutions. This amount accounts for 8.3% of the total financing the Bank secured in 2019.

Cost of response to risk

1,479,511

Description of response and explanation of cost calculation

The additional costs associated to E&S risk management systems are negligible considering that they are already embedded in current roles and responsibilities. Therefore, the cost for management only includes the total cost of memberships to sustainable business platforms, sponsorships to sustainability-related events or studies. In 2019, Garanti BBVA contributed TRY 1,4 million to the efforts aimed at raising awareness and know-how transfer to a variety of stakeholders including public bodies, policy makers, private companies, universities and NGOs for sustainable development.

For further details on the Declaration please refer to: <https://www.unglobalcompact.org/news/4281-10-23-2017>

and

<http://www.unepfi.org/news/industries/banking/principles-coregroupannouncement/>

Comment

Besides the company level efforts mentioned in the company-specific description, Garanti BBVA works with peers to enhance the business practices on sustainable banking. As the Chair of Sustainable Banking and Finance Working Group of UNGC Network Turkey, Garanti BBVA led the efforts to develop the Declaration on Sustainable Finance. The signatory banks commit to a set of criteria for E&S risk management in their lending activities. The Declaration was launched in 2017 during the V. Sustainable Finance Forum organized by BCSD Turkey, of which the Bank is also is one of the main sponsors. In 2018 and 2019, the scope of the Declaration was updated by decreasing the limit of investment amount from USD 50mn to USD 20mn in 2018 and USD 20 mn to USD 10 mn in 2019. For further details on the Declaration please refer to: <https://www.unglobalcompact.org>

We became the first Turkish bank to sign the UNGC's Business Leadership Criterion Carbon Pricing in 2015 as well as becoming the first bank in Turkey to ratify the Caring for Climate statement, an initiative aimed at advancing the role of business in addressing climate change. In March 2018, the Bank became a member of UNEP FI Banking Principles Core Group. The core group is being developed the principles and framework that will define and affirm the banking industry's role and responsibilities in shaping and financing a sust. future, in alignment with internationally agreed targets detailed in the Paris Agr. and the SDGs. <http://www.unepfi.org/news/industries/banking/principles-coregroupannouncement/>

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation

Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Emerging Regulatory: Turkey seeks to establish its own emissions trading scheme (ETS) as per the PMR project conducted in collaboration with the WBG. In preparation for this, the regulatory framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 17.05.2014. The regulation requires companies from energy-intensive sectors to monitor, report and verify their CO2 emissions. While ETS would not apply directly to Garanti BBVA, it could indirectly impact the company in at least two ways: (1) by imposing new demands on borrowers, especially for project finance, which could impact Project performance and ability to repay. and (2) by leading to an increase in the cost of energy or energy intensive materials .

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

129,280,003

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

We do believe that such regulation could result in an additional cost of TRY 129 mn for a thermal power plant of 600 MWe assuming a carbon tax/price of USD 5 (equivalent TRY 28) per tonne of CO₂e (The price was converted to TRY based on the annual average USD/TRY exchange rate mentioned by TCMB).

Cost of response to risk

56,000

Description of response and explanation of cost calculation

To insulate from price increases, Garanti BBVA shifted towards a low-carbon portfolio through implementing a shadow price on carbon in cash flow projections of thermal power plants. Since 2014, 100% of the project finance loans the Bank provided for greenfield power plants have been allocated to renewable energy projects as we publicly disclose in our Integrated Annual Reports.

Comment

This cost (TRY 56,000) includes Garanti BBVA's support to V. Sustainable Finance Forum in which the Declaration on Sustainable Finance including criteria on carbon pricing was launched and a workshop for the Bank's customers related to latest sustainability trends including CPLC work.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

Primary potential financial impact

Returns on investment in low-emission technology

Company-specific description

Turkey seeks to form its own emissions trading scheme (ETS). In preparation for this, the regulatory framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 17 May 2014. The regulation requires companies from energy intensive sectors to monitor, report and verify their CO2 emissions. While ETS would not apply direct to Garanti BBVA, it could indirectly drive opportunities for the company in at least one way; accelerating the demand for renewable energy and energy efficiency projects, which the company could finance.

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,304,376,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Considering the current renewable portfolio, this opportunity could create new financing opportunities amounting to as high as USD 0.2 bn per year (TRY 1.3 bn based on average USD/TRY in 2019) in volume.

Cost to realize opportunity

71,153

Strategy to realize opportunity and explanation of cost calculation

Garanti BBVA has already begun to position as a leader in the finance of renewable energy. Our investment in human capital on environmental issues through training also resulted in better management of loan portfolio level climate risks or develop innovative products/services such as the green loan structures signed with two clients, launched in 2019. These efforts resulted in a market share of 27.5% in wind energy sector. Garanti BBVA is expected to have ~%10-15 market share from future renewable pipeline over the next 3-4 years. The 10% market share worth to as high as USD 0.2 bn (TRY 1.3 bn). The amount of TRY 71 thousand resulting from at least two weeks effort of the energy desk.

Comment

There are no additional costs associated to the investment in human capital in terms of capacity building on infrastructure, since the current team has already a certain level of expertise on such issues. However, Garanti BBVA's Energy Desk attended workshops and conferences, where corporate customers from energy and infrastructure industries were informed on Turkey's renewable energy pipeline and investment risks and opportunities. The amount of TRY 71 thousand resulting from at least two weeks effort of the energy desk.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

Primary potential financial impact

Increased revenues resulting from increased production capacity

Company-specific description

Physical impacts on existing settlements could accelerate the demand for the financing of new infrastructure projects, which Garanti BBVA could finance. Considering the current infrastructure portfolio, this opportunity could create new financing opportunities amounting to as high as USD 75 mn (TRY 445.9 mn based on the 2019-YE USD/TRY exchange rate) per year.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

445,901,250

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Many experts believe climate change is likely to severely impact existing human settlement and commercial establishments over the next half-century and beyond. The flip side to this threat will be a growing need for new infrastructure projects to support the resettlement of existing populations and new commerce. Considering the current infrastructure portfolio, this opportunity could create new financing opportunities amounting to as high as USD 75 mn (TRY 445.9 mn based on the 2019-YE USD/TRY exchange rate) per year.

Cost to realize opportunity

40,600

Strategy to realize opportunity and explanation of cost calculation

There are no additional costs associated to the investment in human capital in terms of capacity building on infrastructure, since the current team has already a certain level of expertise on such issues. However, Garanti BBVA's Infrastructure experts attended workshops and conferences, where corporate customers from infrastructure industries were informed on investment risks and opportunities. The amount of TRY 40 thousand resulting from at least two weeks effort of the infrastructure experts.

Comment

Garanti BBVA has long been a key lender to infrastructure projects in Turkey and would expect to capitalize on any new market opportunities associated with the physical impacts of climate change. To do so, we would expect to leverage our existing experience with such projects and relevant relationships with financial and governmental institutions. The Percentage of green/sustainable infrastructure finance has a remarkable portion over total value of infrastructure finance at Garanti BBVA. Garanti BBVA has experts in the Infrastructure Team under Project Finance. The Infrastructure Team works in collaboration with the Sustainable Finance Team and customers in developing sustainable infrastructure projects and products contributing climate change mitigation actions in the Bank and they attended workshops and conferences, where corporate customers from infrastructure industries were informed on investment risks and opportunities.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Upstream

Opportunity type

Markets

Primary climate-related opportunity driver

Increased diversification of financial assets (e.g., green bonds and infrastructure)

Primary potential financial impact

Increased access to capital

Company-specific description

By proactively addressing climate change and other social and environmental concerns, we can exceed stakeholder expectations and enhance our reputation.

Ability to meet these expectations could result in an increased level of collaboration with international financial institutions as well as increased investor support and customer loyalty.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,086,512,713

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

During 2019, Garanti BBVA secured funds worth USD 182,75 million (TRY 1,086,512,713) in this scope from international finance institutions. This amount accounts for 8.3% of the total financing the Bank secured in 2019. These ESG related secured funds were: (1)USD 50 million inaugural Green Bond issued in December 2019 with a 5 year maturity and (2)loan agreement which was executed with IFC, OeEB and GGF in order to obtain a loan with an amount of USD 132.75 million and a maturity of 6 years.

In 2017, Garanti BBVA signed a residential mortgage covered bond agreement with IFC (International Finance Corporation), a member of the World Bank Group, with 5-year term maturity worth at USD 150 mn, equivalent to TRY 547.1 mn according to the average USD/TRY exchange rate in 2017. Garanti BBVA issued the first residential mortgage covered bond ever, which is IFC has invested the first time in Turkey as well. In addition, a Green Mortgage agreement for EUR 75 mn equivalent TRY 313 mn was executed with the EBRD in 2017. These funds (A total of TRY 860 mn) have been used to provide green mortgages for the purchases of energy efficient housing, helping to boost the development of green buildings in the country's housing sector. Garanti BBVA's track record on the management of environmental and social issues, as well as its capability to tailor existing products according to SDGs play an important role in benefiting from IFI funding.

Cost to realize opportunity

1,529,727

Strategy to realize opportunity and explanation of cost calculation

In 2019, Garanti BBVA's primary costs have been (1) ISO14001 certification, (2) environmental and social workshop organized and (3) membership fees for initiatives. The total cost was TRY 1,529,727 in order to realize this opportunity.

Driven in large part to ensure that Garanti BBVA retains a reputation for excellence and leadership in the Turkish market, the Bank has and will continue to institute comprehensive efforts to address climate change under the following 4 clusters: (1)Customer Experience, (2)Digital Transformation, (3)Investing in Human Capital, (4)Responsible and Sustainable Development. The Bank's activities in these areas include



establishment of a Sustainability Committee and Sustainability Team to manage climate change issues, development of a comprehensive Environmental Management System which is certified to ISO14001, communication of climate change activities (in the Bank's Annual Integrated Reports and in the sustainability website that is constantly being developed and kept alive (<https://surdurulebilirlik.garantibbva.com.tr/en>), participation in CDP, strengthening environmental criteria in our loan portfolio through introducing new standards such as our sector norms, investment in human capital on environmental issues through training resulting in better management of loan portfolio-related climate risks, developing innovative products/services and leadership in financing of renewable energy projects. In addition, the Bank supports CDP Water program in Turkey and has a Climate Change Position Statement and Action Plan to demonstrate its dedication.

Comment

As the pioneer bank in financing renewable energy projects and the largest lender for wind projects in Turkey, our efforts in this field will continue. In addition to these issuance supporting sustainability areas, on the lending side, we have also brought a structure that incentivizes our customers in this area throughout loan term (i.e. Green and Sustainability Linked Loan Principles of LMA). Garanti BBVA aims to reinforce its pioneering position in the sector by continuing to issue Green Bonds, Social Bonds, and to benefit from innovative debt finance practices such as ESG-Linked Syndication Loans contributing the climate change mitigation actions.

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Move to more efficient buildings

Primary potential financial impact

Reduced direct costs

Company-specific description

Garanti BBVA has secured significant reduction in carbon intensity over the years as a result of the long-standing efforts in relation to carbon footprint. Since the introduction of ISO 14001 Environmental Management System in 2012, the Bank's carbon intensity lessened by 67%. Resource consumption and carbon emissions of Garanti BBVA by years have been presented in its Integrated Annual Report every year. Garanti BBVA will carry on and further expand its environmentally-sensitive and pioneering initiatives in the years ahead, thus continuing to contribute to social and environmental benefits. By formalizing our approach to GHG emissions management, we enhance our ability to strategically reduce energy costs. In 2019, Garanti BBVA continues to take environmentally-friendly steps for its direct impact, as well. In 2019, Zincirlikuyu Head Office building earned Platinum certificate in LEED, one of the green building rating systems developed by the American Council of Green Buildings (USGBC), thus becoming the first bank to have received such recognition in Turkey. Besides Zincirlikuyu Head Office building, Garanti BBVA Kızılay Branch is the only bank building holding Platinum certificate in New Buildings category.

Time horizon

Long-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

9,727,252

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Due to emissions reduction activities such as energy efficiency implementations (LED installation and AC renewal), the installation of Trigeneration Unit and the installation of roof type solar panels in three of our branches, 14,906,352 kWh was saved in terms of electricity consumption in 2019, corresponding to TRY 9.7 mn of additional operating cost savings in 2019. Based on the estimated life-time of LED and AC devices, these investments will be provide at least TRY 199 mn savings for the next 20 years.

Cost to realize opportunity

1,996,262

Strategy to realize opportunity and explanation of cost calculation

Garanti BBVA published its Climate Change Action Plan Statement in 2015. The Bank focuses its activities on combating climate change on four main areas: (1) putting a price on carbon and prioritization of renewable energy investments, (2) reducing deforestation, (3) management of water risks related to climate change, and (4) establishing green office standards. Under the 4th pillar, Garanti BBVA has undertaken numerous efforts aimed at reducing energy use at new and existing facilities. For existing facilities, these include changes in lighting, mechanical systems, air-conditioning, information technology and more. For new facilities, Garanti Bank intends to build to industry leading standards for energy efficiency. For example, we invested in three rooftop solar power plants with the operational installed capacity of 6 to 50 kW for our service points in three cities and our Pendik Tech Campus was built to meet LEED-certification. Garanti BBVA has invested TRY 1,996,262 in energy efficiency across its operations in 2019.

Comment

Garanti BBVA has invested TRY 1,996,262 in energy efficiency across its operations in 2019. The investments were started in 2017 and the total amount of investment has reached to TRY 64.5 mn as of end of 2019. These investments are; (1)LED and (2)AC replacements, installations of (3)roof type solar panels with the operational installed capacity of 6 to 50 kW for our service points at three locations and (4)trigeneration unit at our HQ (Zincirlikuyu Office).

