

# Key Material Issues for Enterprise/External Value Creation

## Climate Change

According to double materiality analysis of the bank, climate change is the key material issues for Garanti BBVA. Garanti BBVA measures aimed at adapting to the consequences of climate change include the establishment of policies, identification and management of climate risks and opportunities, definition of decarbonization goals for the portfolio aligned with the objectives of the Paris Agreement, and the inclusion of sustainability criteria, specifically climate change, in the credit analysis of customer operations. Positive&negative impacts and risks&opportunities of climate change are listen in Garanti BBVA 2023 Integrated Annual Report (pages 72,73).

When strategic projections were captured in the criteria used for stakeholder assessment, stakeholder weights showed some variations in 2023 as compared to 2022, and the updated analysis was assured by a third independent party considering the alignment of topics with our integrated business strategy in 2023. According to the analysis, the 'Climate Change' which is directly linked to Climate Strategy was among the top priority topics within 9 material topics. We have established that all our key stakeholders, internal and external alike, regarded Climate Change as the most material topic in 2023.

Garanti BBVA has been supporting sustainable development focusing its efforts on combating climate crisis and inclusive growth to support sustainability, which is one of its strategic goals. Foster new business is one of the pillars of Garanti BBVA's sustainability strategy. The bank has 2025 target for sustainable financing as 400 billion TRY. This target covers both climate change and inclusive growth. Therefore, climate change as a key material issues has business impact on revenue as well. With respect to combating climate crisis and inclusive growth in keeping with its approach to impact investment, the Bank's total contribution to sustainable development to date reached TL 120 billion as of the end of 2018-2023 period. In 2020, Garanti BBVA has become a Carbon-Neutral Bank in scope 1 and 2 emissions. Again in 2020, the Bank announced its target to reduce its carbon emissions by 29% by 2025 and by 71% by 2035 within the frame of Science-Based Targets in line with the Paris Agreement's goal to limit temperature rise to 1.5° degrees, and has been the first company to declare such a target in Türkiye. Having reduced its operational emissions by 75% at end2020, the Bank purchased carbon credits for its remaining emissions and became carbon-neutral 15 years earlier than its reduction target. Since 2021, the Bank has been continuing to offset its operational emissions by purchasing carbon credits and supporting the projects in voluntary carbon markets recognized by international institutions. The Bank's decarbonization targets set for carbon-intensive industries such as energy, automotive, iron & steel, and cement by 2030 have been prepared using the internationally recognized PACTA (Paris Agreement Capital Transition Assessment) methodology and were publicly disclosed in 2023. In keeping with the ever-improving data quality, Garanti BBVA reviews and takes steps to update these targets. The Pillar-III ESG reporting, which was included in legal disclosures by the European Banking Authority (EBA) in 2022, allows the evaluation of banks' ESG risks and finance strategies by all financial sector stakeholders, including customers and investors. In 2023, Garanti BBVA continued to analyze the resilience of the banking portfolio against transition risks and physical risks arising from climate change to manage risks on business impact.

Strategic Priority/ Climate Change: Effective risk management through world-class integrated management of financial and non-financial risks. The bank pledges to contribute increasing amounts of financing by 2025 in parallel with the BBVA Group's sustainable finance targets. In 2017, Garanti BBVA signed the Declaration on Sustainable Finance which foresees assessment of E&S risks in loan processes in Turkey and their integration into relevant policies. As declared in its Climate Change Action Plan in 2015, the bank as a pioneer in financing renewable energy projects and being the market leader for wind projects financing in Turkey, the bank exceeded its goal of prioritizing renewables in project finance as 100% of the total resources allocated to greenfield energy

investments was allocated to renewable investments in 2023. In 2021, the bank has also announced its coal phase out plan. The bank has also announced decarbonization target for 2030 with PACTA methodology.

The major material metric for Climate Change is Sustainable Finance Mobilization. The BBVA Group, the Bank's principal shareholder, doubled its sustainable financing target from EUR 100 billion it declared in 2018 to EUR 200 billion in 2021 in parallel with its climate change and sustainable development strategy aligned with the Paris Agreement. Being already ahead of its goals in 2022, the BBVA Group revised the 2025 goal for a second time, tripling the original amount to EUR 300 billion. This pledge is intended to contribute to the joint global combat against climate change, encourage inclusive growth where all segments are involved in the process, and share the benefit derived in line with the goal of bringing the age of opportunity to everyone. Having stated that it would contribute increasing amounts of financing in parallel with the BBVA Group's sustainable finance target initially and later pledged that it would allocate funds totaling TL 150 billion, Garanti BBVA updated its target to provide funding for financing sustainable activities between the years 2018 and 2025 for combating climate crisis and for sustainable development as TL 400 billion in 2023. In the 2018-2023 period, the total amount of resources allocated by the Bank to the financing of sustainable activities reached 120 billion TL. The amount of financing for climate change in 2023 is approximately 30 billion TL. In 2022, the volume was approximately 11 billion TL. Garanti BBVA added the financing target to be mobilized for sustainable finance to the premium criteria of all employees at all levels (including board level and executive senior managers) With this strategic practice, value creation in all business lines is encouraged by integrating sustainability into the daily operations of all employees.

Climate change is also one of the most material issue for our external stakeholders. Climate change is the main concern among our stakeholders and they expect Garanti BBVA to contribute to transition towards a low-carbon economy. This requires proper risk and opportunity management that Climate Change resulted in. Decarbonization is one of the greatest challenges facing humanity. Climate change and the transition to a low-carbon economy have significant implications for the value chains of most productive sectors, since they require significant investments in many industries. As a financial institution, Garanti BBVA has an indirect impact on the environment and society through its lending activity and the projects it finances. The investment needed to make the world go zero emissions has to be attractive, economically viable and profitable. In this sense, investment in renewables, energy efficiency or electric cars already has a profitable alternative for families and companies, compared to fossil fuels. However, most activities do not have an emission-free version that is economically viable. Garanti BBVA aspires to gradually align its activity to a scenario of zero net emissions by 2050. More than >50% of business activity has impacts on our value chain (Supply chain, operations and products/services) regarding Climate Change. Garanti BBVA manages and evaluates its internal and external impacts resulted in climate change on environment, society, clients and external employees. While Garanti BBVA minimizes the environmental and social impacts of climate change with its financial power, it also raises awareness on both clients and suppliers and paves the way for sustainable investments.

The major material metric for Climate Change on external stakeholders side is financing of renewable energy projects. Financing 100% renewables in greenfield electricity generation projects within the scope of its Project Finance deals since 2014, the Bank continued to support exclusively renewable energy investments in greenfield energy investments in 2023. The market share of the Bank-financed wind power plants (WPPs) and solar power plants (SPPs) by installed power is 24.6% and 21.3%, respectively, in 2023. The cumulative financing amount Garanti BBVA provided to renewable energy investments exceeded USD 6,472 billion. In 2023, total avoided emissions of operational renewable power projects, in the financing of which Garanti BBVA was involved, were 14.65 million tCO<sub>2</sub>e based on the current average grid emission factor for Türkiye. The data was 14.05 million tCO<sub>2</sub>e in 2022. Impact Valuation is minimize the climate impact of our products

## Inclusive Growth

According to double materiality analysis of the bank, inclusive growth is the key material issues for Garanti BBVA. Garanti BBVA promotes access to funding for vulnerable individuals or those with low incomes and small businesses/professionals with fewer resources and possibilities, accompanied by financial and digital education actions. Developing new products with the help of new technologies to access new markets previously inaccessible due to risk factors. Supporting governments and companies to promote employment and local development of territory and communities. Promoting society's development through community investments carried out by the company. Positive&negative impacts and risks&opportunities of inclusive growth are listen in Garanti BBVA 2023 Integrated Annual Report (pages 76,77).

When strategic projections were captured in the criteria used for stakeholder assessment, stakeholder weights showed some variations in 2023 as compared to 2022, and the updated analysis was assured by a third independent party considering the alignment of topics with our integrated business strategy in 2023. According to the analysis, the 'Inclusive Growth" which is directly linked to Sustainability Strategy was among one of the top priority topics within 9 material topics. We have established that all our key stakeholders, internal and external alike, regarded Inclusive Growth as the most material topic in 2023.