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative

C3.1b

(C3.1b) Provide details of your organization’s use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
IEA Sustainable development scenario Other, please specify The Oliver Wyman	<p>The Oliver Wyman(OW) tool proposes scenario analysis for use in sectors that are of particular relevance to BBVA's portfolio and that are associated with possible climate-related transition risks. This methodology (from TCFD pilot) aims to narrow down the almost infinite number of variables that can arise around climate change (CC) using an analysis based on predictions from different models and provides different changes in the markets used for each scenario. As a reference, BBVA used the outcomes given in the IEA's SDS, which is the closest to 1.5°C target. Difficulty lies in objectively converting those changes to financial indicators. Use of risk pathways is therefore recommended as a way to study how these changes would affect specific indicators that are relatable to businesses. The 4 pathways used are: Increase in cost of direct emissions, Increase in cost of indirect emissions, Increase in capital costs associated with a transition to low-carbon economy and variations in revenues. For stress-testing, BBVA chose to further define which events might cause changes to stress situations and to analyze different possibilities offered by scenarios. A matrix was created for this to separately analyze different events. It analyzes their impact on different stressors, and this is weighted by the probability of these events occurring in the medium term. The result of this analysis is the average impact in each stress situation that has been transferred to the model used within the framework of the UNEPFI pilot.</p> <p>Events analyzed are the following: Fall in demand for fossil fuels&rise in price of fuel, increased cost of CO2 emissions, increase in diesel tax, change in market preferences and replacement of obsolete technology. To simulate this outcome, the model is calibrated by studying a range of customers. Calibration can be performed by estimating how the customer's rating will vary</p>



	<p>depending on its env.performance or, alternatively, by evaluating how probability of default(PD) will be modified. BBVA opted to use rating variations basing its predictions on those provided by CDP.</p> <p>Customers selected for this calibration are those with the highest turnover in each sector. OW model analyzes changes in PDs for each sub-sector based on env.models for the coming years. Selected sectors in 1st phase were oil&gas, utilities, transportation, as they are considered the most relevant both for BBVA and for CC. In this sense, and as part of our public commitment to mitigate impacts derived from CC, BBVA joined pilot group supervised by UNEPFI, works for implementation of recomm.of TCFD. Once ended this pilot group, BBVA has joined an initiative to develop methodologies to evaluate portfolios in sectors with highest impact and gradually align them with goals set in Paris on CC.</p> <p>Methodology that is going to be used is PACTA, developed by 2° Investing Initiative think tank. Methodology consists of gaining a better understanding of CC strategy used by customers in these sectors, tech.changes required and plans to reduce their CO2 emissions. These simulations can be used to make a 5-year projection of customer's tech.transition in a given industry and provide a comparison, in line with scenarios offered by IEA. This methodology is due to be piloted in 2019 in selected sectors. As a preliminary step and following TCFD,BBVA is one of the first banks to have published its exposure to sectors associated with fossil fuels. The PACTA methodology offers a more in-depth analysis: by offering a more rounded assessment of BBVA's exposure to key sectors and their alignment with the Paris; and, as a basis for subsequently establishing a target path for each of those sectors which may be consistent with SBT. Relevant metrics are: Oil&Gas: product mix; Utilities:product mix and intensity of CO2 emissions/kWh; Transport: CO2 emissions of fleet per km (standardized by NEDC std) BBVA reports on product mix and intensity of CO2 emissions/kWh in utilities sector.</p>
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C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	As a financial institution we're aware of our key role in tackling climate change. We've been systematically managing env. risks&opps for over a decade. The Sustainability Committee established in 2010, is chaired by a Board Member and comprises of our CEO and all relevant EVPs. Some significant examples of how CC influenced our strategy in products & services are:



		<ul style="list-style-type: none"> • Established Env. & Social Loan Policies, in line with international standards, applicable to all loans financed by Garanti BBVA without any monetary or scope limit. (2011) • Launched E&S Impact Assessment Model in 2012, a detailed due diligence process for greenfield projects that fall under the limits defined in Equator Principles 2013 on a minimum. To date, projects with a total investment amount of USD 52 billion were subjected to these high standards and env. impacts that could worsen CC were mitigated. • Released Climate Change Action Plan (2015) to support Turkey’s battle against climate change and its transition to a low carbon economy. Action Plan focuses on 4 issues: <ul style="list-style-type: none"> • Prioritizing renewable energy and putting a shadow price on carbon • Reducing deforestation • Establishing Green Office Standards • Integrated Water Management • As a pioneer in renewable energy finance, we have provided US\$5.2 billion financing to RE investments. Since 2014, 100% of all greenfield energy projects are renewable energy projects. We are the market leader in wind power by a 27.5% market share. • Through our following products and solutions we also inspire and incentivize our customers to tackle climate change: <ul style="list-style-type: none"> • Issued a Green Bond for US\$50 million which will be used to finance EE and RE projects. • Executed Turkey’s first Green Loan in line with GLP with an RE company where we linked the margin of the loan to the borrower’s sustainability performance. • In July 2020, we acted as the bookrunner to a Green Bond for 100.5 million Turkish Liras issued by one of our corporate customers. (first Green Bond issued in TL) • Signed the world’s first ESG-linked syndicated loan where the margin of the loan is linked to environmental KPIs • Rolled out Green Mortgage product in 2017 to promote env.-friendly buildings. • Launched green auto loan to promote electric and hybrid vehicles. • As part of BBVA Group, we contribute to BBVA Pledge 2025 (€100 billion for climate change and sustainable development)
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Supply chain and/or value chain	Yes	<p>Tackling climate change is among our top priorities in our value chain as well. We released our Code of Conduct for Suppliers where we clearly state that we expect our suppliers to comply with our env. & social standards. We request our suppliers to take further actions. For example, the catering company at our HQ used to serve breakfast in single use plastics for more convenient operations. We worked together with them to develop a plan to eliminate the use of single-use plastics. Another clear example would be the cleaning company at our HQ. We requested them to use biodegradable and env.-friendly cleaning supplies. As a financial institution our value chain goes beyond our suppliers. We have over 17 million customers that give us an incredible chance to raise awareness. We share climate change related informative blogs, posts and events through our Social Media accounts and big screens in our branches. We put great efforts and play a significant role to transform Turkish Banking Sector and raise the standards for ESG management and low carbon economy. As the Chair of Business Council for Sustainable Development Turkey (BCSD Turkey) and a Board Member of UNGC Turkey Network and the Chair of its Sustainable Finance Working Group, we led the efforts to develop Sustainable Finance Declaration, where the signatory banks ensure to include E&S management in their lending practices. Currently 8 banks, representing 42% of the total asset size of Turkish Banking Sector, signed the Declaration. Furthermore, we are a member of the Core Group that developed UNEP FI Principles for Responsible Banking which redefines the key role of banks in climate change and sustainable development. We introduced the Principles to other banks in Turkey. In 2019 together with 5 other banks we became a signatory to the Principles during a launching assembly organized by us. We periodically organize workshops for our commercial and corporate customers to build capacity and raise awareness in the latest ESG issues by inviting specialists as speakers.</p>
Investment in R&D	Yes	<p>As a pioneer bank in digitalization, we constantly invest in advanced technologies to offer the best, most seamless and fastest digital services. 99% of our non-cash transactions can be conducted through our digital channels, which eliminates the need to go to the branch, thus avoid transportation related carbon emissions. Another action taken on the IT side is switching to virtual servers, which contributes to reducing our Scope 2 emissions. Currently we are working on an unprecedented and unique project to inform our customers about their carbon footprint based on their spending.</p>
Operations	Yes	<p>Garanti BBVA continuously improves its operations and practices to further manage its env. and social risks and opportunities and to be in line with international best practices. In addition to the practices</p>



		<p>mentioned above, we are among the first supporters of Task Force on Climate-related Financial Disclosures (TCFD) and we publish a TCFD Disclosures report in our 2019 Integrated Annual Report (page 525). We also publicly share the indicators related to our environmental footprint and ESIAP in detail with all the indicators verified by a third party. We also have leading practices to lower our own environmental impact arising from our operations. Since the establishment of our ISO14001 Environmental Management System we have taken great measures to lower our carbon footprint. Over the years we managed to reduce our carbon intensity (Scope 1+Scope 2 / total asset size) by 66%. Garanti BBVA owns 5 buildings with LEED certificates. We have 3 service locations where we use rooftop solar power. In 2020 we signed purchasing agreements with utilities to supply %100 renewable energy. Today, all buildings and branches, where the technical infrastructure is compatible, consumes electricity generated by renewable energy plants. This corresponds to a total of approx. 90 million kWh of energy being provided from RE resources, avoiding nearly 45,000 tCO2e carbon emissions per year. In 2020 we took our efforts one step further and announced our Science Based Target (SBT) to reduce our absolute emissions in line with 1.5 degree target. Based on this we will reduce our Scope 1 + Scope 2 emissions by 29% by 2025, and by 71% by 2035. Whats more, with all these initiatives mentioned above, we are likely to achieve our 2035 target by the end of 2020.</p>
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C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Capital expenditures Capital allocation	Capital Allocation & Divestment & Revenues: As stated in our Climate Change Action Plan, in order to support Turkey's transition to a low-carbon economy and its battle against climate change we prioritize renewable energy investments and put a shadow price on carbon for greenfield energy projects in project finance. Since 2014, 100% all greenfield energy projects financed by Garanti BBVA were renewable energy projects. As of December 31, 2019, Garanti BBVA have provided US\$5.2 billion financing for renewable energy investments. In 2019, the total avoided emissions of operational solar power plants, wind power plants and hydro power plants projects that Garanti BBVA has participated in financing was



<p>Acquisitions and divestments</p> <p>Access to capital</p> <p>Assets</p> <p>Liabilities</p> <p>Provisions or general reserves</p>	<p>5.9 million tCO₂e based on the current average grid emission factor for Turkey. Also, such efforts enabled to secure favored lending from international financial institutions for supporting low-carbon investments. Garanti BBVA is expected to have ~%10-15 market share from future renewable pipeline over the next 3-4 years.</p> <p>Direct Costs: Garanti BBVA motivates and incentivizes its customers to adopt sustainable business models. In 2018 we started to offer Green LoanS, where we provide margin adjustments based on sustainability performance or environmental KPIs. An independent consultant rates/assess the performance/achievements. As the customer improves its sustainability performance or achieves its target KPIs we give a decrease in the margin of the loan. We offer these incentives from our own equity and resources, we do not use any funds provided by IFIs or MDBs. So far we have executed 4 loan agreements in this structure.</p> <p>Indirect costs: (1) Garanti BBVA signed bilateral purchasing agreements with utilities in order to purchase 100% renewable energy in all service locations where the technical infrastructure is compatible. Currently, 813 branches and 45 buildings utilize RE. Through this initiative we will avoid 45 million tCO₂e. According to our Science Based Target we target to reduce our absolute Scope 1+2 emissions 29% by 2025, and 71% by 2035. Thanks to these RE agreements we are likely to achieve our 2035 by the end of 2020. (2) Garanti BBVA invests in employees focusing on their development and form teams acting with social responsibility. This helps the Bank to build internal capacity on: current & emerging regulation, technology, market, reputation, acute and chronic physical, upstream and downstream risks/opp. For instance, Garanti BBVA proactively invested in its human capital on renewable energy in mid-2000s and therefore gained a market share of 27.5% in wind energy sector. Garanti BBVA's investment in human capital on environmental issues through trainings also resulted in better management of loan portfolio-related climate risks or developing innovative products/services. Thanks to its internal capacity building efforts on this sector, Garanti BBVA provided over USD 5.2 bn of financing to renewable investments. The cost of not proactively investing on capacity building might result in a loss of market share worth to as high as TRY 1.3 billion (USD 0.2 billion). (3) In 2019, Garanti BBVA also invested in a sophisticated online monitoring platform to track its environmental management system in its over 800 branches and 45 buildings. Through this online system, the bank tracks and manages monthly consumption figures, environmental performance targets and sustainability representatives at each service location.</p> <p>Capital Expenditure: In 2011, we started applying a shadow price on carbon for fossil fuel projects. Carbon pricing is one of the three mechanisms we use to prioritize low-carbon investments First, we diminish the profitability of fossil fuel investments through sensitivity analysis by increasing the cost of natural gas and the cost of coal in the mid- and long-term. Second, we use an Environmental and Social Risk Management System to evaluate the climate related risks of</p>
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		<p>carbon intensive projects. Finally, we apply a shadow price on carbon in project finance transactions in electricity generation. Through these mechanisms, we have significantly lowered the environmental risks and carbon intensity of our portfolio. Since 2014, 100% of our new commitments in the project finance have been renewable energy investments.</p> <p>Access to Capital: (1) On the debt finance side, as Garanti BBVA, we have signed the world's first ever ESG-linked Syndicated Loan. It is the first syndicated loan to be tied to a bank's sustainability criteria, two environmental KPIs to be exact. KPI 1: to source at least 80% of our electricity from renewable sources, KPI 2: to maintain a zero percent share of coal power plants in our project finance greenfield electricity production portfolio. During the maturity of the loan agreement, the bank's KPIs will be assessed and verified by an independent consultant on a quarterly basis. If the KPIs are achieved the margin of the loan will decrease, and in case of failure to meet the KPIs, the margin will be increased. With this improvement to its standard syndicated facility, Garanti managed to secure USD 700 million financing. (2) In December 2019, Garanti BBVA issued a USD 50 million inaugural Green Bond in accordance with Green Bond Principles with a 5 year maturity. The net proceeds from the issue of the Notes will be applied by the Issuer for financing or refinancing, in part or in full, new and/or existing Green Projects as defined under the BBVA Sustainable Development Goals (SDGs) Bond Framework including energy efficiency, sustainable transport, water, waste management and renewable energy. RE projects are expected to be prominent as they were in 2019 and "Renewable Energy Resources Area" (YEKA) projects will be at the forefront in our pipeline in 2020. The projected RERA pipeline (~%10-15 market share) will create an opportunity over the next 3-4 years. Through this Green Bond we will further support renewable energy sector.</p> <p>Assets: One of the focuses in our Climate Change Action Plan is to establish green office standards. Garanti BBVA's Turkey operations are 100% included in its ISO14001 Environmental Management System. Additionally the Bank invests in environmentally friendly buildings in order to reduce its env. impact. To date Garanti BBVA has 5 buildings with LEED certificates. Garanti also invested in a trigeneration system at its HQ building, and rooftop solar PVs at 3 service locations.</p>
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C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Risk policy Policy related to other products and services	All of the portfolio	(1) Policies that integrate climate-related issues are as follows: Environmental & Social Loan Policies, Environmental and Social Impact Assessment System, Sustainability Policy, Environmental Policy, Climate Change Action Plan, Code of Conduct for Suppliers. All policies are publicly available and can be seen here: https://www.garantibbvainvestorrelations.com/en/corporate-governance/policies-list/Policies/92/6477/0 (2) Garanti BBVA has been systematically managing its environmental risks and opportunities for over a decade. The Sustainability Committee established in 2010, is chaired by a board member and comprises of our CEO and all relevant EVPs. Garanti BBVA focuses on Environmental and Social Risks associated with financing activities that could result in potential impacts on the environment and society. Therefore, in 2011, we established our own environmental and social (“E&S”) policies and procedures in accordance with international standards. As clearly stated in our publicly available E&S Loan Policies are applicable to all loans financed by Garanti BBVA without any monetary or scope threshold, "The ESLP is applied on all loans without a threshold", Additionally, as publicly stated, our Sustainability Policy (effective as of 2014) "covers the Bank’s business activities in Turkey, has been developed in line with the corporate regulations and legislations, and is entered into effect by a prior approval of the Board of Directors." Therefore the portfolio coverage of policy is selected as "All of the Portfolio". Garanti BBVA developed its own “Environmental and Social Impact Assessment System” including “Environmental and Social Impact Assessment Model” (“ESIAM”) for greenfield projects. ESIAM launched in 2012 is a more sophisticated and detailed DD process. It is applied to loans that fall under the limits defined in Equator Principles 2013 on a minimum and for the



		<p>main financial transactions described in ESLP to assess the identified risks. The Credit Committee's decisions are based on the risk rating calculated in accordance with the model. Following the categorization and assessment based on ESIAM, risk rating of the project is determined and Garanti BBVA requests the borrower to take specific actions during the project appraisal. If the project is in high risk category, the Bank requires that an independent consultant should be assigned to the to conduct an Environmental and Social Due Diligence (including Environmental and Social Action Plan) and periodical monitoring studies. The E&S Action Plan is also included in the loan agreement and failure to meet the requirements in the Plan leads to a default. Our purpose on conducting the ESDD study is that assess the Project compliance with respect to National legislation, Equator Principles and IFC Performance Standards along with relevant general and sector specific IFC EHS guidelines. Within the respect that ESDD study, we also identify whether there is any the material issues or not before the financial closure. If the loan is approved by credit committee, necessary covenants are incorporated into the loan documents. Following the financial closure, we monitor the Project's E&S performance periodically for the construction and operation phases according to Project's E&S Action Plan. We do also actively attend the site visits and project specific meetings for the high and medium risk projects. We monitor the projects' compliance and performance considering pre-defined intervals agreed amongst parties in line with action items in the ESAP. Project is closely monitored in terms of environmental and social performance during its life cycle. To date, projects with a total investment amount of USD 52 billion were subjected to these high standards. In some cases we go beyond such limits and implement such criteria on a broader level. We are also putting great efforts to transform Turkish Banking Sector to raise the standards regarding ESG management. Additionally, in 2018 we adopter Sector Norms and started to apply several sets of env. criteria to our corporate lending practices. (3) As the Chair of Sustainable Finance Working Group of UNGC Turkey Network, we led the efforts to establish a Sustainable Finance Declaration. Today the Declaration was signed by 8 banks representing 42% of the asset size of Turkish Banking Sector. We are also the Chair of BCSD Turkey</p> <p>Details can be found here: https://www.unglobalcompact.org/news/4281-10-23-2017</p> <p>We are among the Core Group that developed UNEP FI Principles for Responsible Banking and introduced it to other banks in Turkey. In 2019 together with 5 other banks we became a signatory to the Principles during a launching assembly. We periodically organize workshops for our commercial and corporate customers to build capacity and raise awareness in the latest ESG issues by inviting specialists as speakers.</p>
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Other products and services, please specify			
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C-FS3.2b

(C-FS3.2b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Type of exclusion policy	Portfolio	Application	Description
All fossil fuels	Bank lending	New business/investment for new projects	Based on our Climate Change Action Plan (2015) we pledge to prioritize renewable investments and put a shadow price on carbon. Since 2014, Garanti BBVA did not finance any new commitments for fossil fuel greenfield projects. All new commitments in energy sector were RE projects for the past 6 years. We also have this data verified by an independent consultant and disclose it in our Integrated Annual Report.
Coal	Bank lending	New business/investment for new projects	We took a major step further in our commitments related to fossil fuel and included some environmental KPIs in our standard syndication facility. This is ground-breaking because for the first time in the entire world, a bank's syndicated facility was linked to ESG performance. The facilities will include a sustainability-linked margin adjustment, [in which] the margin will be determined according to our performance against 2 environmental targets over the life of the facilities. The targets are (1) to maintain a zero percent share of coal power plants in our project finance greenfield electricity production portfolio and (2) to source at least 80% of our electricity from renewable sources in an effort to reduce Scope 2 GHG emissions. Garanti BBVA will be audited on a quarterly basis for these KPIs by an independent consultant throughout the maturity of the loan. If the KPIs are achieved the bank will receive a reduction in the loan margin, if not, the margin will be increased. This is another clear example of our dedication to eliminate fossil fuel financing in our portfolio.

<p>Other, please specify</p> <p>Environmental and Social Loan Policies</p>	<p>Bank lending</p>	<p>Other, please specify</p> <p>All activities</p>	<p>Our Environmental and Social Loan Policies released in 2011 is applicable to all loans financed by Garanti BBVA without a monetary or scope limitations. This policy is also public and can be found here: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Environmental-and-Social-Loan-Policies/853/3629/0</p> <p>As it can be seen in the policy content, Garanti BBVA pays regard to maximizing the environmental and social benefits in financing projects considering their environmental and social impacts; supports the protection and management of natural biodiversity. It takes in consideration the measures which will protect biodiversity and the natural habitat in the financing of projects; supports efforts to increase energy efficiency and the transition to a low carbon economy; subjects new projects that falls under a certain scope to the Environmental and Social Impact Assessment Model (ESIAM) which was developed by the Bank.</p> <p>Some examples to the exclusion criteria are as follows:</p> <ul style="list-style-type: none"> - Fishing activities which are deemed to constitute overfishing, - Forestry activities which cannot be sustainably managed - Individuals or companies involved in the production, warehousing, transport and trade of hazardous chemicals (petroleum and petrochemical products) in large quantities - according to their industrial scale, - Activities carried out in wetlands defined as RAMSAR (Convention on Wetlands of International Importance) areas, - Individuals or companies involved with products and/or activities that fall under the scope of CITES (Convention on International Trade of Endangered Species), - Activities that threaten the cultural heritage qualifications of sites classified as UNESCO World Cultural Heritage
<p>Oil & gas</p>	<p>Bank lending</p>	<p>Other, please specify</p> <p>Corporate and Investment Banking Activities</p>	<p>In 2018, as part of BBVA Group, we adopted Sector Norms. Sets of environmental criteria were established to further tighten the restrictions for financing activities in mining, energy, infrastructure, and agribusiness sectors. In addition, the policy provides clear guidance on the management of clients and business activities related to these industries. Energy sector Norms include articles on oil&gas industry such as production of oil&gas in the Arctic. The updated document (2019) can be</p>

			found here https://shareholdersandinvestors.bbva.com/wp-content/uploads/2019/03/Sector-Norms_GL_110319-1_-Final-1.pdf
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C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Both absolute and intensity targets

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2018



Covered emissions in base year (metric tons CO2e)

67,233

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2025

Targeted reduction from base year (%)

29

Covered emissions in target year (metric tons CO2e) [auto-calculated]

47,735.43

Covered emissions in reporting year (metric tons CO2e)

70,121

% of target achieved [auto-calculated]

-14.8121022261

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)

Garanti BBVA is a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emissions reduction target in line with SBTi. In line with this commitment to reach the goal of 1.5 degrees Celsius, Garanti BBVA has set the goal of reducing its carbon dioxide (CO₂) emissions by 29 percent by 2025 and 71 percent by 2035 compared to 2018 emissions. Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions). Besides that, In 2020, Garanti BBVA will obtain approx. 90 million kWh

of energy from renewable sources (the equivalent of the amount consumed in 30,000 homes), and will use this energy in 813 branches and 45 corporate offices (under this agreement, carbon credit certificates such as Gold Standard will be retired on behalf of Garanti BBVA should they are any produced in order to avoid double counting). Five of the bank's buildings are LEED certified, and rooftop solar paneling is also used at three points of service. With these measures, Garanti BBVA aims to be able to reduce its carbon dioxide emissions by 71 percent in 2020, reductions that were set for the year 2035 for the target of 1.5 degrees Celsius.

Target reference number

Abs 2

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2018

Covered emissions in base year (metric tons CO2e)

67,233

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2035

Targeted reduction from base year (%)

71

Covered emissions in target year (metric tons CO2e) [auto-calculated]

19,497.57

Covered emissions in reporting year (metric tons CO2e)

70,121

% of target achieved [auto-calculated]

-6.0500135853

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)

Garanti BBVA is a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emissions reduction target in line with SBTi. In line with this commitment to reach the goal of 1.5 degrees Celsius, Garanti BBVA has set the goal of reducing its carbon dioxide (CO₂) emissions by 29 percent by 2025 and 71 percent by 2035 compared to 2018 emissions. Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions). Besides that, In 2020, Garanti BBVA will obtain 90 million kWh of energy from renewable sources (the equivalent of the amount consumed in 30,000 homes), and will use this energy in 813 branches and 45 corporate offices (under this agreement, carbon credit certificates such as Gold Standard will be retired on behalf of Garanti BBVA should they are any produced in order to avoid double counting). Five of the bank's buildings are LEED certified, and rooftop solar paneling is also used at three points of service. With these measures, Garanti BBVA aims to be able to reduce its carbon dioxide emissions by 71 percent in 2020, reductions that were set for the year 2035 for the target of 1.5 degrees Celsius.

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set

2016

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Metric tons CO₂e per unit revenue

Base year

2012

Intensity figure in base year (metric tons CO₂e per unit of activity)

498.2

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2020

Targeted reduction from base year (%)

50

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

249.1

% change anticipated in absolute Scope 1+2 emissions

21.71

% change anticipated in absolute Scope 3 emissions

27.2

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

164

% of target achieved [auto-calculated]

134.1629867523

Target status in reporting year

Achieved

Is this a science-based target?

No, but we are reporting another target that is science-based

Please explain (including target coverage)

As Garanti BBVA, we have been submitting yearly basis emissions intensity reduction targets. In 2016, after COP21 and our commitment to Paris-Pledge, we decided to take action and determine a long term target emission intensity reduction target that covers our yearly-basis targets. The target is 50% reduction in our total Scope 1and2 emissions per our total assets from 2012 to 2020. The base is selected as 2012 since our Environmental Management Syst. was implemented. Since 2012, with our increasing coverage of our Environmental Management System and our energy efficiency initiatives we have managed to decrease our emission intensity by 67% (66% in 2018, 56% in 2016 and 60.2 in 2017).

Total yearly GHG emissions in tCO₂e reported under Scope 1 and 2 of the GHG Includes GHG emissions (CO₂ , CH₄ and N₂ O and f-gases) from energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use and refrigerants for Scope 1, and purchased electricity by Garanti BBVA's operations in Turkey (Headquarters, service buildings, branches and ATMs) for Scope 2.. Scope 3 emissions are not included within the scope of our intensity target. IPCC Fifth Assessment Report factors are used for global warming potentials and emission factors. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ. GHG emissions are reported



following the guidance in GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1), GRI 305-4 Energy indirect greenhouse gas (GHG) emissions (Scope 2) and the GHG Protocol - Location-based. We publicly disclose our emission reduction targets and performance in our 2019 Integrated Annual Report (<https://www.garantibbvainvestorrelations.com/en/images/entegre-faaliyet-raporu-2019/garanti-bbva-integrated-annual-report-2019.pdf>) and our web site (<https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/climate-change-management/>).

Garanti BBVA is a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emissions reduction target in line with SBTi. In line with this commitment to reach the goal of 1.5 degrees Celsius, Garanti BBVA has set the goal of reducing its carbon dioxide (CO2) emissions by 29 percent by 2025 and 71 percent by 2035 compared to 2018 emissions.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

No other climate-related targets

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	0
To be implemented*	0	0
Implementation commenced*	0	0

Implemented*	5	28,090
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings
Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

3,535

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

5,505,700

Investment required (unit currency – as specified in C0.4)

22,721,179

Payback period

4-10 years

Estimated lifetime of the initiative

21-30 years

Comment

Lighting modification was planned for 881 branches and started in 2017. The replacements were completed in 151 branches in 2017, in 630 branches in 2018 and in 23 branches in 2019. Annual CO₂e and monetary savings provided here are calculated based on the electricity unit price per kWh of 2019. These savings are expected to be higher for the next year since we will see the impact of modified lighting in 881 branches next year. Since the 'investment required' presents the amount of investment provided as cumulative total (From 2017 to 2019), the payback period has been estimated accordingly. With the next year's figures, the payback period will be 4 to 6 years based on the total investment amount.

Initiative category & Initiative type

Energy efficiency in buildings
Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO₂e savings (metric tonnes CO₂e)

1,884

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

2,934,376

Investment required (unit currency – as specified in C0.4)

36,911,005

Payback period

4-10 years

Estimated lifetime of the initiative

21-30 years

Comment

Switching to inverter AC units was planned for 525 branches and started in 2017. The replacements were completed in 75 branches in 2017, in 480 branches in 2018 and in 20 branches in 2019. Annual CO2e and monetary savings provided here are calculated based on the electricity unit price per kWh of 2019. Since the 'investment required' presents the amount of investment provided as cumulative (From 2017 to 2019), the payback period has been estimated accordingly. With the next year's figures, the payback period will be 4-10 years based on the total installed capacity of the initiative in 525 branches and the total investment amount.

Initiative category & Initiative type

Low-carbon energy generation
Solar PV

Estimated annual CO2e savings (metric tonnes CO2e)

26

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

40,800

Investment required (unit currency – as specified in C0.4)

530,916

Payback period

4-10 years

Estimated lifetime of the initiative

16-20 years

Comment

Garanti BBVA completed solar power plant investments in its branches in 3 cities with the total investment amount of TRY 530,916. With these investments in rooftop solar power plants, our Bodrum Branch (55 kW) and Sivas Call Centre (30 kW) have begun producing renewable power. More recently, a rooftop solar power plant has been installed at Antalya Akdeniz Branch (8 kW). The CO2e and monetary savings were calculated based on the electricity unit price per kWh of 2019.

Initiative category & Initiative type

Energy efficiency in production processes
Combined heat and power (cogeneration)

Estimated annual CO2e savings (metric tonnes CO2e)

258

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

1,241,381

Investment required (unit currency – as specified in C0.4)

4,343,855

Payback period

4-10 years

Estimated lifetime of the initiative

16-20 years

Comment

Implementation completed in 2017: Trigeneration system in the head-quarter was completed and government approval was received in December, 2017. However savings started to gain by January 2018. The total investment cost (TRY 4,343,855) including machine and installation. The values of annual CO2 and monetary savings are roughly estimated based on the difference between 2 scenarios:(1) Before trigeneration: The amount of grid electricity consumption corresponding to trigeneration unit's production capacity is 4,205,257 kWh. This equals to a cost of TRY 3,364,206 based on 2019 electricity unit price and resulted in 2,160 tCO2e based on grid mix. The total natural gas (NG) consumption for our HQs' heating purposes was estimated as 257,835 m3 and this resulted in 503 tCO2e. Based on 2019 NG unit price, the total cost of NG consumption for heating purposes is TRY 501,541. (2) After trigeneration: The total NG consumption of trigeneration is 1,233,330 m3 and this resulted in 2,405 tCO2e. Based on the 2019 NG unit price, the total cost of operating trigeneration is TRY 2,399,074. Therefore, the annual total savings in TRY is: $(3,364,206+501,541)-2,999,074 = \text{TRY } 1,466,673$; and the annual total savings in tCO2 is: $(1,260+503)-2,405 = 258 \text{ tCO2}$ in 2019.

Initiative category & Initiative type

Other, please specify

Other, please specify

Voluntary carbon credit (VERs) purchase

Estimated annual CO2e savings (metric tonnes CO2e)

22,386

Scope(s)

Scope 1

Scope 2 (location-based)

Voluntary/Mandatory



Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

0

Investment required (unit currency – as specified in C0.4)

0

Payback period

No payback

Estimated lifetime of the initiative

1-2 years

Comment

Garanti BBVA purchased carbon certificates to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO2e VERs, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO2e (i.e. 29% less than its previous year's (2018) emissions). Investment payback, savings etc. figures are not relevant for this activity as it is not made for the aim of generating monetary benefits, but only made for voluntary purposes.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Financial optimization calculations	All energy-efficiency projects are screened for payback period and investment amount to ensure that we are finding ways to reduce carbon emissions while optimizing cost efficiency.
Employee engagement	All employees are required to receive training on sustainability; for new employees this is part of their orientation. The sustainability training is planned to be updated at the end of 2019 and will be shared with the employees in 2020. In addition to a full-time Sustainable Finance Team, Garanti BBVA has around 1,000 Sustainability Representatives, who are responsible for working in coordination with the Efficiency and Sustainable Finance Team to collect data and support the implementation of the decisions taken by the Sustainability Committee within their own departments, from headquarters, regional directorates and

	<p>branches. The environmental data collected either by Representatives or other relevant Bank personnel is consolidated and assessed the Sustainability Team on an annual basis. The Bank also has a dedicated team in the Construction Department that is responsible to apply for the Bank's environmental performance and ISO14001 compliance of all branches, buildings and personnel.</p> <p>In order to improve its data collection system, the Bank developed an online monitoring system for its environmental performance. The pilot period of the online database was completed successfully and the system was implemented in 2019. Additionally, the balanced scorecard of teams under relevant departments such as Project Finance (for indirect environmental risks) and Construction Department (for direct environmental risks) include KPIs related to environmental performance. The scorecard ultimately affects the annual compensation.</p>
<p>Internal price on carbon</p>	<p>Emission Trading System (ETS) is currently not applicable in Turkey. However, as per the Climate Change Action Plan, Garanti BBVA applies its own shadow carbon price to loan requests related to carbon-intensive projects in its project finance (PF) operations. The bank also includes a positive price in the cash flow of renewable energy investments. This way, the Bank favors renewable investments in its greenfield PF energy loan portfolio. Emerging Regulatory: Turkey seeks to establish its own emissions trading scheme (ETS) as per the PMR project conducted in collaboration with the WBG. In preparation for this, the regulatory framework on 'Monitoring GHGs Emissions' was published by the Ministry of Environment and Urbanization in the official gazette on 17.05.2014. The regulation requires companies from energy-intensive sectors to monitor, report and verify their CO2 emissions. While ETS would not apply directly to Garanti BBVA, it could indirectly impact the company in at least two ways: (1) by imposing new demands on borrowers, especially for project finance, which could impact Project performance and ability to repay. and (2) by leading to an increase in the cost of energy or energy intensive materials .</p>
<p>Dedicated budget for energy efficiency</p>	<p>As one of our focus areas stated in our Climate Change Action Plan, Garanti BBVA several practices to establish green office standards. To achieve this goal, the Bank's Construction Department has a dedicated budget and a team. Garanti BBVA Zincirlikuyu HQ is the first bank that has Platinum Certificate in LEED. Besides Zincirlikuyu HQ, Garanti BBVA Kızılay Branch is the only bank building holding Platinum certificate in New Buildings category. In addition, Garanti BBVA Pendik Technology Campus, Sivas Customer Contact Center and Karşıyaka İzmir Building all have LEED Gold Certifications.</p> <p>.The Additionally, investments in building services and process which are stated in the Section "4.3b" have been implemented by using dedicated budget.</p>

<p>Internal incentives/recognition programs</p>	<p>In 2015 Garanti BBVA expanded the scope of its ISO14001 Environmental Management System to 1,013 locations covering nearly 100% of its employees and buildings in Turkey. Since 2016 , a coverage ratio of roughly 100% has been sustained. In 2017, the Bank updated its Environmental Management System in accordance with ISO14001:2015, the latest version of the standard and received relevant certification per TÜVSÜD's audit. Garanti BBVA monitors environmental footprint data such as energy consumption and water consumption from each and every location through approx. 1000 Sustainability Representatives. In 2016 the Bank added ISO14001 criteria into its SPOT awards, which is an internal awards program to recognize and celebrate successful employees and comes with a monetary reward. Therefore, successful Sustainability Representatives who manage their location's environmental impacts successfully will be rewarded under SPOT Awards. In 2019, 23 people received the spot award in terms of sustainability criteria.</p>
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C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

Since 2014, our entire greenfield energy generation projects in the project finance portfolio consisted of renewable investments. By the end of 2019, we have provided USD 5.2 billion to renewable energy, and hold the market leader position for wind power projects with 27,5% market share. The percentage of renewable energy projects financed by the bank through project financing in 2019 is 50% and the percentage of

revenue from these group of products is 46% in the reporting year.