Garanti BBVA has been supporting sustainable development focusing its efforts on combating climate crisis and inclusive growth to support sustainability, which is one of its strategic goals. The bank has 2025 target for sustainable financing as 400 billion TRY. This target covers both climate change and inclusive growth. Therefore, inclusive growth as a key material issues has business impact on revenue as well. With respect to combating climate crisis and inclusive growth in keeping with its approach to impact investment, the Bank's total contribution to sustainable development to date reached TL 120 billion as of the end of 2018-2023 period. The thematic breakdown of sustainable financing provided by Garanti BBVA in 2023 as green and social loans can also be seen in the graphs below:

Figure 1: Climate Action Financing by Themes

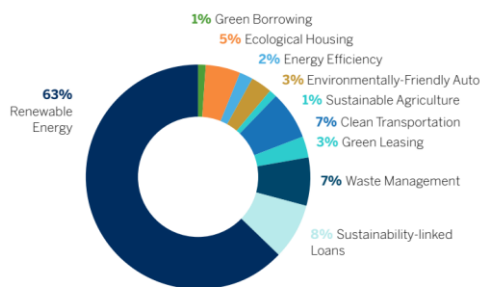
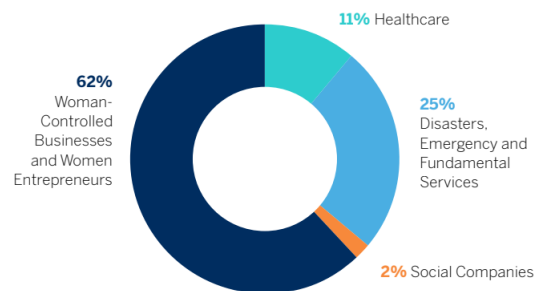


Figure 2: Inclusive Growth Financing by Themes



Garanti BBVA has been broadening the scope of the support extended for women's empowerment in business, entrepreneurship and technology startup ecosystem, and developing specific service models and approach within the frame of inclusive growth that makes the other headline of its sustainability strategy. The Bank's efforts for empowering women entrepreneurs spent under the Women Entrepreneurs Program launched in 2006 are categorized under four headings: "financing", "encouraging", "education" and "access to new markets". Garanti BBVA has introduced "Hesabını Bilen Kadınlar" program for unbanked women in Türkiye, in order to support their active participation to the economy and financial system as a part of its inclusive growth strategy. The program has two different education models: online and face to face financial literacy trainings. A financial literacy training which is prepared for women to better manage their own economies in cooperation with the Financial Literacy and Inclusion Association (FODER) has been available free of charge since July 2023. Face-to-face training programs are being organized with women's cooperatives in collaboration

with the Foundation for the Support of Women's Work (KEDV) to build on women's financial literacy and entrepreneurial skills. On the other hand, the Bank also supports program participant customers with advantageous custom-tailored banking products. Women who participate in the program, regardless of the income declaration requirement, can benefit from a fee-free Bonus Troy credit card up to 3,000 TL, micro loans up to 5,000 TL, and a private pension contract that they can start for themselves and their children from 100 TL. Also, women who get the PPS for the program are given free Critical Women Diseases insurance and a mammogram that they can use once a year. In 2024, the Bank is intending to help build on the financial literacy knowledge of a higher number of women and to support their active participation in economic life using banking products through partnerships with the civil society, public sector and various brands. Support to the entrepreneurial ecosystem is carried on with the Garanti BBVA Partners Accelerator Program. In the new term, it will be diversified with the Garanti BBVA Partners Tech subprogram targeted at technology startups with a focus on data, cyber security, payment systems and sustainability. Garanti BBVA will offer supporting content and events such as training, meetings, and collaborations, in addition to financing resources, with the Technology Entrepreneurs Service Model that it will offer in the coming period to technology startups that will shape the future.

Engaged in the banking business with the goal of "bringing the age of opportunity to everyone", Garanti BBVA moves ahead with the target of having a positive impact on the people, businesses, and the society at large at all times in line with its corporate values. Various policies and internal guidelines of the Bank represent its pledge to be a responsible bank and create value over the long term, which it has communicated to all its stakeholders. Released in July 2021 based on the Board of Directors decision, the Corporate Social Responsibility Policy is intended to emphasize the Bank's principles, guidelines and commitments related to corporate social responsibility and adapt them to the priorities of the Bank and the society. When setting its strategies for community investment programs, the Bank focuses on social sensitivities and common issues in Türkiye and in the world that overlap with Garanti BBVA's values. In keeping with its responsible banking concept, the Bank prioritizes the society's needs and the stakeholders' expectations from the Bank in a strategically aligned fashion with its core business lines and devises programs that will yield social benefits. All actions that been taken on community investment are listed in our 2023 Integrated Annual Report (pages: 189-194)

Inclusive growth risks and opportunities are listed below;

#### Risks

- Reputational loss due to lack of or insufficient financial inclusion measures.
- Loss of business opportunities due to not serving new segments (not expanding the customer base).
- Loss of opportunities in the development of financial products (less innovation)
- Loss of competitiveness/income due to excessive focus on financial inclusion.
- Reputational risk due to lack of contribution or inadequate contribution to the requirements of the social environment.

#### Opportunities

- Positioning and recognition by stakeholders, especially customers, as a company that provides and facilitates access to financing for vulnerable groups, disadvantaged areas and promotes the revitalization of the local and regional economy.
- Expansion of the customer base.
- Innovation and development of new products and services aimed at disadvantaged and/or vulnerable groups or underserved areas.
- Positioning and recognition by stakeholders as a socially responsible company that contributes to the development of the societies in which it is present with its philanthropic activity

The major material metric for Inclusive Growth is Sustainable Finance Mobilization. The BBVA Group, the Bank's principal shareholder, doubled its sustainable financing target from EUR 100 billion it declared in 2018 to EUR 200 billion in 2021 in parallel with its climate change and sustainable development strategy aligned with the Paris Agreement. Being already ahead of its goals in 2022, the BBVA Group revised the 2025 goal for a second time, tripling the original amount to EUR 300 billion. This pledge is intended to contribute to the joint global combat against climate change, encourage inclusive growth where all segments are involved in the process, and share the benefit derived in line with the goal of bringing the age of opportunity to everyone. Having stated that it would contribute increasing amounts of financing in parallel with the BBVA Group's sustainable finance target initially and later pledged that it would allocate funds totaling TL 150 billion, Garanti BBVA updated its target to provide funding for financing sustainable activities between the years 2018 and 2025 for combating climate crisis and for sustainable development as TL 400 billion in 2023. In the 2018-2023 period, the total amount of resources allocated by the Bank to the financing of sustainable activities reached 120 billion TL. The amount of financing for inclusive growth in 2023 is approximately 43 billion TL. In 2022, the volume was approximately 17 billion TL. Garanti BBVA added the financing target to be mobilized for sustainable finance to the premium criteria of all employees at all levels (including board level and executive senior managers) With this strategic practice, value creation in all business lines is encouraged by integrating sustainability into the daily operations of all employees.

Inclusive Growth is also one of the most material issue for our external stakeholders. Stakeholders expect the bank's business model to support the financial inclusion of people in the countries in which it operates, entrepreneurs and the development of inclusive infrastructures. Garanti BBVA can impact positively giving access to financing & financial services in less accessible areas and for vulnerable and disadvantaged groups; offering financing and products aimed at these groups. BBVA has also a positive impact offering financial education for customers and society in general; and specific education for disadvantaged and/or vulnerable groups or fostering partnerships. Garanti BBVA can impact negatively by the lack of access to financing & financial services in less accessible areas and to vulnerable and disadvantaged groups; by the lack of financial education for customers and society in general; & specific education for disadvantaged and/or vulnerable groups or the lack of products aimed at SMEs and the self-employed with less access to financing and sustainable business models- More than >50% of business activity has impacts on our value chain (Supply chain, operations and products/services) regarding Inclusive Growth. Garanti BBVA manages and evaluates its external impact resulted in inclusive growth on society, clients and external employees. While Garanti BBVA improves the social impacts of inclusive growth with its financial power, it also raises awareness on both clients and suppliers and paves the way for sustainable investments on social side.

The major material metric for Inclusive Growth on stakeholders side is amount (TL) mobilized in inclusive growth on external. Garanti BBVA updated its target to provide funding for financing sustainable activities between the years 2018 and 2025 for combating climate crisis and for sustainable development as TL 400 billion in 2023. In the 2018-2023 period, the total amount of resources allocated by the Bank to the financing of sustainable activities reached 120 billion TL. Total annual sustainable finance volume is app. 73 billion TL. (43 Billion TL on Inclusive Growth, 30 Billion TL on Climate Change). We measure the impact metric for inclusive growth by the number of customers reached within the scope of inclusive growth. We engaged with 172,328 customers in 2023 via our financial products and non-financial support. Thus, the integration of customers defined as vulnerable into the financial system is supported within the scope of inclusive growth.

## Cybersecurity

According to double materiality analysis of the bank, cybersecurity is the key material issues for Garanti BBVA. Garanti BBVA measures aimed at ensuring the security of the entity at the software and information security levels to prevent theft, attacks, or alterations of any kind that could

compromise the credibility and good practices of the company. Positive&negative impacts and risks&opportunities of cybersecurity are listen in Garanti BBVA 2023 Integrated Annual Report (pages 76,77). The bank confidential data, customer data, internal data may be at risk due to cyber-attacks. Therefore, cybersecurity as a key material issue has business impact on risk management as well.