As of 31 December 2019, the total avoided emissions of operational wind, solar and hydroelectric power plants that were financed by Garanti BBVA was 5.9 million tCO₂e based on the latest available TEİAŞ data of electricity generation in Turkey. Wind turbines and dams have a typical life span of about 25 and 50 years, respectively. Due to the wide variety of projects, the Bank has not attempted to calculate total potential emissions reductions. Nevertheless, the company believes these efforts will be significant by directly reducing emissions and by helping to launch a variety of new markets and technologies. Calculation for estimated reductions from wind, solar and hydro power plant projects:

“Annual Energy Generated [MW/year] = Capacity [MW] x Capacity Factor [Dimensionless] x Total hours in a year [hrs/year]”;

“Annual CO₂e Emissions Avoided [metric tons/year] = Annual Energy Generated [MWh/year] x CO₂e Grid Emission Factor [metric tons/MWh]”;

“MWh Capacity Factor for Wind: 30% (conservative estimate)”;

“MWh Capacity Factor for Hydro: 30% (conservative estimate)”;

“MWh Capacity Factor for Solar: 15%”;

“Time: 365 [days/year]x24 [hrs/day]=8,760 hrs/year Turkish Grid Emission Factor: 0.512 metric t/MWh (2017) as calculated by Garanti GWPs based on IPCC, AR4, 2007 (100 year lifetime)” “CO₂: 1; CH₄: 25; N₂O: 298”.

All the renew. energy investment amounts and the indirect emission reduction due to wind, solar and hydro power plants have verified by KPMG within the scope of 2019 Integrated Annual Report.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Green Bond Principles (ICMA)

% revenue from low carbon product(s) in the reporting year

46

% of total portfolio value

50

Asset classes/ product types

Bank lending

Project Finance

Comment

The portfolio and revenue ratios provided above are the renewable energy projects financed by the bank through project financing in 2019.

Level of aggregation

Group of products

Description of product/Group of products

Garanti BBVA launched its Green Mortgage product in 2017 to promote energy efficient and environmentally friendly buildings. Since it was introduced in 2017 with the aim to encourage eco-friendly efficient buildings, financing provided by the Bank through the Green Mortgage product has reached TRY 379 mn by the end of 2019. Green Mortgage product corresponds to 0.29% of the total mortgage loans disbursed in 2019. Additionally, in May 2017, Garanti BBVA introduced its Eco-Friendly Vehicle Loan aimed at financing hybrid and electric automobiles that are energy efficient and environmentally friendly. The total amount of loans disbursed has reached TRY 8.9 mn by the end of 2019. Given international commitments and developments in this area, Garanti BBVA believes there is significant potential in this segment.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Green Bond Principles (ICMA)

% revenue from low carbon product(s) in the reporting year

0.17

% of total portfolio value

0.29

Asset classes/ product types

Bank lending
Residential Mortgages

Comment

"% of portfolio value (0.29%)" and "%revenue in the reporting year (0.17%)" are calculated as the share of green mortgage as part of total mortgage loans disbursed in 2019.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1, 2012

Base year end

December 31, 2012

Base year emissions (metric tons CO₂e)

15,568

Comment

Within the framework of our long-term objectives, we set a 50% reduction target for our total Scope 1 and Scope 2 emissions per total assets against 2012, which is the year when ISO14001 Environmental Management System became operational, by the end of 2020. Currently, we have already achieved this target with 66,2% reduction. We will continue our efforts to maintain this success and maximize greenhouse gas reductions. Garanti BBVA is also a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emissions reduction target in line with Science-Based Target Initiative (SBTI). In 2019, Garanti BBVA started its process to determine assertive targets for SBTI. Based on targets, Garanti BBVA will reduce carbon emissions by 29% by 2025 and 71% by 2035. Garanti BBVA aims to obtain 100% of the bank's energy from renewable sources, where possible, five of the bank's buildings are LEED certified, and rooftop solar paneling is also used at three points of service. With these measures, Garanti BBVA aims to able to reduce its carbon emissions by 71% in 2020, reductions

that were set for the year 2035 .Garanti BBVA purchased carbon credits in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions).

Scope 2 (location-based)

Base year start

January 1, 2012

Base year end

December 31, 2012

Base year emissions (metric tons CO₂e)

73,994

Comment

Within the framework of our long-term objectives, we set a 50% reduction target for our total Scope 1 and Scope 2 emissions per total assets against 2012, which is the year when ISO14001 Environmental Management System became operational, by the end of 2020. Currently, we have already achieved this target with 66,2% reduction. We will continue our efforts to maintain this success and maximize greenhouse gas reductions. Garanti BBVA is also a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emissions reduction target in line with Science-Based Target Initiative (SBTI). In 2019, Garanti BBVA started its process to determine assertive targets for SBTI. Based on targets, Garanti BBVA will reduce carbon emissions by 29% by 2025 and 71% by 2035. Garanti BBVA aims to obtain 100% of the bank's energy from renewable sources, where possible, five of the bank's buildings are LEED certified, and rooftop solar paneling is also used at three points of service. With these measures, Garanti BBVA aims to able to reduce its carbon emissions by 71% in 2020, reductions that were set for the year 2035. In addition, Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 1+2). Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions).

Scope 2 (market-based)

Base year start

January 1, 2012



Base year end

December 31, 2012

Base year emissions (metric tons CO2e)

73,994

Comment

Garanti BBVA's electricity is purchased from the main grid, where the following specific attributes are not available:

- RECs certification (but in 2020 Garanti BBVA formalized the 100% renewable energy purchase by buying IREC which is active in Turkey),
- direct contracts (low-carbon, renewable etc.)
- residual mix totals.

Therefore the Scope 2 (location-based) figure of the base year (2012) is stated here.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

14,923

Comment

GHG emissions (CO₂, CH₄ and N₂O and f-gases) from energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use and refrigerants are included in the Scope 1. Garanti BBVA is a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emission reduction target in line with the SBTI. Therefore, Garanti BBVA set the goal of reducing its CO₂ emissions by 29% by 2025 and 71% compared to 2018 emissions according to SBTI method. In this regard, Garanti BBVA purchased carbon credits in 2020 to offset its 2019 Scope 1+2 emissions. In addition, Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions).

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

Supplier-specific data for Garanti BBVA's electricity consumption is not available. As mentioned in "Section C5.1", Garanti BBVA's electricity is purchased from the main grid, where the following specific attributes are not available:

- RECs certification, (but in 2020 Garanti BBVA formalized the 100% renewable energy purchase by buying IREC which is active in Turkey),
- direct contracts (low-carbon, renewable etc.)
- direct contracts (low-carbon, renewable etc.)
- residual mix totals.

Therefore the Scope 2 (location-based) figure of the reporting year (2019) is stated below.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO₂e?

Reporting year

Scope 2, location-based

55,198

Comment

The Scope 2 emission includes purchased electricity by Garanti BBVA's operations in Turkey (Headquarters, service buildings, branches and ATMs). The IPCC Fifth Assessment Report factors are used for global warming potentials and emission factors. Grid Emission Factor is calculated based on the most recent data available by the Turkish Electricity Generation and Transmission Corporation (TEİAŞ). GHG emissions are reported following the guidance in GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1), GRI 305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2) and the GHG Protocol - Location-based for the reporting period. Supplier-specific data for the Bank's electricity consumption is not available. Garanti BBVA is a signatory to the Science-Based Target Initiative since 2016 and committed to set a long-term emission reduction target in line with the SBTI. Therefore, Garanti BBVA set the goal of reducing its CO₂ emissions by 29% by 2025 and 71% compared to 2018 emissions according to SBTI method. In addition, Garanti BBVA purchased carbon credits in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions). Kindly note that the target is calculated as 29% less than 2018 Scope 1 emissions.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1,587.3

Emissions calculation methodology

The calculation was made using EPA one night hotel stay emission factors and room day numbers. The emission factor for upscale hotels with restaurants, meal services, meeting space is used for both domestic and international hotel stays 26.60 kg CO2e/room day. The emission factor is quite similar to other studies carried out within Europe and Turkey. (April 2019)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

50

Please explain

Last year emissions were 1760.71 ton CO2e. Domestic accommodation decreased by 10% while international accommodation increased by %12. The Emission Factor did not change since last year.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

The GHG emissions originating from capital goods such as buildings are covered by either Scope 1 or Scope 2 emissions and exclusions are indicated in relevant sections.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

6,454.64

Emissions calculation methodology

The calculation was made by using the consumption (lt) of diesel and gasoline of personal cars used for business. The EFs are the same used for calculating Scope 1 company car fleet of Garanti BBVA.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Last year emissions were 6.415,88. In 2019, there is 4% increase in gasoline consumptions while diesel reduces by 12%.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

All emissions associated to transportation and distribution (both upstream and downstream) are covered by the figure provided at the "Downstream transportation and distribution" Section.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

208

Emissions calculation methodology

The data collected by Garanti BBVA is 276.32 tons. This number is all about domestic (kitchen) waste. First Order Decay Model is used to calculate the CO₂e emissions of domestic waste with the assumption that all the wastes are sent to unmanaged solid waste disposal sites. It is estimated that the waste of 2019 will be disposed within 30 years.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

According to the data, 41% less domestic waste was generated in 2019 when compared to the previous year. It should be noted that the Global Warming Potential of Methane have increased from 25 to 28 in 2018.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

2,195.97

Emissions calculation methodology

The Scope 3 emissions related to business air travel by Garanti BBVA employees is reported following the guidance in GRI 305-3 and the GHG Protocol. Average passenger DEFRA emission factors (without RF) are used for air travel emissions calculations. Flights are classified as Short Haul (less than 500 km), Medium Haul (between 500 km and 1,600 km), and Long Haul (over 1,600). The total flight distance of business travel of the Bank in 2019 is 21,782,535 km.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

In 2019, approximately 20% less passenger kilometers were recorded. The other reason for the fall is the decrease in Emission Factors by around 5% in average. Total flight distance was recorded as 21,782,535 kilometers in 2019. The Scope 3 emissions due to the business flights

were also presented in our 2019 Integrated Annual Report and our website (<https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmentalimpact-of-our-operations/climate-change-management/>). This data was also verified within the scope of the limited assurance.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1,795.83

Emissions calculation methodology

The raw data included kilometers collected from three companies. The calculation was made by using total km captured from companies providing the services for employee commuting. The emission factors of vehicle km of DEFRA is multiplied by total km of relevant vehicle type. For 16+1 vehicles the average CO2e emission factor of vans is used (0,24710 kg CO2e/vehicle km), For 27+1 vehicles the CO2e emission factor for 50% laden rigid (>3,5-7,5 tonnes) is used (0,48713 kg CO2e/vehicle km for 50%laden and 0,52563 kg CO2e/vehicle km for 100% laden) -(April 2020)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Last year emissions were 1935.94, approximately 7.3% above 2019. The emission factors of 75% of the km travelled declined 4% while the total kms travelled have declined around 5%.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Garanti BBVA already covers the fuel purchased for leased cars in Scope 1 emissions and in Scope 3 emissions as explained in the section named "Fuel-and-energy-related activities (not included in Scope 1 or Scope 2)".

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

321.83

Emissions calculation methodology

The calculations were made by using the information provided by the courier suppliers which are named as Courier 1, Courier 2, Courier 3 and Courier 4 for domestic and international freights. This information includes distances (km), number of items, type of transportation (air, road etc.), type of vehicle, type of fuel used and the lot of Garanti BBVA's freights in all operations for the courier company in the reporting period. The calculation was made by multiplying total 'ton.km' for Garanti BBVA with the related Emission Factor of DEFRA. For Courier 1 operations: 16% of the Bank's consignments are domestic, 17% of consignments are short haul and 66% consignments are long haul. The EF of a domestic flight is 2.7049 kg CO2e per ton.km, short haul flight is 1.0565 kg CO2e per ton.km and long haul flight is 0.77 kg CO2e per ton.km. The delivery to the airport is estimated as 12 kilometers and the EF used is 0.2495 kg CO2e for rigid HGV vehicles (>3.5-7.5 tonnes) % 100 Laden. For Courier 2 services: The EF of a rigid HGV vehicle for 'ton.km' for 100% laden is 0.4624 kg CO2e (EF used is for the year 2018). For Courier 3 services: The calculation was made by using data including the total fuel usage of the company and sub-contractors and Garanti BBVA's share in operations of the company in the reporting year. The EFs used are the same with the Bank's EF and the total CO2e emissions is multiplied by the Bank's share in 2019 operations of the courier company. For Courier 4 services: The EF of a rigid HGV vehicle for 'ton.km' for 50% laden is 0,4624 kg CO2e/ton.km. EF is decreased by 6% when compared with the last year. The total decrease is around 31%.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

75

Please explain

The 50% of the total data obtained from Courier 1 and Courier 2; and 100% of the total data obtained from Courier 3 and Courier 4 were used in the calculations. The total of 321.830 tCO2e comprises of 47.77 tCO2e (Courier 1), 31.77 tCO2e (Courier 2), 101.35 tCO2e (Courier 3) and

140.94 tCO₂e (Courier 4) . The following findings were noted for each service: (1)Courier 1: The reason of the increase is the change of the distribution of the destination despite the decrease in number. The majority of the cargo is aimed for Far East and America/Latin America. There are slight decreases in EFs from last year.–Courier 2: Similar to last year Courier 2 shared the number of file and package send by using Courier 2 services. The number of cargo sent have decreased by %25.. --Courier 3: CO₂ emissions decrease 7% due to the decrease in diesel consumptions of Courier 3. Garanti BBVA share in Courier 3 services is about the same as last year. Courier 4: The number of deliveries and the distance travelled for deliveries decreased. Emission factors are also decreased by 6%. The total decrease is around 31%.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Emissions originating from downstream transportation and distribution is already covered by “Downstream transportation and distribution” section.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Financial services that we provide result in GHG emissions, however this is already covered by “investment activities”

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Financial services that we provide result in GHG emissions, however this is already covered by “investment activities”.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Garanti BBVA already covers the fuel purchased for leased cars in Scope 1 emissions and in Scope 3 emissions as explained in the section named "Fuel-and-energy-related activities (not included in Scope 1 or 2)".

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Garanti BBVA does not have any franchise.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Please explain

We have included both the upstream and downstream emissions of paper consumption in "Other (downstream)" section.

Other (downstream)

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

8,149

Emissions calculation methodology



The calculation was made by multiplying total paper used with emission factors. The data is collected according to paper type. Copy paper used ~473 tons, bank statements for customers nearly 154 tons, for receipts ~269 tons. Environmental Paper Network's emission factors are used for each type of paper. For 1 tons of copy paper EF used is 8,981 tons CO2e, for bank statements the EF used is 9,661 tons CO2e, for ATM slips EF used is 8.981 tons CO2e -(August 2020)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Paper used decreased almost 20%. The decrease of CO2 emission is also 20% because the emission factors did not change since last year. Besides Garanti BBVA has been the first bank in Turkey to create "paperless banking" operating environment and first bank in the world with ID scanning facilities in branches. Since April 2015, tablet computers have been used by employees. Avoidance in paper consumption through digital banking (usage of tablets by employees instead of print-outs) has been provided within the scope of paperless banking.

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.0000227

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

70,121.55

Metric denominator

unit total revenue

Metric denominator: Unit total

30,828,996,000

Scope 2 figure used

Location-based

% change from previous year

4.35

Direction of change

Decreased

Reason for change

The intensity figure decreased at a rate of 4.35% (From 0.0000023 to 0.0000022) and the GHG emissions intensity decreased at rate of 2.38% in 2019 when compared to 2018. There has been an increase in our revenue at a rate of 8.71%. The reasons of this remarkable increase are as follows: (1)In 2019, the yield of the CPI-indexed treasury bills was almost double compared to the previous year; (2)Strong growth in fees and commissions and (3)Except for CPI-indexed paper, the bank maintains its interest margin throughout the year. Besides, due to emissions reduction activities such as energy efficiency implementations (LED installation, AC renewal, installation of roof type solar panels and implementation of trigeneration unit) completed, electricity consumption in facilities decreased by 8.429.162 kWh in 2018. Additionally, Garanti BBVA announced its decision to purchase its electricity from renewable energy for all its corporate buildings, subsidiaries and branches which are eligible for power purchasing agreements at the beginning of 2020. Based on these agreements approximately 90 million kWh of electricity need of 813 Garanti BBVA branches and 45 buildings will be totally provided from renewable energy. By this way, 45,000 tonnes of CO₂-equivalent emissions will be avoided which corresponds to the carbon sink capacity of roughly 3 million trees' in one year.

Intensity figure

164

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

70,121

Metric denominator

Other, please specify

(Billion currency assets under management)

Metric denominator: Unit total

429

Scope 2 figure used

Location-based

% change from previous year

2.38

Direction of change

Decreased

Reason for change

The GHG emissions intensity decreased at rate of 2,38% in 2019 when compared to 2018. Garanti BBVA's consolidated total assets increased by 7% on an annual basis and reached TRY 429 billion (As of 31 December 2019). Besides, due to emissions reduction activities such as energy efficiency implementations (LED installation, AC replacements, implementation of Trigeneration unit and installation of the roof type solar panels, armature renewal, server virtualization, raising awareness) electricity consumption in facilities decreased in 2019 compared to 2018. Additionally, Garanti BBVA announced its decision to purchase its electricity from renewable energy for all its corporate buildings, subsidiaries and branches which are eligible for power purchasing agreements at the beginning of 2020. Based on these agreements approximately 90 million kWh of electricity need of 813 Garanti BBVA branches and 45 buildings will be totally provided from renewable energy. By this way, 45,000 tonnes of CO2-equivalent emissions will be avoided which corresponds to the carbon sink capacity of roughly 3 million trees' in one year.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Increased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	26	Decreased	0.04	Garanti BBVA invested in three rooftop solar power plants with the operational installed capacity of 6 to 50 kW for its service points in three cities and the Pendik Technology Campus was built according to LEED-certification. Garanti BBVA Zincirlikuyu Head Office has LEED Platinum Certificate which the only Bank from Turkey. These rooftop PVs generated 51,000 kWh in 2019. 0,000513729 tCO2e/kWh (based on TEİAŞ data). Therefore the change in RE consumption for 2019 was 26 tonCO2e. Additionally, in the beginning of 2020, Garanti BBVA signed 100% Renewable Energy Purchase Agreement with two reputable energy companies in Turkey. Based on this Agreement, Garanti BBVA started to purchase its electricity from renewable energy for all its corporate buildings, subsidiaries and branches where technical infrastructure is compatible. Currently 813 branches and 45 buildings use RE. Accordingly, 45,000 tonnes of CO2e emissions will be avoided which corresponds to the carbon sink capacity of roughly 3 million trees in one year.
Other emissions reduction activities	28,064	Decreased	41.74	As stated in the Section "C4.3b", due to emission reduction activities such as energy efficiency projects (LED installations, AC renewals and implementation of Trigenation unit), 14,855,352 kWh saved in terms of electricity consumption, which resulted in 5.678 tCO2e savings. In addition to these investments, Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO2e VERs in 2020 that are retired to offset 2019 emissions, Garanti BBVA has reduced its 2019

				emissions to 47,735 tCO ₂ e (i.e. 29% less than its 2018 emissions). Therefore, we would normally expect our total Scope 1+2 emissions to be 5,678 (corresponding to 8.45%) tCO ₂ e + 22,386 tCO ₂ e (Carbon certification-Gold Standard)= 28,064 tCO ₂ e lower compared to previous year in 2019. (28,064/67,233=41,74%).
Divestment				There is no divestment, acquisition or merge in 2019.
Acquisitions				There is no divestment, acquisition or merge in 2019.
Mergers				There is no divestment, acquisition or merge in 2019.
Change in output	424	Increased	0.63	In 2019, the number of stand-alone ATMs reached to 3,387. It was 3,384 in 2018. There is an increase in stand-alone ATM electricity consumption amounting to 634,150 kWh in 2019. This increase is assumed to be due to changes in number of stand-alone ATMs and annual average temperature increase. The change (%) in total Scope 1+2 emission was calculated as follows: $424/67,233 \times 100 = 0,63\%$.
Change in methodology	644.676	Increased	0.96	The grid emission factor based on 2018 TEİAŞ data, which is most recent available official data, was used for the calculation of scope 2 emissions in 2019. In 2019, there has been a slight increase in Turkey's grid emission factor by 1,18% when compared to 2018 value (from 0.507 to 0.513). The total Scope 2 emissions in 2019 would be 644,676 tCO ₂ e lesser if we used the previous year's emission factor (i.e. 0.507). This resulted in a total artificial decrease of 0.96% in 2019 total Scope 1+2 emission ($644,676/67,233 = 0.96\%$). However our total Scope 1+2 emission increased around 4.30% corresponding to 2,888 tCO ₂ e.
Change in boundary				There is no change in boundary.
Change in physical operating conditions				There had been no major change identified that can be directly associated with weather conditions.
Unidentified				There is no unidentified reason.

Other	7,523.32	Increased	11.19	<p>There had been a increase of 2,888 t CO2e in total Scope 1+2 emissions compared to previous year. This increase corresponds to 4.30%.</p> <p>However, the sum of the changes compared to previous year stated above, excluding carbon certification, is 6.89% $((0.04+8.45)-(0.96+0.63))$. The difference (11.19%) might be due to a variety of reasons including temperature fluctuations, volume of business in branches and ATMs. In 2019, Garanti BBVA has started 100% Renewable Energy Purchase Agreement with two reputable energy companies in Turkey. Based on this Agreement, Garanti BBVA will start to purchase its electricity from renewable energy for all its corporate buildings, subsidiaries and branches which are eligible for power purchasing agreements. By this way, 45,000 tonnes of CO2e emissions will be avoided which corresponds to the carbon sink capacity of roughly 3 million trees' in one year.</p>
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C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization’s energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	63,725	63,725
Consumption of purchased or acquired electricity		0	107,447	107,447
Consumption of self-generated non-fuel renewable energy		51		51
Total energy consumption		51	171,172	171,223

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description

Other, please specify
Water consumption

Metric value

260,000

Metric numerator

Cubic meters

Metric denominator (intensity metric only)

% change from previous year

8.45

Direction of change

Decreased

Please explain

The water consumed by Garanti BBVA is provided by municipalities, which in Turkey source their water mainly from open river and reservoirs. To manage our indirect water footprint, we also request, monitor and ensure that measures are taken to reduce consumption of water and other natural resources, decrease environmental impact, apply recycling and prevent negative effects on water quality. While financing new



investments, we take into account the conditions such as ground water characteristics, and impact on underground and surface waters, quality, and sectoral criteria. In addition, based on the Environmental and Social Loan Policies (ESLP) and in line with the 15th Goal-Life on Land from the UN Global Goals, we do not finance projects and activities in the wetlands defined as threatened ecosystems and protected by the RAMSAR Convention. In addition to raising awareness on carbon footprint management, we supported the launch of the CDP Water Program in Turkey in 2015 as a main sponsor. We aim to increase awareness of our corporate customers about water risks. In this field, we partner with NGOs and public and private institutions to create awareness and share experiences. In April 21, 2016, we joined the WWF Water Panel with high-level participation. Detailed information on our approach on water risks can be found in our previous sustainability reports. Building on its efforts to support CDP Turkey's Water Program, Garanti BBVA has extended the scope of its support and became the main sponsor of the CDP Turkey Program. The Bank was also entitled to receive the "CDP Turkey Climate Leadership Award" in 2017 and 2018 and became the only financial institution worldwide to be listed in the CDP 2017 Water A List. Our Annual Integrated Report includes total water consumption mainly coming from municipality by Garanti BBVA's operations in Turkey. This indicator is defined as the total water consumption mainly coming from municipality by Garanti BBVA's operations Turkey. Reported following the guidance in GRI 303-3 (2018) Total water withdrawal by source in the Appendix A.3: Environmental Performance Data (page 523) of our 2019 Integrated Annual Report.

Description

Other, please specify
Domestic Waste

Metric value

271

Metric numerator

Tons

Metric denominator (intensity metric only)

% change from previous year

42.58

Direction of change

Decreased

Please explain

The Bank's Environmental Management System envisages the re-use of waste where possible and, wherever not, recycling or, where this is not appropriate, its disposal by an authorized disposal company. Garanti BBVA's waste management approach:

(-)Reuse: The reuse of waste is the first priority. Computers that are broken or redundant are delivered to Garanti BBVA Technology which examines their potential scope for re-use. Repaired computers are then donated to schools in need if deemed to be usable.

(-)Recycling: Beginning with buildings subject to the EMS, the Bank began to deliver recyclable waste to authorized recycling and disposal facilities. Recyclable paper, plastic, metal and glass are delivered to whichever municipality the service point is located in or to a licensed recycling firm, where they are recycled.

(-)Management of Hazardous Waste: Hazardous waste that is produced by the Bank is collected in accordance with determined rules and delivered to authorized recycling and disposal facilities.

(-)Excavation Waste: Waste and debris left over during branch openings or renewal is removed to disposal areas as designated by the municipality. As Garanti BBVA has been reached 100% coverage of ISO14001 certified Environmental Management System (EMS) in all locations, monitoring and tracking of recycle wastes have been performed in all locations. The Bank started to publicly disclose the waste indicators in 2017. Recycled hazardous and recycled non-hazardous wastes data were included within the limited assurance scope for 2019 Integrated Annual report. We are planning to improve our data collection method and get assurance for domestic waste as well in the coming years. Method to calculate domestic waste: We identified the branches from which we were able to collect consistent data in both the number of packages and kilograms. An average waste generation amount per employee is calculated for the selected sample. This figure was then multiplied with the total number of employees and this is how we reached the domestic waste figure for the reporting year.

For more info, please visit: <https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/environmental-impact-of-our-operations/> ; and please see Appendix A.3 (page 523) of our 2019 Integrated annual Report.

Description

Other, please specify

Recycled Waste

Metric value

368

Metric numerator

Tons

Metric denominator (intensity metric only)

% change from previous year

34.29

Direction of change

Decreased

Please explain

Recyclable paper, plastic, metal and glass are delivered to whichever municipality the service point is located in or to a licensed recycling firm, where they are recycled. As Garanti BBVA, we have been reached approx. 100% coverage of ISO14001 certified Environmental Management System in all locations, monitoring and tracking of recycle wastes have been performed in all locations. The recycled waste amount has been assured and published since 2017 in our Integrated Annual Reports every year.

For more information, please visit: <https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/> ;

and please see Appendix A.3: Environmental Performance Data (page 523) of our 2019 Integrated annual Report.

Description

Other, please specify
Hazardous Waste

Metric value

6

Metric numerator

Tons

Metric denominator (intensity metric only)

% change from previous year

14.29

Direction of change

Decreased

Please explain

Hazardous recycled waste (i.e. cartridges and batteries), are collected centrally by TAP (Portable Battery Producers and Importers Association) and HP (Hewlett Packard Enterprise). The total weight of these are calculated based on the data received from these two organizations. Since there is no central collection system for the non-hazardous recycled waste (i.e. paper, plastic, etc.), we rely on an assumption based on waste generation from Garanti BBVA's Headquarters

Building. In 2019, the total recycled non-hazardous waste collected from our headquarters building was calculated as 39,758 kg based on the statement provided from Beşiktaş Municipality. Monthly totals of Headquarters building occupants were used to calculate the average monthly recycled

non-hazardous waste generation per person. The average of these monthly figures was taken to calculate the annual non-hazardous recycled waste generation per person (20 kg). The total yearly amount of non-hazardous recycled waste collected from all buildings in the scope was estimated by multiplying the unit waste generation with the total number of employees present in all buildings.

The hazardous waste amount has been assured and published since 2017 in our Integrated Annual Reports every year.

For more information, please visit: <https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/> ;

and please see Appendix A.3: Environmental Performance Data (page 523) of our 2019 Integrated annual Report.

Description

Other, please specify
Paper consumption

Metric value

900

Metric numerator

Metric denominator (intensity metric only)

Tons

% change from previous year

18.18

Direction of change

Decreased

Please explain

As Garanti BBVA, we have been reached approx. 100% coverage of ISO14001 certified Environmental Management System in all locations, monitoring and tracking of recycle wastes have been performed in all locations. The paper consumption has been published in our Integrated Annual Report.

For more information, please visit: <https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/> ;
and please see Appendix A.3: Environmental Performance Data (page 523) of our 2019 Integrated annual Report.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Garanti BBVA 2019 IAR-Assurance Letter.pdf

Page/ section reference

All Pages of the attached file. The Assurance letter was provided on pages 206 to 210 in our 2019 Integrated Annual Report.

Garanti BBVA discloses its emission figures in its Integrated Annual Report every year. For more information, please see our report (in 'pdf' version) and web site in the following links:

Pdf: <https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf>

Web: <https://www.garantibbvainvestorrelations.com/en/integrated-annual-report/>

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Garanti BBVA 2019 IAR-Assurance Letter.pdf

Page/ section reference

All Pages of the attached file. The Assurance letter was provided on pages 206 to 210 in our 2019 Integrated Annual Report.

Garanti BBVA discloses its emission figures in its Integrated Annual Report every year. For more information, please see our report (in 'pdf' version) and web site in the following links:

Pdf: <https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf>

Web: <https://www.garantibbvainvestorrelations.com/en/integrated-annual-report/>

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Business travel

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Garanti BBVA 2019 IAR-Assurance Letter.pdf

Page/section reference

All Pages of the attached file. The Assurance letter was provided on pages 206 to 210 in our 2019 Integrated Annual Report.