Risks and opportunities related cybersecurity are listed below;

#### Risks

- Loss of competitiveness/revenue due to failures in information systems and/or lack of protection against cyber-attacks; leaks of confidential information and security breaches.
- Excessive dependence on service providers for cybersecurity management.

#### Opportunities

- Positioning and recognition by stakeholders, especially customers, as a company safe from cyber-attacks.
- Development of solutions against cyberattacks that can provide a competitive advantage in the market.

Identity and Access Management function that is of an ever-increasing importance was reviewed end-to-end and reorganized as a separate unit composed of broader and more-focused teams. This move separated Access Management, Identity Management and Authorization Operations functions, resulting in their more focused management. In terms of governance, the Information Security Committee headed by the CEO coordinates all efforts within the Bank to guarantee information security, and monitors policies, procedures, and regulations. For alignment with the new regulation that went into force in recent years, Information Systems Security team operates within an organizational structure whereby it reports its activities directly to the CEO.

As technology advances rapidly and the internet permeates every aspect of our lives, cyber-attack methods continue to evolve and change. With the emergence of attack techniques such as 'vishing', biometric spoofing, and malicious generative AI, the protection of personal and corporate data has become imperative. Cyber-attacks not only threaten individuals' privacy but also jeopardize companies' financial health. Therefore, implementing effective cybersecurity strategies is not only about preventing damages but also about laying the foundation for operating securely in the digital environment.

At Garanti BBVA, within the framework of customer security principles, we comprehensively address external fraudulent incidents. We manage frauds related to card transactions, account operations, POS transactions, and credit product applications from all channels, both branch and non-branch, with a customer-centric approach. Additionally, we conduct separate analyses for external fraud risks for every newly developed product and process. The increasing frequency and complexity of data breaches compel companies to be more vigilant and continuously update their security measures. At Garanti BBVA, we not only provide protection against current threats but also take proactive measures by anticipating potential future attacks. We continue to develop tools and projects to ensure data security and enhance the reliability of our infrastructure in order to promote and strengthen data security.

Garanti BBVA actions are listed to expectation for a secure customer experience against increased and evolving cyber threats and responsible AI use;

- Garanti BBVA Cybersecurity Center
- Information Security Committee reporting to the Board of Directors
- Tools for ensuring and deploying data security were developed and infrastructure projects aimed at increasing the reliability of infrastructure were carried on.

- Data Sharing Committee reporting to the Board of Directors
- Awareness programs for customer privacy and information security
- Training or briefings concerning external fraud
- Cybersecurity training per FTE

The major material metric for cybersecurity is Cybersecurity training hours per FTE. The metric is 86% in 2023. Garanti BBVA remains its metric as in 2022. Our target for 2024 is to maintain the same per rate min. 86%. To counter the increasing cybersecurity threats with greater focus, the Information Security Operations team is divided into two main domains. The cybersecurity functions gathered under the Cyber Defense Center unit so formed were reorganized in the face of current threats and needs. Management approach about personal data security and cybersecurity is detail in Garanti BBVA Personal Data Protection And Processing Policy. Sanctions are explained in the policy as The Law further describes the misdemeanors that may be exposed by data supervisor in case of breach of the obligations and liabilities of data supervisor, together with administrative fines to be applied on such misdemeanors. Accordingly, failure to perform public disclosure obligations, failure to ensure data security, failure in performance of the Board decisions, and violation of the obligations of registration in and notification to the Registry are considered as misdemeanors, and are made subject to administrative fine sanctions. As it is stated that our Remuneration Committee's Responsibilities, The Remuneration Committee is responsible for conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and regulations and risk management principles. According to the Garanti BBVA Remuneration Policy; The Board of Directors of Garanti BBVA, in the policy, approves a new Garanti BBVA Remuneration Policy (hereinafter, the "Garanti BBVA Remuneration Policy"), which, as a main novelty, introduces a specific long-term variable remuneration component that will form part of the annual variable remuneration of those categories of staff whose professional activities have a material impact on the risk profile of Garanti BBVA (hereinafter, the "Identified Staff"). This new variable remuneration model has been developed taking into consideration the best market practices and with the main aim of fostering closer alignment between remuneration of the Identified Staff and long-term value creation and sustainable performance and with sound and effective risk management, with a policy in place to simultaneously attract, motivate and retain the best talent. Remuneration process is also related with effective risk management. Information security and IT-Related risk ,which are also cover cybersecurity risks, are defined under reputational risk category. So, effective risk management criteria for remuneration covers information security, IT-Related and cybersecurity risks.