Garanti BBVA discloses its emission figures in its Integrated Annual Report every year. For more information, please see our report (in 'pdf' version) and web site in the following links:

Pdf: <https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf>

Web: <https://www.garantibbvainvestorrelations.com/en/integrated-annual-report/>

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C1. Governance	Other, please specify Sustainability Governance	Third Party Assurance: Limited Assurance within the scope of ISAE3000	Sustainability Governance at Garanti BBVA is mentioned in the Risk Management section on page 167 of its 2019 Integrated Annual Report. Sustainability Governance refers to the policies and mechanisms in place for decision-making on economic, environmental and social impacts. Sustainability Governance is reported following the guidance in GRI 102-18, 102-19, 102-20.  1, 2
C2. Risks and opportunities	Other, please specify Environmental and Social Impact Assessment Process	Third Party Assurance: Limited Assurance within the scope of ISAE3000	The following KPIs have been verified within the scope of third party assurance (limited assurance): Environmental & Social Impact Assessment Process related to projects financed by Garanti BBVA: (1)Number of assessed projects in 2019 (2)Number of rejected projects in 2019 (3)Risk rating of the assessed projects in 2019 (4)Number of project site visits conducted during 2019. The scope of Independent Limited Assurance is presented on page 206 to 210; the KPIs mentioned above and E&S Governance are reported on page 97 (3rd part of KPI&Performance Table); and E&S Impact Assessment Indicators are presented in the Appendix A.5 (page 524) in our 2019 Integrated Annual Report (https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf).  1, 2
C3. Business strategy	Other, please specify Materiality Analyses	Third Party Assurance: Limited	Our Materiality Analysis is based on two key criteria. First one is desk studies to review the trends, sector reports, report of global banks and advice by international professional organizations such as GRI and

		Assurance within the scope of ISAE3000	<p>SASB; and the second one is a comprehensive stakeholder analysis by reaching all stakeholder groups via online questionnaires, focus group meetings and phone calls to get their opinions. AA1000SE Stakeholder Engagement Standard was used as a reference to conduct the stakeholder engagement process. Each relevant topic was evaluated through a four-step assessment called “Four Factor Impact Analysis”. In the assessment, we ranked each topic according to the magnitude of impact, likelihood of impact and time frame (short, middle, long) in terms of: (1)Direct financial impact and risk, (2)Legal, regulatory and policy drivers, (3)Opportunities for innovation, (4)Industry norms, best practices and competitive advantage. For details, please see Our Material Matters section on pages 42 to 44 in our 2019 Integrated Annual Report (https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf).</p> <p> 1, 2</p>
C5. Emissions performance	Year on year emissions intensity figure	Third Party Assurance: Limited Assurance within the scope of ISAE3000	<p>Total Scope 1 and Scope 2 GHG emissions divided by total assets of the Bank as of calendar year end in billion TL terms. The total assets are based on the Bank’s audited financial statements.</p> <p>Year on year emissions intensity and the percentage change in the GHG Emissions Intensity compared to the previous year’s GHG emissions are reported following the guidance in GRI 305-4 and can be found in Appendix A.3: Environmental Performance Data (page 522).</p> <p> 1, 2</p>
C7. Emissions breakdown	Change in Scope 3 emissions against a base year (not target related)	Third Party Assurance: Limited Assurance within the scope of ISAE3000	<p>Scope 3 emissions related to business air travel by Garanti BBVA employees is reported following the guidance in GRI 305-3 and the GHG Protocol (2015). Average passenger DEFRA 2019 emission factors (without RF) are used for air travel emissions calculations. Flights are classified as Short Haul (less than 500 km), Medium Haul (between 500 km and 1,600 km), and Long</p>

			<p>Haul (over 1,600). Please see Appendix A.3: Environmental Performance Data. 📎 1, 2</p>
C8. Energy	Energy consumption	Third Party Assurance: Limited Assurance within the scope of ISAE3000	<p>Total yearly energy consumption by source indicator is defined as the energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use, and purchased electricity by Garanti BBVA's operations (Headquarters, service buildings, branches and ATMs) in Turkey. Universal energy conversion factors provided by the IPCC are used to convert source data in cubic meters, litres and tonnes to MWh. Total Energy consumption is reported following the guidance in GRI 302-1 Energy consumption within the organization and can be found in Appendix A.3: Environmental Performance Data. 📎 1, 2</p>
C8. Energy	Renewable energy products	Third Party Assurance: Limited Assurance within the scope of ISAE3000	<p>The following KPIs are reported within the scope of Renewable Energy Portfolio: (1)Amount of investments in renewable energy projects by type in the reporting period; (2)Installed capacity of renewable energy projects by type in the reporting period; (3)Garanti's market share of operational installed wind capacity in Turkey in the reporting period.Amount of investments in renewable energy projects by type as of the reporting period end. Installed capacity of renewable energy projects by type as of the reporting period end. Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end. The loan amounts committed, the installed capacity of renewable energy projects that were signed by Garanti BBVA and Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end. For the market share of operational installed wind capacity calculations the total installed capacity of wind energy projects in Turkey are taken from the General Directorate of Energy Affairs website (http://www.eigm.gov.tr/tr-TR/Sayfalar/Enerji-</p>

			<p>Yatirimlari). Garanti BBVA's share in installed capacity in a project is calculated by multiplying Garanti BBVA's share in the committed loan amount with the total installed capacity of a project.</p> <p> 1, 2</p>
C8. Energy	<p>Other, please specify</p> <p>Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti BBVA</p>	<p>Third Party Assurance: Limited Assurance within the scope of ISAE3000</p>	<p>Emissions avoided by the electricity generation based on the operational capacity of solar, wind and hydropower plants during the reporting period are calculated. The projects Garanti BBVA has participated in financing which were operational in the reporting period are taken into consideration for the calculations. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ for 2018. Please see Responsible and Sustainable Development Section (page 132) of our 2019 Integrated Annual Report.</p> <p> 1, 2</p>
C9. Additional metrics	<p>Other, please specify</p> <p>Total Yearly Water Consumption by Source</p>	<p>Third Party Assurance: Limited Assurance within the scope of ISAE3000</p>	<p>This indicator is defined as the total water consumption mainly coming from municipality by Garanti BBVA's operations Turkey. Total Yearly Water Consumption by Source is reported following the guidance in GRI 303-3 (2018) Total water withdrawal by source in the Appendix A.3: Environmental Performance Data (page 523) of our 2019 Integrated Annual Report.</p> <p> 1, 2</p>
C9. Additional metrics	<p>Other, please specify</p> <p>Total Yearly Waste Generated</p>	<p>Third Party Assurance: Limited Assurance within the scope of ISAE3000</p>	<p>Includes total recycled hazardous and recycled non-hazardous waste generated. The scope of Independent Limited Assurance is presented on pages 206 to 210 and indicators are provided in the Appendix A.3: Environmental Performance Data (page 523) of our 2019 Integrated Annual Report.</p> <p> 1, 2</p>

 1Garanti BBVA 2019 IAR-Assurance Letter.pdf

 2GarantiBBVA_2019IntegratedAnnualReport.pdf

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

Garanti BBVA purchased carbon certificates in 2020 to offset its 2019 emissions (from Scope 1+2). By purchasing 22,386 tCO₂e VERs in 2020, Garanti BBVA has reduced its 2019 emissions to 47,735 tCO₂e (i.e. 29% less than its 2018 emissions).

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO₂e)

22,386

Number of credits (metric tonnes CO2e): Risk adjusted volume

22,386

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?

Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price

- Navigate GHG regulations
- Stakeholder expectations
- Change internal behavior
- Drive low-carbon investment
- Stress test investments
- Identify and seize low-carbon opportunities

GHG Scope

Scope 3

Application

Scope 3 means downstream operations, i.e. lending operations. In October 2015, Garanti BBVA published its Climate Change Action Plan to support Turkey's transition to a low-carbon economy. The plan focused on prioritizing renewable energy and putting a shadow price on carbon, reducing deforestation, managing climate-related water risks and establishing green office standards. Despite the difficulties in determining the cost of carbon in the absence of a regulation, the bank applies its own shadow carbon price in evaluating the economics of all greenfield/brownfield fossil fuel based and renewable energy investments in its Project Finance activities. If the host country already implements an ETS/tax, then Garanti BBVA uses actual price for carbon. If not, it uses fixed price per tCO₂e emitted. The price is determined taking into consideration the market dynamics and is reviewed and updated regularly.

Actual price(s) used (Currency /metric ton)

28

Variance of price(s) used

In October 2015, Garanti BBVA published its Climate Change Action Plan (CCAP) to support Turkey's transition to a low-carbon economy. Excerpt from our CCAP (<https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0>):

I. Putting a shadow price on carbon: The phrase "put a price on carbon" has become increasingly common as discussions of how to address climate change move from concern to action. As a pioneer in financing renewable energy projects and being by far the largest lender for wind projects in Turkey, setting a carbon pricing scheme will allow the Bank to further prioritize renewable investments. The price assumed between 2011-2020 varies between USD 5-10 per tCO₂e. Taking into consideration our internal studies and international reports aimed at determining carbon corridors, we expect the pricing to be USD 48 and USD 74 in 2025 and 2030 respectively. The price below represents USD 5 (equivalent TRY 28) per tonne of CO₂e (The price was converted to TRY based on the annual average USD/TRY exchange rate mentioned by TCMB).

Type of internal carbon price

Shadow price

Impact & implication

Garanti BBVA is a strong supporter of voluntary tools such as carbon pricing to enable transition to a low carbon economy. Therefore the Bank became a member of Carbon Pricing Leadership Coalition (CPLC) Global Steering Committee (2018-2020). Garanti BBVA's efforts in this area was presented as a case study through a webinar organized by Yale University, World Economic forum, and CPLC. Please refer to the link to see the details: <https://cbey.yale.edu/events/integrating-an-internal-price-on-carbon-lessons-from-garanti-bank> .

Garanti BBVA was also presented as a case study by CPLC in 2017 Carbon Pricing Leadership Report:

<http://pubdocs.worldbank.org/en/183521492529539277/WBG-CPLC-2017-Leadership-Report-DIGITAL-Single-Pages.pdf> .

Garanti BBVA also supports the UN Global Compact's Business Leadership Criteria on Carbon Pricing, which comprises three distinct but overlapping dimensions: integrating carbon pricing into long-term strategies and investment decisions, responsible policy advocacy, and communication on progress. All three dimensions of the criteria are aligned with limiting the increase in global mean temperature to 2°C above pre-industrial levels.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Yes, our customers

Yes, other partners in the value chain

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Compliance & onboarding

Details of engagement

Code of conduct featuring climate change KPIs

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement

Garanti BBVA released its Code of Conduct for Suppliers with the purpose of regulating supplier behavior and the professional relations of suppliers in parallel to the Bank's commitment to corporate governance principles and ethical values. The Bank shared its Code of Conduct for Suppliers which includes provisions on ISO14001 as well as other environmental initiatives the Bank has committed to with a message stating that their full commitment and compliance is expected. Garanti BBVA Code of Conduct for Suppliers ([https://assetsgaranti.com/assets/pdf/en/other/Garanti_Bank_Code_of_Conduct_for_Suppliers%20\(2\).pdf](https://assetsgaranti.com/assets/pdf/en/other/Garanti_Bank_Code_of_Conduct_for_Suppliers%20(2).pdf)).

Impact of engagement, including measures of success

Environmental Provisions stated in the Code of Conduct include: - Protection of the environment, sustainability and the aspiration to “eco-efficiency” are priorities for Garanti BBVA, which has developed an Environment Policy and has subscribed to the principal international commitments on this issue: the UNGC, UNEP-FI and the CDP: -In your professional activities, behave responsibly in regard to the conservation of the environment. Follow the recommendations and procedures to reduce the environmental impact of your activity and to achieve Garanti BBVA’s sustainability objectives; -If, through your work for Garanti BBVA, you are involved in projects relating to urbanization, construction or change of land use, ensure that you respect the cultural, historical, artistic or environmental values which might be affected. In all circumstances ensure that the essential or specific elements of protected environmental spaces are adequately conserved. Garanti BBVA shared its ‘Code of Conduct for Suppliers’ with major suppliers with a message stating that their full commitment and compliance is expected. The suppliers share back the signed Code of Conduct for Suppliers document with the Bank. Commitment to Sustainability Section of the code includes; Sustainability Policy, Environmental Policy, Exclusion List stated in the Bank’s Environmental and Social Loan Policies and international initiatives and standards, such as UNGC, UNEP-FI, IFC Performance Standards, CDP Climate Change Program, CDP Water Program, ISO14001 EMS, LEED criteria, C4C, UNGC Business Leadership Criteria on Carbon Pricing. Besides the Bank’s E&S Risk Mgmt System including aligned with international practices such as EP, is intended to inform corporate and commercial customers on best practices in this area. This system requires to conduct assessments in terms of environment, social, health and safety and human rights issues in order to establish a risk management plan. In the Code, it is also stated that the Bank’s suppliers undertake not to engage in actions that breach not only

the provisions of the applicable legislation but also the provisions of the aforementioned international agreements, initiatives and standards on environmental and social issues.

Comment

Garanti BBVA's Code of Conduct for Suppliers covers all suppliers of the Bank. All suppliers that work for Garanti BBVA should behave with due respect for the applicable laws and regulations, with integrity and transparency, and acting with the prudence and professionalism appropriate to the social impact of the financial industry, and to the confidence which our shareholders and customers have placed in us.

Type of engagement

Innovation & collaboration (changing markets)

Details of engagement

Run a campaign to encourage innovation to reduce climate impacts on products and services

% of suppliers by number

8

% total procurement spend (direct and indirect)

80

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement

Garanti BBVA took its commitments in climate-related issues one step further and included environmental KPIs in its standard syndicated facility. This ground-breaking deal is a major first worldwide. It is the first syndicated loan in the world to be tied to a bank's sustainability criteria, two environmental KPIs to be exact. KPI 1: to source at least 80% of our electricity from renewable sources, KPI 2: to maintain a zero percent share of coal power plants in project finance greenfield electricity production portfolio. In order to achieve KPI 1, the Bank signed purchasing agreements with 2 major utilities to supply %100 renewable energy. Today, all buildings and branches, where the technical infrastructure is compatible, consume electricity generated by renewable energy power plants. This corresponds to a total of 90 million kWh of energy being

provided from RE resources, avoiding 45,000 tCO₂e carbon emissions per year. Furthermore, during the maturity of the loan agreement, the bank's KPIs will be assessed and verified by an independent consultant on a quarterly basis. If the KPIs are achieved the margin of the loan will decrease, and in case of failure to meet the KPIs, the margin will be increased. For the verification process of the RE purchases, utilities need to provide corresponding IREC to the consultant, which is a concept Turkish energy market is still having challenges due to lack of standards and know-how. We engaged with those 2 utilities that we signed the RE agreements and got to the bottom of the gaps related to IREC implementation. We facilitated and accelerated the entire process. Garanti BBVA has approximately 2,500 suppliers consist of various sectors and sizes. Therefore, for the coverage calculations we took the total electricity suppliers into consideration and shared the % total procurement spend for a more consistent and coherent calculation.

Impact of engagement, including measures of success

As the Turkish energy sector is trying to figure out the mechanisms to implement IREC in the midst of uncertainties, we engaged with our suppliers to help them better understand the process and the needs for IREC procedures to be fully prepared for an audit. We brought the utilities together with energy consultants as well as independent consultants. We had several meetings and discussions on the best possible ways to manage and finalize the IREC procedures in a very limited amount of time. Since this will be the first verification of IREC in Turkey, we paved the way for future transactions and practices. Next IREC issuances and verifications will be much easier after this multi-stakeholder collective effort. This is clear example of engaging with suppliers for innovation and collaboration to change the market.

Comment

As a pioneer in climate-related issues, we hope to engage more and more suppliers and support them in improving their environmental performance.

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Compliance & onboarding

Details of engagement

Climate change considerations are integrated into customer screening processes

% of customers by number

100

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)

All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement

Garanti BBVA established its E&S Loan Policies (ESLP) in 2011 and its E&S Impact Assessment Process (ESIAP) in 2012. ESIAP allows us to determine and mitigate the E&S impact of customers. Firstly, we subject all loans to our ESLP, which set the minimum E&S standards governing the extension of loans at the Bank. The Bank applies its ESLP to all loans. Therefore, our coverage for compliance is 100%.

Impact of engagement, including measures of success

Garanti BBVA aims to improve E&S performance of clients through requirements asked in loan agreements. Meanwhile, the Bank strives to build capacity of clients where feasible. For instance, we helped one of our strategic clients to understand the potential E&S risks in their hydro power project during the planning stage, which resulted with not moving forward. The project was located in the southwest of Turkey and we conducted E&S DD process. There was a particular risk that would have affected their financial performance significantly. It was the adverse impact of climate change on the river flow. After the initial due diligence, we decided to cooperate with two universities to identify the exact impact of climate change on this project. As a results, we identified 8% decrease in expected precipitation, 1 degree increase in temperature as well as ~15% flow decrease in the dam basin. Finally, we identified that this means nearly 15% decrease in the electricity production, which was a major shift in the initial cash flow calculation of our client. At the end, the client decided to move on with a geothermal investment rather than the hydro project.

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to education customers about your climate change performance and strategy

% of customers by number

37

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)

Minority of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement

Garanti BBVA supports its customers in managing their ESG risks. Our ESG experts assist our corporate & commercial clients to better understand climate-related risks, issues and mitigate these impacts in the best possible way. In that sense, we act as an advisor and our support to clients goes beyond our policies and procedures. Given that project finance transactions are more prone to climate-related risks, we work hand in hand with our PF clients and deeply engage with them for a deeper and more comprehensive understanding of climate risks and impacts. In 2019, the share of the clients that we we have deeply engaged with and educated was 37%. Our engagement with our PF clients are not limited to E&S Impact Assessment Model, we also organize workshops to inform them in the latest ESG management and climate-related issues.

Impact of engagement, including measures of success

Through this capacity building efforts many env. issues were mitigated and clients gained a broader and deeper understanding of their climate-related risks. These efforts clearly contributes to Turkey's transition to a low-carbon economy. As of December 2019, 73 projects with a total investment amount of US\$52 billion were subjected to these high standards and env. impacts that could worsen CC were mitigated. Additionally, 15 different types of E&S topics were addressed in a total of 11 E&S related meetings and conferences. Please see our 2019 Integrated Annual Report, page 27 and 97 (<https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf>).

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

(1) Garanti BBVA's Value Creation Model is comprised of five capitals for creating value and positive impact for the economy, the community and all stakeholders while contributing to Sustainable Development Goals (SDGs). One of these five capitals is the "natural and social capital". As a leading bank in sustainability Garanti BBVA aims to spread these practices across its customers, Turkish finance sector, public sector, and the society. To achieve this goal, the Bank actively engages and participates in numerous local and international organizations. In 2019, the Bank drove positive impact through 44 engagement platforms and 27 memberships. Garanti BBVA's engagement activities led to 13 policies/position papers that are issued to contribute SDGs. (please refer to page 133 of our 2019 Annual Integrated Report: <https://surdurulebilirlik.garantibbva.com.tr/media/1455/garanti-bbva-integrated-annual-report-2019.pdf>). (2) Garanti BBVA is the Chair of Business Council for Sustainable Development (BCSD Turkey), and a Board Member of UNGC Network Turkey, also the Vice Chair of the Environment and Climate Change Working Group of Turkish Business and Industry Association (TUSIAD). Additionally, Garanti BBVA is the only founding member bank from Turkey in UNEP FI's Principles for Responsible Banking Core Group. The Principles, aimed at aligning the banking sector with UN Sustainable Development Goals (SDGs), will provide substantial contribution to these goals along with the Paris Agreement through setting the roadmap for the banking sector. Defining the new role of the banking in the 21st century society and economy, they aim to maximize the impact of the banking sector on achieving a sustainable, equal and prosperous future. Besides the Bank is one of the private sector partners of the Carbon Pricing Leadership Coalition (CPLC). (3) Garanti BBVA also declared its support to Task Force on Climate-related Financial Disclosures (TCFD) and its Recommendation Report for climate-related risks & opportunities management. In its 2019 Integrated Annual Report, Garanti BBVA presents the TCFD Disclosure Table which is a linkage table between the Bank's disclosures and the TCFD recommendations. (4) The Bank is also the main sponsor of CDP Turkey and launched CDP Water Program in Turkey in 2015 to raise awareness among private sector and motivate them to take action. (5) Through these memberships, Garanti BBVA gets to work closely with the industry players and the policy-makers. For example, the Bank is one of the main sponsors of Sustainable Finance Forum organized since 2013 to build capacity among the Turkish finance sector. As the Chair of Sustainable Banking and Finance WG of UNGC Network Turkey, the Bank led the efforts to develop the groundbreaking Declaration on Sustainable Finance as mentioned in the 'Section C2.5'. The signatory banks commit to integrating E&S risk management in their lending activities. The Declaration was launched on September 29, 2017 during the V. Sustainable Finance Forum organized by BCSD Turkey, of which Garanti is also one of the main sponsors, and the Deputy Prime Minister (at that time) urged all Turkish banks to become a signatory during his keynote speech. In 2019 the WG expanded the scope of Sustainable Finance Declaration to include a decrease in investment amount limit and some provisions to ensure better control of Banks on the impact of projects financed by them. To date 8 banks became signatories representing 42% of the total asset size of Turkish banking sector. For further details on this declaration please refer to: <https://www.unglobalcompact.org/news/4281-10-23-2017>. (6) Furthermore, we are a member of the Core Group that developed UNEP FI Principles for



Responsible Banking. In 2019, we introduced the Principles to other banks in Turkey. Together with 5 other banks we became a signatory to the Principles during a launching assembly organized by Garanti BBVA.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

- Direct engagement with policy makers
- Trade associations
- Funding research organizations
- Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Climate finance	Support	Garanti BBVA contributed to the Voluntary National Review Report.	The Bank shared detailed case studies regarding its innovative sustainable finance solutions with the Department of Strategy Development of Presidency for the Voluntary National Review Report.
Climate finance	Support	Garanti BBVA attended the 25th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) as a presenter and a panel moderator.	During the conference, with the aim to share and promote the work carried out in our country to tackle climate change at an international level, Garanti BBVA informed about its pioneering practices and the contributions of the finance sector in Turkey. The Bank was among the organisations representing Turkey in the COP25 with its various distinctive and innovative practices in sustainability, including its products and solutions, such as the first

			social bond issue to developing countries, green mortgage and the first green loan in Turkey.
Energy efficiency	Support	Garanti BBVA engaged with The Ministry of Energy and Natural Resources regarding financing insulation projects	The Ministry of Energy and Natural Resources is working on a legislation to mainstream insulation practices in buildings in order to increase building energy efficiency. We worked closely with the Ministry to develop an effective financing mechanism for such projects that could be applied across the country. The financing mechanism that we offered will also be very effective to scale up and speed up such projects.
Other, please specify Sharing Experience with Public Authority	Support	Garanti BBVA participated in the consultation meetings for Turkey's 11th Development Plan. The consultation meetings were organized by the Ministry of Development. Garanti BBVA shared its comments via the Environment and the Sustainability of Natural Resources Working Group.	Garanti BBVA shared its know-how and experience in Environmental and Social Risk Management and climate change finance at this working group. Some of the issues raised and included into the Plan by the bank were; energy efficiency incentives, carbon pricing, and mandatory ESG disclosure.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Turkish Business and Industry Association (TUSIAD)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Founded in 1971 to represent the Turkish business world, TUSİAD is a voluntary, independent, non-governmental organization dedicated to promote welfare through private enterprise. On account of the institutions represented by its members, TUSİAD has a significant representative capacity of the economic activity in Turkey in many spheres such as production, value added, employment and foreign trade. TUSİAD's activities are aimed at creating a social cohesion based on the competitive market economy, sustainable development and participatory democracy. TUSİAD is a member of BusinessEurope which is the leading advocate for growth and competitiveness at European level. TUSİAD plays a significant role in the Turkish economy. 4500 member companies represent; 50% of the value –added, 85% of Turkey's total foreign trade, more than 50% of non-agricultural, non-governmental workforce, and 80% of corporate tax revenue. TUSİAD is a strong supporter of sustainability issues among Turkish companies. They have many publications and organize many events to raise awareness and share best practices.

How have you influenced, or are you attempting to influence their position?

Garanti BBVA is the Vice Chair of TUSİAD's Environment and Climate Change Working Group. This WG looks into ways to spread the best practices in environmental performance, risk management and low-carbon economy transition. Accordingly, climate change is one of the major discussion points for the WG's activities. In 2019, we contributed to the papers such as “Recommendations for Energy Efficiency Finance and Support Programs” and “Sustainable Finance and Supporting Mechanisms”, initiatives such as “Business World Plastic Initiative”, and participated in panels organized by the Ministry of Environment and Urbanization and TUSİAD at COP25, and “The Role of Trade Policies in Tackling Climate Change” through this WG.

In 2017, this WG published a Climate Change Position Paper stating that "TUSİAD unwaveringly supports the process through which Turkey ambitiously develops national policies on climate change mitigation and effectively pursues their implementation. In this process, we believe it is of utmost importance that initiatives regarding Turkey's status under the Paris Agreement be resolutely continued with the contribution of all stakeholders." For further details please refer to:

<http://www.globalbusinesscoalition.org/wp-content/uploads/2017/11/TUSIAD-Position-Paper-On-Addressing-Climate-Change.pdf>

The WG established 3 sub-working groups and a task force: (1) Climate Change & Low-carbon Economy, (2) Finance Mechanisms & Incentives, (3) Zero Waste, and the Energy Efficiency Task Force. Garanti BBVA is the Chair of Finance Mechanisms & Incentives Sub-WG. Additionally, we also supported and contributed to “Addressing Climate Change from Economic Policies Perspective Report” published by the WG published in December 2016 a report on the financial impacts of climate change in Turkey. The report evaluates the economic impacts of

market based tools such as carbon tax, ETS, renewable investments etc. using different scenario analyses. The solution offered in the report was to use a mixture of such tools, rather than implementing a single mechanism. For further details: https://tusiad.org/en/press-releases/item/download/8453_c328d6f3bffb08c03d978f213a0a3774 .

Trade association

Turkish Banking Association (TBA)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The Banks Association of Turkey was founded in 1958. It is a professional organization, which is a legal entity with the status of a public institution, established pursuant to Article 79 of the Banks Act. The head office of the Association is in Istanbul.

The purpose of the Association is to preserve the rights and benefits of banks, to carry on studies for the growth of the banking sector, for its robust functioning and the development of banking profession, strengthening of competition power, to take the decisions/ensure that they are taken to prevent unfair competition, to implement and demand implementation of these decisions, in line with the principles of open market economics and perfect competition and the regulations, principles and rules of banking. All deposit banks, development and investment banks operating in Turkey are obliged to become members of this Association at most a month after they get their permit of operation, and to comply with the provisions of this Statute, and to implement the decisions taken by the authorized bodies of the Association. TBA has working groups and many publications to mainstream sustainable banking approach and practices.

How have you influenced, or are you attempting to influence their position?

Garanti BBVA is actively involved in the Role of the Financial Sector in Sustainable Growth Working Group of TBA which aims to play a role in raising overall stakeholder awareness and spread the use of best practices, particularly for the transition to a low-carbon economy. As a member of this working group Garanti BBVA participated in the preparation of Sustainable Banking Guidelines Report published by TBA. TBA also provides distant-learning trainings for banks in environmental and social risk assessment. In 2017, As the Chair of Sustainable Banking and Finance WG of UNGC Network Turkey, Garanti BBVA's EVP, Ms. Ebru Dildar Edin presented the Sustainable Finance Declaration to the President of TBA prior to its launch. TBA shared the Declaration with the working group members and invited them to become signatories. In

2015 the Working Group also held a meeting to discuss Emissions Trading System (ETS) in Turkey. Besides, our CEO is a board member of the Banks Association of Turkey (TBA).

Trade association

Business Council for Sustainable Development Turkey (BCSD Turkey)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Business Council for Sustainable Development Turkey (BCSD Turkey) was founded under the leadership of 13 private sector entities. The council accepts only corporate membership. BCSD Turkey is the local network and partner of World Business Council for Sustainable Development (WBCSD) in Turkey, and it is in a strong cooperation with its parent organization. The Council shares knowledge on sustainability with its members and stakeholders through the activities of its working groups. Today BCSD Turkey has 67 members from 19 different sectors representing over 15% of Turkey's GDP. As an advocacy-based think tank, its mission is to contribute to policy development, and to increase the competitiveness of the business world, through an approach of sustainable development. This approach is based on the increase of economic growth and social welfare with the sustainable management of resources. Its objectives are: increasing the awareness of the business world and the public on the concept of sustainable development; inciting the increase of good practices which would set examples, and promoting them; contributing to policy development on sustainability; developing appropriate tools and channels for the promotion of sustainable development. To achieve this, they have 7 focus points: Energy, Sustainable Agriculture and Access to Food, Circular Economy, Women Employment and Gender Equality, New Technologies in Sustainability, Sustainable Finance, Sustainability Reporting. Climate Change is a cross-cutting issue that is undertaken accordingly and separately in Energy, Sustainable Agriculture, Circular Economy, New Technologies and Sustainable Finance working groups. BCSD Turkey engages with policy makers and all relevant ministries in Turkey to support the transition to a low-carbon economy and accelerate sustainable development.

How have you influenced, or are you attempting to influence their position?

Garanti BBVA is a Board Member of BCSD Turkey since 2013. Furthermore, the Bank is the Chair of the Board of BCSD Turkey since 2019. Over the years we have tremendously contributed to the working groups. During the years we have been the Chair of Sustainable Finance Working Group, we developed the themes and the detailed content of the Sustainable Finance Forums organized each year since 2013. The

Forums have different themes according to the recent developments and issues in ESG management in finance sector. Since 2019, as the Chair of the Board, we influence each working group and the overall position of the association.

C12.3d

(C12.3d) Do you publicly disclose a list of all research organizations that you fund?

Yes

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

Garanti BBVA adopts various reporting initiatives and platforms in cooperation with a number of organizations with the aim of improving the reporting of the environmental and the social impacts of its activities, and to promote communication with other stakeholders. The Bank participates in leading global and local sustainability organizations. These include UNEP FI, UNGC, UN Women, Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey (TBA) Role of the Financial Sector in Sustainable Growth Workgroup, International Integrated Reporting Council (The IIRC), as well as its Turkish network Integrated Reporting Türkiye Network (ERTA) and Turkish Green Building Council (CEDBİK). Garanti BBVA is also the Vice chair of TUSIAD (Turkish Industry and Business Association) Climate and Environment Working Group. In 2019, Garanti became a signatory of UNEP FI Banking Principles Core Group and introduced the Principles to the Turkish banks. The Principles will define and affirm the banking industry's role and responsibilities in shaping and financing a sustainable future, in alignment with internationally agreed targets detailed in the Paris Agreement and the Sustainable Development Goals. In order to introduce new practices to Turkey that go beyond common practices and compliance to relevant national laws and regulations, Garanti BBVA gives importance to external capacity building activities. For instance, with an aim of spreading its approach to other financial institutions in Turkey, the Bank has been organizing Sustainable Finance Forum (SFF) together with UN Global Compact, UNEP-FI and BCSD Turkey since 2013. In 2017, SFF's theme was "The Role of Finance Sector in Combating Climate Change", Sustainable Finance Declaration was launched, which sets a ground-breaking milestone for Turkish finance sector. The Declaration, prepared under the leadership of the UNGC Network Turkey, aimed to integrate the environmental and social risks, including the consideration of the cost of carbon in emission-intensive projects, in lending processes. Garanti BBVA has been one of the leading contributors to the development of this Declaration undertaken by the Sustainable Finance Working Group of UNGC Network Turkey, as the Chair. In 2018, the WG expanded the scope of Sustainable Finance Declaration to include a decrease in investment amount limit and some provisions to ensure better control of Banks on the impact of projects financed by them. In October 2019, the 6th Sustainable Finance Forum was organized with "Mobilizing Growth through Environmental and Social Targets: New Generation Financing Mechanisms" theme.

Moreover, Garanti BBVA is the Chair of Sustainable Banking and finance WG of UNGC Network Turkey. Besides, Garanti BBVA became the main sponsor of CDP Turkey in 2017.

In 2019, we contributed 1.5 million Turkish Liras to the efforts aimed at raising awareness and know-how transfer to a variety of stakeholders including public bodies, policy makers, private companies, universities and NGOs for sustainable development. 78,65% of this amount was contributed to lobbying activities for climate change, 15,04% was contributed to lobbying activities for sustainable finance and 6,31% was contributed to other lobbying activities.. For further details of our Memberships & Supported Initiatives please refer to:
<https://www.garantibbvainvestorrelations.com/en/sustainability/detail/Supported-Initiatives/864/3771/0>

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Garanti BBVA's Sustainability Governance, including above all the Sustainability Committee and the Responsible Banking Committee (RBC), play vital role in ensuring that the priorities of the Bank, the needs and expectations of stakeholders, the initiatives participated and the actions taken in this field are all in line with an overarching Sustainability Policy. To better explain, the Sustainability Team plays a coordination role between the Sustainability Committee and all departments of the Bank. Additionally, the Bank uses its intranet, awareness raising videos, e-mails and a variety of sustainability training programs tailored to specific business units in order to ensure that all engagement activities undertaken by various departments of the Bank are consistent with Garanti BBVA's Sustainability Policy. As defined in its Sustainability Policy, some of Garanti BBVA's strategic priorities include minimizing the negative impact of lending and investment activities, educating customers on sustainability and developing products and services that help catalyze the transition towards a more sustainable economy. The Bank believes that those three aspects can be better achieved if the awareness level of both real and finance sector is higher than today and there is strong collaboration between private and public sector with the aim of developing solutions for transition to a more sustainable economy. Besides, Garanti BBVA published its Climate Change Position Statement and Action Plan in 2015 stating its long and short term targets as well as its strategy on climate change. This document provides more specific targets and the cornerstones of how it integrates climate change to the way it does business. To this end, Garanti BBVA structured its engagement strategy with a range of stakeholders with the aim of disseminating its sustainability approach, sharing best practices and facilitating collaboration between all parties related to sustainability topics.

C12.4

(C12.4) Have you published information about your organization’s response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports, incorporating the TCFD recommendations

Status

Complete

Attach the document

 GarantiBBVA_2019IntegratedAnnualReport.pdf

Page/Section reference

2, 27, 36-37, 43-44, 54-65, 70-71, 97, 104, 132-139, 155, 159, 167, 208-210, 518-520, 522-525

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

Garanti BBVA has been publishing Integrated Annual Reports since 2017. Prior to that, the Bank had published Sustainability Reports each year since 2011 in line with international reporting standards. Believing in the power of transparency and disclosure, the Bank aims at



expanding its disclosure level and scope each year. We also place great importance on accountability and expand the scope of our limited assurance for our disclosures each year. The Bank's environmental performance indicators are among the metrics that are verified by an independent consultant and publicly disclosed. Furthermore, as one of the first supporters of TCFD, Garanti BBVA includes a TCFD Disclosures report in its Integrated Annual Report. While being in line with International Integrated Reporting Council (IIRC), our Annual Integrated Report is also in accordance with GRI "Core" Content.

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking Other, please specify UN Global Compact Communication on Progress	Garanti BBVA's Integrated Annual Report includes the GRI Financial Services Sector disclosures, United Nations Global Compact ('UNGC') and Women's Empowerment Principles ('WEPs') Progress Report, and a summary table of climate related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. Sustainability Accounting Standards Board ('SASB') Provisional Standard for Commercial Banks has also been used. Garanti BBVA's 2019 Integrated Annual Report will be presented at the Ordinary General Shareholders' Meeting of Garanti BBVA. The Bank makes all of its reports public on its website. The Bank is also among the first supporters of TCFD Recommendations, and is part of the core team of the UN Principles for Responsible Banking developed by the UNEP-FI. In this year's Integrated Annual Report, as it does every year, the Bank disclosed the total financing mobilized to low-carbon investments.
Industry initiative	UNEP FI Principles for Responsible Banking Science-Based Targets Initiative for Financial Institutions (SBTi-FI)	

	UNEP FI We Mean Business	
Commitment	Other, please specify Climate Change Action Plan Statement	In order to support Turkey's battle against climate change and its transition to a low-carbon economy, we declared our Climate Change Action Plan in 2015. The Action Plan focuses on 4 issues: (1) prioritizing RE investments and putting a shadow price on carbon, (2) reducing deforestation, (3) water management for climate adaptation, (4) establishing green office standards

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Category 15 "Investment" total absolute emissions	In parallel to our portfolio exposure assessment for climate-related risks/opps. we analyze our portfolio's climate impact in 3 levels: (1)Transaction Level; (2)Sector Level; (3)Portfolio Level (please see the mapping for these 3 levels in the below bulletpoints). Kindly note that our impact assessment is NOT only limited to carbon footprinting, which we believe represents only a limited amount of climate-related risks. For a full assessment, we take into consideration other climate related aspects such as upstream risks or social risks associated to changing climate which cannot be expressed in GHG terms. For all levels mentioned above the main mechanisms that constitute the basis of portfolio climate impact assessment are as follows: <ul style="list-style-type: none"> • (1) E&S Loan Policies: Policies with E&S criteria that applies to all loans (100%) • (1) E&S Impact Assessment Model: More comprehensive and detailed impact assessment model applied to loans that fall under the limits defined in Equator Principles on a minimum



			<ul style="list-style-type: none"> • (2) Climate Change Action Plan: 4 focus points to support Turkey’s transition to a low-carbon economy: prioritizing RE investments and putting a shadow price on carbon, reducing deforestation, water management for climate adaptation, establishing green office standards • (2) Sector Norms: Stricter E&S criteria on carbon-intense sectors, such as energy, mining, agriculture and transportation, applied to CIB loans. • (1) Know-Your-Customer (KYC): Customer analysis forms that also includes E&S questions • (3) UNEP FI Portfolio Impact Identification Tool: A tool developed by UNEP FI Principles for Responsible Banking Core Group
Other products and services, please specify	Not applicable		

C-FS14.1a

(C-FS14.1a) What are your organization’s Scope 3 portfolio emissions? (Category 15 “Investments” total emissions)

Category 15 (Investments)

Evaluation status

Relevant, calculated

Scope 3 portfolio emissions (metric tons CO2e)

0

Portfolio coverage

More than 40% but less than or equal to 50%

Percentage calculated using data obtained from client/investees

100

Emissions calculation methodology

Garanti BBVA believes that the main CC related risks arises from financing activities. In order to manage the climate impacts of its portfolio, the Bank has been investing in internal capacity building on E&S risk management over the past 10 years. The Bank minimizes the climate impacts of its portfolio through its world-class E&S risk management approach, Climate Change Action Plan, Sector Norms, science based target setting and portfolio impact analysis. To calculate the Scope 3 emissions of our investments GHG Protocol, Corporate Value Chain (Scope 3) Accounting and Reporting Standard was used. Garanti BBVA has included its downstream Scope 3 emissions from electricity generation sector in its new commitments in the Project Finance activities during the reporting year. Taking our efforts one step further, as a member of the Core Group that developed UNEP FI Principles for Responsible Banking, we also contributed develop a portfolio impact analysis methodology and a tool to calculate impact in the finance sector through a separate working group (WG). We aim to increase positive impacts while reducing the negative impacts on our portfolio. To this end, in 2019, the Bank has started to work on portfolio impact assessment by using the tool developed by the WG, that has both quantitative&qualitative assessment including climate impacts, and also set portfolio level targets accordingly. In 2019, we have analyzed our impact more deeply on each asset class using the portfolio impact identification tool. Currently we are fine tuning the first batch of results. For corporate customers, we've been working closely with the corporate digital banking team to transform and adapt the corporate impact tool into our way of doing business. This way we could analyze the impact of our corporate customers more effectively and advise accordingly with new sustainable finance opportunities. Furthermore, Garanti BBVA announced its Science Based Target for Scope 1 and Scope 2 emissions. The Bank was waiting for the SBTi to develop a methodology for Scope 3 emissions for financial institution. As the methodology was developed and opened up for feedback and will be launched by November, we will estimate our SBT for Scope 3 and get validation from SBTi for our emissions targets.

Please explain

We believe that the Bank's biggest portfolio impact on climate arises from Project Finance activities especially in the power generation sector (utilities). Therefore, we have been analyzing and publicly disclosing the Scope 3 emissions caused by the lending provided to utility sector. The portfolio coverage in this question refers to the share of financing provided to utilities in the entire Project Finance portfolio, which is 47%. The Scope 3 footprint of our greenfield energy production portfolio is 0 in new Project Finance commitments. Garanti BBVA's reporting includes emissions from project financing of new capacity only, including expansions of existing plants, but not re-financing of existing plants. During the reporting year, the Bank has disbursed USD 0.1 bn in loans to greenfield renewable power plant investments and no fossil fuel investments were financed. Therefore the total GHG emissions of project financing of greenfield power plant investments were calculated as negligible. Additionally, since 2014, 100% the loans provided in utility sector were provided to renewable energy investments. Therefore our Scope 3 emissions for this portfolio coverage is 0 (zero) since 2014.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	Yes, by asset class Yes, by industry Yes, by country/region	We believe that the Bank's biggest portfolio impact on climate arises from Project Finance activities especially in the power generation sector (utilities). Therefore, we have been analyzing and publicly disclosing the Scope 3 emissions caused by the lending provided to utility sector. The portfolio coverage in this question refers to the share of financing provided to utilities in the entire Project Finance portfolio, which is 47%. The Scope 3 footprint of our greenfield energy production portfolio is 0 in new Project Finance commitments. Garanti BBVA's reporting includes emissions from project financing of new capacity only, including expansions of existing plants, but not re-financing of existing plants. During the reporting year, the Bank has disbursed USD 0.1 bn in loans to greenfield renewable power plant investments and no fossil fuel investments were financed. Therefore the total GHG emissions of project financing of greenfield power plant investments were calculated as zero. Additionally, since 2014, 100% the loans provided in utility sector were provided to renewable energy investments. Therefore our Scope 3 emissions for this portfolio coverage is 0 (zero) since 2014. And we are able to breakdown this portfolio impact by asset class, industry and by country/region.

C-FS14.2a

(C-FS14.2a) Break down your organization's Scope 3 portfolio impact by asset class.

Asset class	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Project finance	Total carbon absolute emissions (CO2e)	Metric tons CO2e	0	By asset class, the portfolio climate impact disclosed in this question is solely Project Finance. We believe that the Bank's biggest portfolio impact on climate arises from Project Finance activities especially in the utility sector. Therefore, we have been analyzing and publicly disclosing the Scope 3 emissions caused by the lending provided to utility sector. The portfolio coverage in this question refers to the share of financing provided to utilities in the entire Project Finance portfolio, which is 47%. The Scope 3 footprint of our greenfield energy

				production portfolio is 0 in new Project Finance commitments. Garanti BBVA's reporting includes emissions from project financing of new capacity only, including expansions of existing plants, but not re-financing of existing plants. During the reporting year, the Bank has disbursed USD 0.1 bn in loans to greenfield renewable power plant investments and no fossil fuel investments were financed. Therefore the total GHG emissions of project financing of greenfield power plant investments were calculated as zero. Additionally, since 2014, 100% the loans provided in utility sector were provided to renewable energy investments. Therefore our Scope 3 emissions for this portfolio coverage is 0 (zero) since 2014.
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C-FS14.2b

(C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Utilities	Total carbon absolute emissions (CO2e)	Metric tons CO2e	0	By industry, the portfolio climate impact disclosed in this question is solely Utilities that we provided finance in Project Finance. We believe that the Bank's biggest portfolio impact on climate arises from Project Finance activities especially in the utility sector. Therefore, we have been analyzing and publicly disclosing the Scope 3 emissions caused by the lending provided to utility sector. The portfolio coverage in this question refers to the share of financing provided to utilities in the entire Project Finance portfolio, which is 47%. The Scope 3 footprint of our greenfield energy production portfolio is 0 in new Project Finance commitments. Garanti BBVA's reporting includes emissions from project financing of new capacity only, including expansions of existing plants, but not re-financing of existing plants. During the reporting year, the Bank has disbursed USD 0.1 bn in loans to greenfield renewable power plant investments and no fossil fuel investments were financed. Therefore the total GHG emissions of project financing of greenfield power plant investments were calculated as zero. Additionally, since 2014, 100% the loans provided in utility sector were provided to renewable energy

				investments. Therefore our Scope 3 emissions for this portfolio coverage is 0 (zero) since 2014.
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C-FS14.2c

(C-FS14.2c) Break down your organization’s Scope 3 portfolio impact by country/region.

Country/Region	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Turkey	Total carbon absolute emissions (CO2e)	Metric tons CO2e	0	By country/region, the portfolio climate impact disclosed in this question is solely in Turkey. We believe that the Bank's biggest portfolio impact on climate arises from Project Finance activities especially in the utility sector. Therefore, we have been analyzing and publicly disclosing the Scope 3 emissions caused by the lending provided to utility sector. The portfolio coverage in this question refers to the share of financing provided to utilities in the entire Project Finance portfolio, which is 47%. The Scope 3 footprint of our greenfield energy production portfolio is 0 in new Project Finance commitments. Garanti BBVA's reporting includes emissions from project financing of new capacity only, including expansions of existing plants, but not re-financing of existing plants. During the reporting year, the Bank has disbursed USD 0.1 bn in loans to greenfield renewable power plant investments and no fossil fuel investments were financed. Therefore the total GHG emissions of project financing of greenfield power plant investments were calculated as zero. Additionally, since 2014, 100% the loans provided in utility sector were provided to renewable energy investments. Therefore our Scope 3 emissions for this portfolio coverage is 0 (zero) since 2014.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	In order to align with 2-degree goal, the Bank has been continuously investing in internal capacity building and taking initiatives for E&S risks & opportunities. The Bank minimizes the climate impacts of its portfolio through its world-class E&S risk management approach, Climate Change Action Plan, Sector Norms, science based target and portfolio impact analysis. We seize the opportunities through our innovative solutions such as Green Loan, ESG-Linked Syndicated Loan, Green Bond, etc. We always push ourselves for more ambitious and higher standards. As we were waiting for the SBTi to come up with Scope 3 methodology for financial institutions, we announced our science-based target for Scope 1 and Scope 2 emissions in line with 1.5-degree goal (more ambitious targets than 2-degree alignment). We will reduce our Scope 1+2 emissions by 29% by 2025, and by 71% by 2035. Thanks to our renewable energy purchasing agreements with utilities, LEED certified buildings, rooftop solar PVs and energy efficiency investments we will achieve our 2035 target by the end of 2020. In 2020 we will investigate applying the recently released Scope 3 methodology and announcing our Scope 3 SBT where we will also align our portfolio with 2 degree goal. For almost a decade, we have managed the climate-related impact of our portfolio by prioritizing RE investments, putting a shadow price on carbon, applying sector specific E&S criteria, and minimizing E&S impacts through ESIAM. Since 2014, 100% of all greenfield energy projects financed by the Bank in Project Finance were RE projects. We took our efforts one step further by adding environmental KPIs to our standard syndication facility and signed the world's first ever ESG-Linked Syndicated Loan. We also build capacity and raise awareness among customers, peer banks and society to inspire them to align with 2-degree goal as well.
Other products and services, please specify	Not applicable	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	Considering climate-related risks, the Bank's greatest portfolio impact arises from Corporate and Investment Banking which makes up for 22% of the Bank's entire loan portfolio. Through our climate-related policies and procedures as well as portfolio impact assessments we assess our CIB clients' climate-related impacts, including alignment with 2-degree goal. We further inspire and incentivize our customers through innovative financing mechanisms such as Green Loan and Sustainability Loan where the margin of the loan is linked to the borrower's sustainability performance or certain environmental KPIs agreed upon with the client (Our eligible KPIs include SBTi as well). This structure highly motivates clients to adopt sustainable business models.

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	Yes, for some	Garanti BBVA is chairing a variety of sustainable finance platforms in Turkey. Through these platforms, Garanti BBVA shares its experience with Turkey's largest corporates which are also Garanti BBVA's clients. Science Based targets were among the topics that Garanti BBVA introduced and that were discussed during the working group meetings held in 2019. Of note, Garanti BBVA is the main sponsor (financial and non-financial support) of CDP in Turkey and is aiming to raise its corporate client's awareness on SBTi and other climate-related developments through its support to CDP and helping the platform to become more widespread.



C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

For all pioneering achievements and innovative solutions offered to accelerate the transition to a low-carbon economy and sustainable development as well as latest developments in ESG management please visit Garanti BBVA Sustainability website:

<https://surdurulebilirlik.garantibbva.com.tr/en>

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	President & CEO	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public



Please confirm below

I have read and accept the applicable Terms